

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			4-6
Management's Discussion and Analysis			7-16
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Position	A		18
Statement of Activities	B		19
Governmental Fund Financial Statements:			
Balance Sheet	C		20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E		22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F		23
Proprietary Fund Financial Statements:			
Statement of Net Position	G		24
Statement of Revenues, Expenses and Changes in Fund Net Position	H		25
Statement of Cash Flows	I		26
Notes to Financial Statements			27-41
Required Supplementary Information:			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund			44
Notes to Required Supplementary Information - Budgetary Reporting			45
Schedule of the District's Proportionate Share of the Net Pension Liability			46
Schedule of District Contributions			47
Notes to Required Supplementary Information - Pension Liability			48-49
Schedule of Funding Progress for the Retiree Health Plan			50
Schedule of Funding Progress for the Supplemental Pension Plan			51
Supplementary Information:	<u>Schedule</u>		
Nonmajor Governmental Funds:			
Combining Balance Sheet	1		54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		55
Capital Projects Accounts:			
Combining Balance Sheet	3		56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4		57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5		58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6		59
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 <u>Government Auditing Standards</u>			60-61
Schedule of Findings			62-65

Baxter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Curt Hansen	President	2015
Deborah Meyer	Board Member	2015
Colette Kunkel	Board Member	2015
Cory Robinson	Board Member	2017
Jon Northrup	Board Member	2017
School Officials		
Todd Martin	Superintendent	2015
Julie McWhirter	District Secretary/Treasurer and Business Manager	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Baxter 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 Baxter Community School District, Baxter, 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 Baxter 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Baxter Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 44 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Baxter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2016, on our consideration of Baxter 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 Baxter Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baxter 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 \$4,151,366 in fiscal year 2014 to \$4,067,852 in fiscal year 2015, while General Fund expenditures increased from \$4,005,247 in fiscal year 2014 to \$4,076,592 in fiscal year 2015. Expenditures outpaced revenues resulting in a decrease in the District's General Fund balance from \$1,126,172 at June 30, 2014 to \$1,117,432 at June 30, 2015.
- The decrease in General Fund revenues occurred mainly in the local tax sources. The increase in expenditures was due primarily to an increase in the instruction functional area compared to fiscal year 2014.

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 Baxter 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 Baxter 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 Baxter Community School District acts solely as an agent or custodian 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 and the Schedule of Funding Progress for the Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Baxter Community School District Annual Financial Report

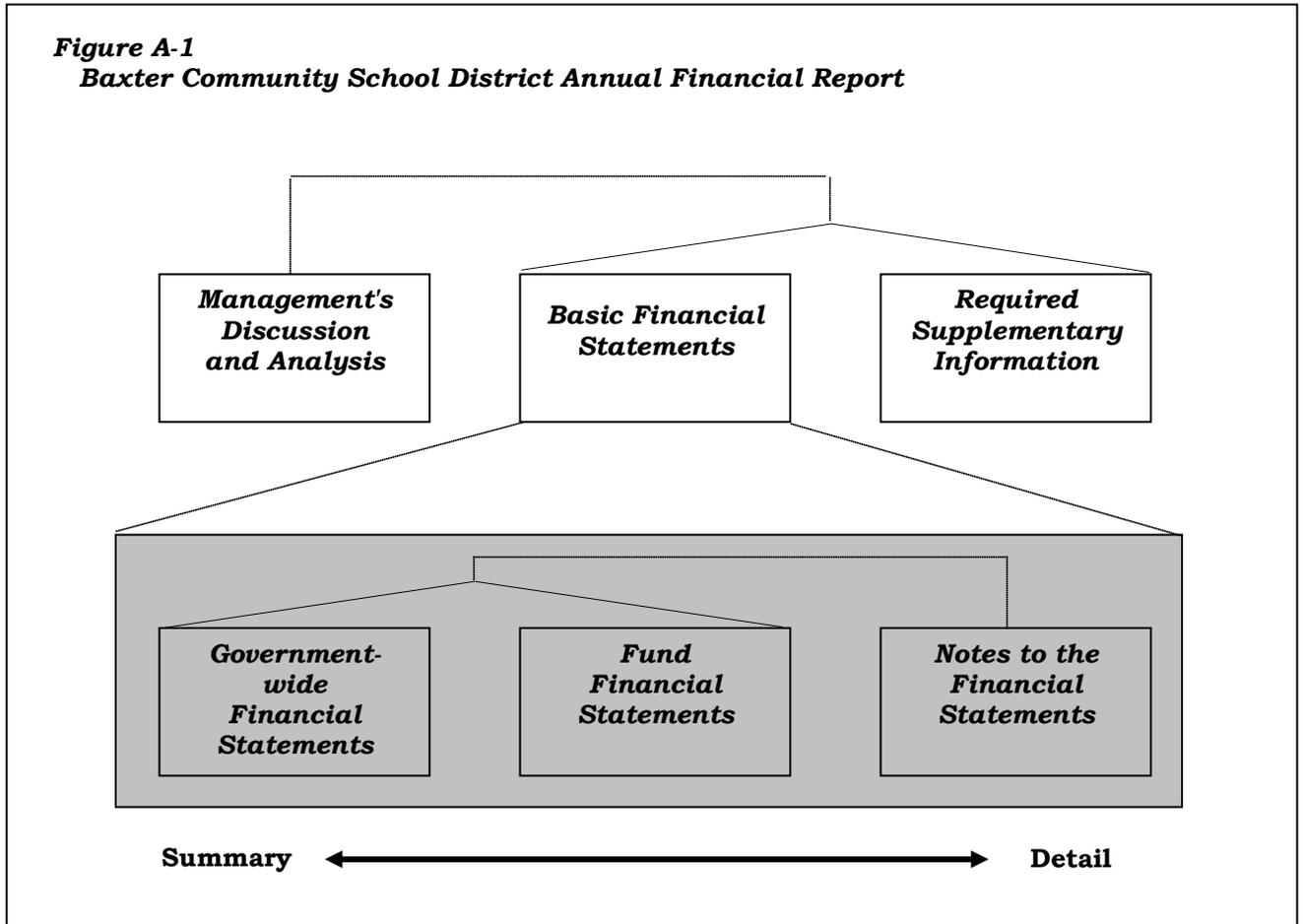


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 4,065,132	3,942,353	18,580	5,592	4,083,712	3,947,945	3.44%
Capital assets	5,772,890	5,877,888	14,901	20,574	5,787,791	5,898,462	-1.88%
Total assets	9,838,022	9,820,241	33,481	26,166	9,871,503	9,846,407	0.25%
Deferred outflows of resources	375,838	-	9,497	-	385,335	-	100.00%
Long-term liabilities	3,031,425	1,701,848	41,824	2,115	3,073,249	1,703,963	80.36%
Other liabilities	442,272	471,445	14,948	13,412	457,220	484,857	-5.70%
Total liabilities	3,473,697	2,173,293	56,772	15,527	3,530,469	2,188,820	61.30%
Deferred inflows of resources	2,110,777	1,414,904	14,933	-	2,125,710	1,414,904	50.24%
Net position:							
Net investment in capital assets	4,392,890	4,222,888	14,901	20,574	4,407,791	4,243,462	3.87%
Restricted	903,589	820,543	-	-	903,589	820,543	10.12%
Unrestricted	(667,093)	1,188,613	(43,628)	(9,935)	(710,721)	1,178,678	-160.30%
Total net position	\$ 4,629,386	6,232,044	(28,727)	10,639	4,600,659	6,242,683	-26.30%

The District's total net position decreased by 26.30%, or \$1,642,024 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$83,046, or 10.12% over the prior year. The increase in restricted net position was attributable to an increase in the Capital Projects Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$1,889,399, or 160.30%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,935,704 and \$47,599, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current

reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4						
	Changes in Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2014		2014		2014		2014-15	
(Not Restated)		(Not Restated)		(Not Restated)			
2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15	
Revenues:							
Program revenues:							
Charges for service	\$ 789,364	728,740	126,938	119,080	916,302	847,820	8.08%
Operating grants, contributions and restricted interest	363,674	342,362	87,379	69,318	451,053	411,680	9.56%
General revenues:							
Property tax	1,419,693	1,626,943	-	-	1,419,693	1,626,943	-12.74%
Income surtax	175,833	225,039	-	-	175,833	225,039	-21.87%
Statewide sales, services, and use tax	338,044	315,806	-	-	338,044	315,806	7.04%
Unrestricted state grants	2,001,350	1,967,929	-	-	2,001,350	1,967,929	1.70%
Unrestricted investment earnings	5,915	5,895	29	3	5,944	5,898	0.78%
Other	61,291	63,474	5,107	2,063	66,398	65,537	1.31%
Total revenues	<u>5,155,164</u>	<u>5,276,188</u>	<u>219,453</u>	<u>190,464</u>	<u>5,374,617</u>	<u>5,466,652</u>	<u>-1.68%</u>
Program expenses:							
Instruction	2,905,915	2,908,598	-	-	2,905,915	2,908,598	-0.09%
Support services	1,524,482	1,472,984	4,087	833	1,528,569	1,473,817	3.71%
Non-instructional programs	-	-	207,133	196,343	207,133	196,343	5.50%
Other expenditures	391,721	401,297	-	-	391,721	401,297	-2.39%
Total expenses	<u>4,822,118</u>	<u>4,782,879</u>	<u>211,220</u>	<u>197,176</u>	<u>5,033,338</u>	<u>4,980,055</u>	<u>1.07%</u>
Change in net position	333,046	493,309	8,233	(6,712)	341,279	486,597	-29.86%
Net position beginning of year, as restated	<u>4,296,340</u>	<u>5,738,735</u>	<u>(36,960)</u>	<u>17,351</u>	<u>4,259,380</u>	<u>5,756,086</u>	<u>-26.00%</u>
Net position end of year	<u>\$ 4,629,386</u>	<u>6,232,044</u>	<u>(28,727)</u>	<u>10,639</u>	<u>4,600,659</u>	<u>6,242,683</u>	<u>-26.30%</u>

In fiscal year 2015, local tax, statewide sales, services and use tax and unrestricted state grants account for 76.33% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 97.66% of the revenue from business type activities.

The District's total revenues were approximately \$5.37 million, of which approximately \$5.15 million was for governmental activities and approximately \$0.22 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.68% decrease in revenues and a 1.07% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,155,164 and expenses were \$4,822,118. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 2,905,915	2,908,598	-0.09%	1,899,165	1,980,726	-4.12%
Support services	1,524,482	1,472,984	3.50%	1,523,154	1,472,531	3.44%
Other expenses	391,721	401,297	-2.39%	246,761	258,520	-4.55%
Totals	<u>\$ 4,822,118</u>	<u>4,782,879</u>	<u>0.82%</u>	<u>3,669,080</u>	<u>3,711,777</u>	<u>-1.15%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$789,364.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$363,674.
- The net cost of governmental activities was financed with \$1,419,693 in property tax, \$175,833 in income surtax, \$338,044 in statewide sales, services and use tax, \$2,001,350 in unrestricted state grants, \$5,915 in interest income and \$61,291 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$219,453 and expenses were \$211,220. 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 Baxter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,894,025, above last year's ending fund balances of \$1,821,987. The primary reason for the increase in combined fund balances is the growth that occurred in the Capital Projects Fund balance during the year.

Governmental Fund Highlights

- The District's decrease in the General Fund balance from \$1,126,172 at June 30, 2014 to \$1,117,432 at June 30, 2015 is the product of many factors. A decrease in local tax revenues during the year combined with an increase in expenditures resulted in a net decrease of \$8,740, a 0.78% decrease.
- The Capital Projects Fund balance increased from \$449,884 at June 30, 2014 to \$569,722 at June 30, 2015. During fiscal year 2015 the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased \$128,153 and the Capital Projects: Physical Plant and Equipment Levy Fund balance decreased \$8,315.
- The District's Debt Service Fund balance increased from \$15,979 at June 30, 2014 to \$17,907 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$36,960, restated as of July 1, 2014 to a deficit \$28,727 at June 30, 2015, representing an increase of 22.28%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$196,734 less than budgeted revenues, a variance of 3.53%. The most significant variance resulted from the District receiving less from local source revenues than originally anticipated.

Total expenditures were less 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 non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,787,791, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.88% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$207,462.

The original cost of the District's capital assets was \$9,067,965. Governmental funds account for \$9,002,905 with the remaining of \$65,060 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment was \$142,542 at June 30, 2014, compared to \$195,976 at June 30, 2015. The change mainly resulted from the purchase of a new bus and van during the fiscal year 2015.

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	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	5,411,126	5,562,213	-	-	5,411,126	5,562,213	-2.72%
Land improvements	75,087	88,105	-	-	75,087	88,105	-14.78%
Machinery and equipment	181,075	121,968	14,901	20,574	195,976	142,542	37.49%
Total	\$ 5,772,890	5,877,888	14,901	20,574	5,787,791	5,898,462	-1.88%

Long-Term Debt

At June 30, 2015, the District had \$3,073,249 in total long-term debt outstanding. This represents an increase of 80.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding General Obligation Bonds payable of \$1,380,000 at June 30, 2015.
- The District had net pension liability of \$1,631,452 at June 30, 2015, of which, \$1,592,298 was attributable to governmental activities and \$39,154 to business type activities.
- The District had net OPEB liability of \$61,797 at June 30, 2015, of which, \$59,127 was attributable to governmental activities and \$2,670 to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 1,380,000	1,655,000	-	-	1,380,000	1,655,000	-16.62%
Net pension liability	1,592,298	-	39,154	-	1,631,452	-	100.00%
Net OPEB liability	59,127	46,848	2,670	2,115	61,797	48,963	26.21%
Total	\$ 3,031,425	1,701,848	41,824	2,115	3,073,249	1,703,963	80.36%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Julie McWhirter, District Secretary/Treasurer and Business Manager, Baxter Community School District, 202 East State Street, Baxter, Iowa, 50028.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,126,475	14,760	2,141,235
Receivables:			
Property tax:			
Delinquent	16,671	-	16,671
Succeeding year	1,503,521	-	1,503,521
Income surtax	172,950	-	172,950
Due from other governments	182,099	-	182,099
Inventories	-	3,820	3,820
Bond discounts and bond issue costs	17,767	-	17,767
Net supplemental pension asset	45,649	-	45,649
Capital assets, net of accumulated depreciation	5,772,890	14,901	5,787,791
Total assets	9,838,022	33,481	9,871,503
Deferred outflows of resources			
Pension related deferred outflows	375,838	9,497	385,335
Liabilities			
Accounts payable	54,806	-	54,806
Salaries and benefits payable	376,302	11,914	388,216
Advances from grantors	112	-	112
Accrued interest payable	11,052	-	11,052
Unearned revenue	-	3,034	3,034
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	205,000	-	205,000
Portion due after one year:			
General obligation bonds payable	1,175,000	-	1,175,000
Net pension liability	1,592,298	39,154	1,631,452
Net OPEB liability	59,127	2,670	61,797
Total liabilities	3,473,697	56,772	3,530,469
Deferred inflows of resources			
Pension related deferred inflows	607,256	14,933	622,189
Unavailable property tax revenue	1,503,521	-	1,503,521
Total deferred inflows of resources	2,110,777	14,933	2,125,710
Net position			
Net investment in capital assets	4,392,890	14,901	4,407,791
Restricted for:			
Categorical funding	138,048	-	138,048
Debt service	6,855	-	6,855
Management levy purposes	88,337	-	88,337
Student activities	70,951	-	70,951
Support trust	29,676	-	29,676
School infrastructure	410,601	-	410,601
Physical plant and equipment	159,121	-	159,121
Unrestricted	(667,093)	(43,628)	(710,721)
Total net position	\$ 4,629,386	(28,727)	4,600,659

SEE NOTES TO FINANCIAL STATEMENTS.

**BAXTER 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	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,767,336	531,349	60,162	(1,175,825)	-	(1,175,825)
Special	357,566	76,901	29,010	(251,655)	-	(251,655)
Other	781,013	181,114	128,214	(471,685)	-	(471,685)
	<u>2,905,915</u>	<u>789,364</u>	<u>217,386</u>	<u>(1,899,165)</u>	<u>-</u>	<u>(1,899,165)</u>
Support services:						
Student	97,457	-	-	(97,457)	-	(97,457)
Instructional staff	125,066	-	-	(125,066)	-	(125,066)
Administration	650,865	-	-	(650,865)	-	(650,865)
Operation and maintenance of plant	576,233	-	-	(576,233)	-	(576,233)
Transportation	74,861	-	1,328	(73,533)	-	(73,533)
	<u>1,524,482</u>	<u>-</u>	<u>1,328</u>	<u>(1,523,154)</u>	<u>-</u>	<u>(1,523,154)</u>
Long-term debt interest	82,656	-	-	(82,656)	-	(82,656)
Other expenses:						
AEA flowthrough	144,960	-	144,960	-	-	-
Depreciation(unallocated)*	164,105	-	-	(164,105)	-	(164,105)
	<u>309,065</u>	<u>-</u>	<u>144,960</u>	<u>(164,105)</u>	<u>-</u>	<u>(164,105)</u>
Total governmental activities	<u>4,822,118</u>	<u>789,364</u>	<u>363,674</u>	<u>(3,669,080)</u>	<u>-</u>	<u>(3,669,080)</u>
Business type activities:						
Support services:						
Administration	2,751	-	-	-	(2,751)	(2,751)
Operation and maintenance of plant	1,336	-	-	-	(1,336)	(1,336)
	<u>4,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,087)</u>	<u>(4,087)</u>
Non-instructional programs:						
Food service operations	207,133	126,938	87,379	-	7,184	7,184
Total business type activities	<u>211,220</u>	<u>126,938</u>	<u>87,379</u>	<u>-</u>	<u>3,097</u>	<u>3,097</u>
Total	<u>\$ 5,033,338</u>	<u>916,302</u>	<u>451,053</u>	<u>(3,669,080)</u>	<u>3,097</u>	<u>(3,665,983)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,013,940	-	1,013,940
Debt service				355,105	-	355,105
Capital outlay				50,648	-	50,648
Income surtax				175,833	-	175,833
Statewide sales, services and use tax				338,044	-	338,044
Unrestricted state grants				2,001,350	-	2,001,350
Unrestricted investment earnings				5,915	29	5,944
Other general revenues				61,291	5,107	66,398
Total general revenues				<u>4,002,126</u>	<u>5,136</u>	<u>4,007,262</u>
Change in net position				333,046	8,233	341,279
Net position beginning of year, as restated				<u>4,296,340</u>	<u>(36,960)</u>	<u>4,259,380</u>
Net position end of year				<u>\$ 4,629,386</u>	<u>(28,727)</u>	<u>4,600,659</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,409,098	516,289	13,925	187,163	2,126,475
Receivables:					
Property tax:					
Delinquent	10,320	568	3,982	1,801	16,671
Succeeding year	1,021,114	58,594	271,313	152,500	1,503,521
Income surtax	134,517	38,433	-	-	172,950
Due from other governments	129,234	52,865	-	-	182,099
Total assets	\$ 2,704,283	666,749	289,220	341,464	4,001,716
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 54,806	-	-	-	54,806
Salaries and benefits payable	376,302	-	-	-	376,302
Advances from grantors	112	-	-	-	112
Total liabilities	431,220	-	-	-	431,220
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,021,114	58,594	271,313	152,500	1,503,521
Income surtax	134,517	38,433	-	-	172,950
Total deferred inflows of resources	1,155,631	97,027	271,313	152,500	1,676,471
Fund balances:					
Restricted for:					
Categorical funding	138,048	-	-	-	138,048
Debt service	-	-	17,907	-	17,907
Management levy purposes	-	-	-	88,337	88,337
Student activities	-	-	-	70,951	70,951
Support trust	-	-	-	29,676	29,676
School infrastructure	-	410,601	-	-	410,601
Physical plant and equipment	-	159,121	-	-	159,121
Unassigned	979,384	-	-	-	979,384
Total fund balances	1,117,432	569,722	17,907	188,964	1,894,025
Total liabilities, deferred inflows of resources and fund balances	\$ 2,704,283	666,749	289,220	341,464	4,001,716

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)		\$ 1,894,025
 <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.		5,772,890
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		172,950
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		17,767
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,052)
Supplemental pension benefits are not available to finance expenditures of the current period.		45,649
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	\$ 375,838	
Deferred inflows of resources	<u>(607,256)</u>	(231,418)
Long-term liabilities, including general obligation bonds payable, other postemployment benefits and pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,031,425)</u>
Net position of governmental activities(page 18)		<u><u>\$ 4,629,386</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER 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
Revenues:					
Local sources:					
Local tax	\$ 1,008,707	82,934	355,105	150,519	1,597,265
Tuition	589,795	-	-	-	589,795
Other	87,204	-	1,140	191,027	279,371
State sources	2,236,673	338,156	785	370	2,575,984
Federal sources	114,488	-	-	-	114,488
Total revenues	<u>4,036,867</u>	<u>421,090</u>	<u>357,030</u>	<u>341,916</u>	<u>5,156,903</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,671,621	-	-	67,111	1,738,732
Special	348,498	-	-	-	348,498
Other	585,564	-	-	189,074	774,638
	<u>2,605,683</u>	<u>-</u>	<u>-</u>	<u>256,185</u>	<u>2,861,868</u>
Support services:					
Student	98,531	-	-	-	98,531
Instructional staff	123,682	-	-	-	123,682
Administration	598,235	41,289	-	-	639,524
Operation and maintenance of plant	366,226	108,789	-	110,798	585,813
Transportation	139,275	-	-	12,399	151,674
	<u>1,325,949</u>	<u>150,078</u>	<u>-</u>	<u>123,197</u>	<u>1,599,224</u>
Capital outlay	-	160,924	-	-	160,924
Long-term debt:					
Principal	-	-	275,000	-	275,000
Interest and fiscal charges	-	-	80,102	-	80,102
	<u>-</u>	<u>-</u>	<u>355,102</u>	<u>-</u>	<u>355,102</u>
Other expenditures:					
AEA flowthrough	144,960	-	-	-	144,960
Total expenditures	<u>4,076,592</u>	<u>311,002</u>	<u>355,102</u>	<u>379,382</u>	<u>5,122,078</u>
Excess(Deficiency) of revenues over(under) expenditures	(39,725)	110,088	1,928	(37,466)	34,825
Other financing sources(uses):					
Transfer in	3,522	-	-	-	3,522
Transfer out	-	-	-	(3,522)	(3,522)
Insurance proceeds	27,463	9,750	-	-	37,213
Total other financing sources(uses)	<u>30,985</u>	<u>9,750</u>	<u>-</u>	<u>(3,522)</u>	<u>37,213</u>
Change in fund balances	(8,740)	119,838	1,928	(40,988)	72,038
Fund balances beginning of year	1,126,172	449,884	15,979	229,952	1,821,987
Fund balances end of year	<u>\$ 1,117,432</u>	<u>569,722</u>	<u>17,907</u>	<u>188,964</u>	<u>1,894,025</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER 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) \$ 72,038

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

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

Capital outlay	\$ 98,732	
Depreciation expense	(201,789)	
Loss on disposal of capital assets	<u>(1,941)</u>	(104,998)

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. 275,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,198

Income surtax accounts receivable is not available to finance expenditures in the current year period in the governmental funds. (1,739)

Bond issue costs and bond discounts are reported as expenses in the governmental funds, but are capitalized and amortized over the life of the bonds in the Statement of Activities. (3,752)

The current year District 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 241,981

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

Pension Expense	(129,993)	
Other postemployment benefits	(12,279)	
Supplemental pension benefits	<u>(4,410)</u>	<u>(146,682)</u>

Changes in net position of governmental activities(page 19) \$ 333,046

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 14,760
Inventories	3,820
Total current assets	18,580
Noncurrent assets:	
Capital assets, net of accumulated depreciation	14,901
Total assets	33,481
 Deferred outflows of resources	
Pension related deferred outflows	9,497
 Liabilities	
Current liabilities:	
Salaries and benefits payable	11,914
Unearned revenue	3,034
Total current liabilities	14,948
Noncurrent liabilities:	
Net pension liability	39,154
Net OPEB liability	2,670
Total noncurrent liabilities	41,824
Total liabilities	56,772
 Deferred inflows of resources	
Pension related deferred inflows	14,933
 Net position	
Net investment in capital assets	14,901
Unrestricted	(43,628)
Total net position	\$ (28,727)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 126,938
Miscellaneous	5,107
Total operating revenues	132,045
Operating expenses:	
Support services:	
Administration:	
Other	2,751
Operation and maintenance of plant:	
Services	1,336
	4,087
Non-instructional programs:	
Food service operations:	
Salaries	59,140
Benefits	23,860
Supplies	118,460
Depreciation	5,673
	207,133
Total operating expenses	211,220
Operating loss	(79,175)
Non-operating revenues:	
State sources	1,894
Federal sources	85,485
Interest income	29
Total non-operating revenues	87,408
Change in net position	8,233
Net position beginning of year, as restated	(36,960)
Net position end of year	\$ (28,727)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 127,651
Cash received from miscellaneous	5,107
Cash payments to employees for services	(84,631)
Cash payments to suppliers for goods or services	(108,721)
Net cash used in operating activities	(60,594)
Cash flows from non-capital financing activities:	
State grants received	1,894
Federal grants received	71,579
Net cash provided by non-capital financing activities	73,473
Cash flows from investing activities:	
Interest on investments	29
Net increase in cash and pooled investments	12,908
Cash and pool investments beginning of year	1,852
Cash and pool investments end of year	\$ 14,760
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (79,175)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,906
Depreciation	5,673
Increase in inventories	(80)
Increase in salaries and benefits payable	823
Increase in unearned revenue	713
Decrease in net pension liability	(14,214)
Increase in deferred outflows of resources	(3,728)
Increase in deferred inflows of resources	14,933
Increase in other postemployment benefits	555
Net cash used in operating activities	\$ (60,594)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,906 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Baxter 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Baxter, Iowa, and the predominate agricultural territory in Jasper and Marshall 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, Baxter 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 Baxter 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 Jasper and Marshall 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 the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are 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 and proprietary funds. 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 expenses, including instructional, support and other costs.

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

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 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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, 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, have a maturity date no longer than three months.

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the 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	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	25-50 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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$52 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard's and Poor's Financial Services.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Student Activity	<u>\$ 3,522</u>

The transfer from Student Activity Fund to the General Fund was needed to transfer the financial activity associated with the District's PBIS program to the more appropriate fund.

Note 4. Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Total capital assets not being depreciated	<u>105,602</u>	<u>-</u>	<u>-</u>	<u>105,602</u>
Capital assets being depreciated:				
Buildings	7,749,470	-	-	7,749,470
Land improvements	401,179	-	-	401,179
Machinery and equipment	683,260	98,732	35,338	746,654
Total capital assets being depreciated	<u>8,833,909</u>	<u>98,732</u>	<u>35,338</u>	<u>8,897,303</u>
Less accumulated depreciation for:				
Buildings	2,187,257	151,087	-	2,338,344
Land improvements	313,074	13,018	-	326,092
Machinery and equipment	561,292	37,684	33,397	565,579
Total accumulated depreciation	<u>3,061,623</u>	<u>201,789</u>	<u>33,397</u>	<u>3,230,015</u>
Total capital assets being depreciated, net	<u>5,772,286</u>	<u>(103,057)</u>	<u>1,941</u>	<u>5,667,288</u>
Governmental activities capital assets, net	<u>\$ 5,877,888</u>	<u>(103,057)</u>	<u>1,941</u>	<u>5,772,890</u>
Business type activities:				
Machinery and equipment	\$ 65,060	-	-	65,060
Less accumulated depreciation	44,486	5,673	-	50,159
Business type activities capital assets, net	<u>\$ 20,574</u>	<u>(5,673)</u>	<u>-</u>	<u>14,901</u>
Governmental activities:				
Support services:				
Operation and maintenance of plant				\$ 4,690
Transportation				<u>32,994</u>
				37,684
Unallocated depreciation				<u>164,105</u>
Total governmental activities depreciation expense				<u>\$ 201,789</u>
Business type activities:				
Food service operations				<u>\$ 5,673</u>

Note 5. Long-Term Liabilities

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

	Balance			Balance End of Year	Due Within One Year
	Beginning of Year Restated	Additions	Deletions		
Governmental activities:					
General obligation bonds	\$ 1,655,000	-	275,000	1,380,000	205,000
Net pension liability	2,170,315	-	578,017	1,592,298	-
Net OPEB liability	46,848	12,279	-	59,127	-
	<u>\$ 3,872,163</u>	<u>12,279</u>	<u>853,017</u>	<u>3,031,425</u>	<u>205,000</u>
Business type activities:					
Net pension liability	\$ 53,368	-	14,214	39,154	-
Net OPEB liability	2,115	555	-	2,670	-
	<u>\$ 55,483</u>	<u>555</u>	<u>14,214</u>	<u>41,824</u>	<u>-</u>

General Obligation Bonds Payable

As part of the District’s fiscal year 2015 budgeting process, the District’s Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds issued July 1, 2004. The District levied an additional \$80,000 which was used to advance refund a portion of the principal of the bonds maturing 2024. The economic savings from this surplus levy bond refunding is \$36,360. Details of the District’s June 30, 2015 general obligation indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2006			Bond issue of July 1, 2004			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	4.50%	\$ 75,000	7,055	4.50%	\$ 130,000	59,258	205,000	66,313	271,313
2017	4.50	80,000	3,680	4.60	135,000	53,407	215,000	57,087	272,087
2018		-	-	4.70	145,000	47,198	145,000	47,198	192,198
2019		-	-	4.80	150,000	40,382	150,000	40,382	190,382
2020		-	-	4.90	155,000	33,183	155,000	33,183	188,183
2021-2024		-	-	5.00-5.05	510,000	52,520	510,000	52,520	562,520
Total		<u>\$ 155,000</u>	<u>10,735</u>		<u>\$ 1,225,000</u>	<u>285,948</u>	<u>1,380,000</u>	<u>296,683</u>	<u>1,676,683</u>

Note 6. Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the

member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$248,186.

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 \$1,631,452 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.040312 percent, which was an increase of 0.001038 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$133,189. 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	\$ 17,731	\$ -
Changes of assumptions	72,000	-
Net difference between projected and actual earnings on pension plan investments	-	622,189
Changes in proportion and differences between District contributions and proportionate share of contributions	47,418	-
District contributions subsequent to the measurement date	248,186	-
Total	\$ 385,335	\$ 622,189

\$248,186 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	\$ (123,503)
2017	(123,503)
2018	(123,503)
2019	(123,503)
2020	8,972
	<u>\$ (485,040)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-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	\$ 3,082,582	\$ 1,631,452	\$ 406,547

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$27,086 for legally required employer contributions and \$18,047 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 22 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual required contribution	\$ 21,914
Interest on net OPEB obligation	1,224
Adjustment to annual required contribution	<u>(5,277)</u>
Annual OPEB cost	17,861
Contributions made	<u>(5,027)</u>
Increase in net OPEB obligation	12,834
Net OPEB obligation beginning of year	48,963
Net OPEB obligation end of year	<u><u>\$ 61,797</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 \$5,027 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:

Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 23,190	50.77%	37,030
2014	17,146	30.40	48,963
2015	17,861	28.15	61,797

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 \$95,587, with

no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,587. The covered payroll (annual payroll of active employees covered by the plan) was \$2,149,837, and the ratio of the UAAL to covered payroll was 4.45%. As of June 30, 2015 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$1,373 per month for retirees who 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. Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 15 or more years and an average of at least thirty hours per week of service to the District, submit an application to the Board of Directors, receive Board approval and retire by June 30th of the same year.

There are 41 active members in the plan as of July 1, 2013. The pension benefit is 0.5% per year of continuous service to a maximum of 20% of the employee's regular contractual salary or from the salary schedule, if applicable, in effect during the employee's last year of employment; exclusive of any salary supplements and exclusive of supplemental payment and extended contract payment.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. As the District's plan is not an ongoing plan, the cost is amortized over 5 years, which reflects the maximum amount of time the liability would be recognized given the plan as adopted as of July 1, 2013.

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

Annual required contribution	\$ 27,286
Interest on net pension obligation	(1,251)
Adjustment to annual required contribution	1,450
Annual pension cost	<u>27,485</u>
Contributions made	<u>(23,075)</u>
Increase in net pension obligation	4,410
Net pension obligation beginning of year	(50,059)
Net pension obligation end of year	<u>\$ (45,649)</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2013. The end of year net pension 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 made \$23,075 in contributions to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2015 are summarized as follows:

Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	\$ 24,154	307.25%	\$ (50,059)
2015	27,485	83.95%	(45,649)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$160,893 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$160,893 the covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,895,066 and the ratio of the UAAL to covered payroll was 8.49%. 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 reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension 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 benefits costs between employer and plan members to a point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of calculations.

As of July 1, 2013 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 salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates,

employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The UAAL is being amortized as a level dollar cost using a closed group method over 5 years.

Note 9. 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, life, accidental death and dismemberment and long-term disability.

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$289,192.

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

The District is exposed to various risks 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 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$144,960 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 11. Categorical Funding

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

Program	Amount
Gifted and Talented Programs	\$ 77,548
Four-year-old Preschool State Aid	22,735
Iowa Arts Council, Artist in the School	166
Professional Development for Model Core Curriculum	6,758
Professional Development	6,494
Teacher Leadership Grant	3,855
Successful Progression for Early Readers	20,492
Total	<u>\$ 138,048</u>

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the certified budget.

Note 13. Deficit Net Position

The School Nutrition Fund had a deficit unrestricted net position of \$43,628 and a deficit total net position of \$28,727 at June 30, 2015. The District also had a deficit unrestricted net position in the governmental activities of \$667,093 at June 30, 2015.

Note 14. Accounting Change/Restatement Note

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	\$ 6,232,044	\$ 10,639
Net pension liability at June 30, 2014	(2,170,315)	(53,368)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	234,611	5,769
Net position July 1, 2014, as restated	<u>\$ 4,296,340</u>	<u>\$ (36,960)</u>

Note 15. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	17,907	979,384
Capital assets, net of accumulated depreciation	5,772,890	-	-
General obligation bond capitalized indebtedness	(1,380,000)	-	-
Accrued interest payable	-	(11,052)	-
Net supplemental pension asset	-	-	45,649
Income surtax receivable	-	-	172,950
Amortized bond discounts/issuance costs	-	-	17,767
Pension related deferred inflows	-	-	(607,256)
Pension related deferred outflows	-	-	375,838
Net pension liability	-	-	(1,592,298)
Net OPEB liability	-	-	(59,127)
Net position (Exhibit A)	<u>\$ 4,392,890</u>	<u>6,855</u>	<u>(667,093)</u>

BAXTER COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,466,431	132,074	2,598,505	2,979,263	2,979,263	(380,758)
State sources	2,575,984	1,894	2,577,878	2,339,827	2,339,827	238,051
Federal sources	114,488	85,485	199,973	254,000	254,000	(54,027)
Total revenues	5,156,903	219,453	5,376,356	5,573,090	5,573,090	(196,734)
Expenditures/expenses:						
Instruction	2,861,868	-	2,861,868	3,225,000	3,225,000	363,132
Support services	1,599,224	4,087	1,603,311	2,077,000	2,077,000	473,689
Non-instructional programs	-	207,133	207,133	202,000	202,000	(5,133)
Other expenditures	660,986	-	660,986	744,371	744,371	83,385
Total expenditures/expenses	5,122,078	211,220	5,333,298	6,248,371	6,248,371	915,073
Excess(Deficiency) of revenues over(under) expenditures/expenses	34,825	8,233	43,058	(675,281)	(675,281)	718,339
Other financing sources, net	37,213	-	37,213	-	-	37,213
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	72,038	8,233	80,271	(675,281)	(675,281)	755,552
Balances beginning of year, as restated	1,821,987	(36,960)	1,785,027	944,734	944,734	840,293
Balances end of year	\$ 1,894,025	(28,727)	1,865,298	269,453	269,453	1,595,845

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER 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 a GAAP basis.

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

During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

BAXTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.040312%
District's proportionate share of the net pension liability	\$ 1,631,452
District's covered-employee payroll	\$ 2,779,234
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.70%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 248,186	240,380	218,542	207,330	173,508	159,847	150,382	134,858	120,295	110,974
Contributions in relation to the statutorily required contribution	(248,186)	(240,380)	(218,542)	(207,330)	(173,508)	(159,847)	(150,382)	(134,858)	(120,295)	(110,974)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,779,234	2,691,825	2,520,669	2,569,145	2,496,518	2,299,957	2,368,220	2,229,058	2,092,087	1,929,983
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.

BAXTER 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.

BAXTER 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.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 298,483	\$ 298,483	0.00%	\$ 2,391,245	12.48%
2011	July 1, 2009	-	267,402	267,402	0.00	2,144,386	12.47
2012	July 1, 2009	-	183,755	183,755	0.00	2,326,999	7.90
2013	July 1, 2012	-	113,692	113,692	0.00	2,337,561	4.86
2014	July 1, 2012	-	101,916	101,916	0.00	2,276,137	4.48
2015	July 1, 2012	-	95,587	95,587	0.00	2,149,837	4.45

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	July 1, 2013	-	\$ 133,972	\$ 133,972	0.00%	\$ 1,668,507	8.03%
2015	July 1, 2013	-	160,893	160,893	0.00	1,895,066	8.49%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Assets				
Cash and pooled investments	\$ 86,536	70,951	29,676	187,163
Receivables:				
Property tax:				
Delinquent	1,801	-	-	1,801
Succeeding year	152,500	-	-	152,500
Total assets	\$ 240,837	70,951	29,676	341,464
Liabilities, deferred inflows of resources and fund balances				
Liabilities	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	152,500	-	-	152,500
Fund Balances:				
Restricted for:				
Management levy purposes	88,337	-	-	88,337
Student activities	-	70,951	-	70,951
Support trust	-	-	29,676	29,676
Total fund balances	88,337	70,951	29,676	188,964
Total liabilities, deferred inflows of resources and fund balances	\$ 240,837	70,951	29,676	341,464

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 150,519	-	-	150,519
Other	9,554	181,114	359	191,027
State sources	370	-	-	370
Total revenues	<u>160,443</u>	<u>181,114</u>	<u>359</u>	<u>341,916</u>
Expenditures:				
Current:				
Instruction:				
Regular	67,111	-	-	67,111
Other	-	188,629	445	189,074
Support services:				
Operation and maintenance of plant	110,798	-	-	110,798
Transportation	12,399	-	-	12,399
Total expenditures	<u>190,308</u>	<u>188,629</u>	<u>445</u>	<u>379,382</u>
Deficiency of revenues under expenditures	(29,865)	(7,515)	(86)	(37,466)
Other financing uses:				
Transfer out	-	(3,522)	-	(3,522)
Change in fund balances	(29,865)	(11,037)	(86)	(40,988)
Fund balances beginning of year	<u>118,202</u>	<u>81,988</u>	<u>29,762</u>	<u>229,952</u>
Fund balances end of year	<u>\$ 88,337</u>	<u>70,951</u>	<u>29,676</u>	<u>188,964</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 357,736	158,553	516,289
Receivables:			
Property tax:			
Delinquent	-	568	568
Succeeding year	-	58,594	58,594
Income surtax	-	38,433	38,433
Due from other governments	52,865	-	52,865
Total assets	\$ 410,601	256,148	666,749
Liabilities, deferred inflows of resources and fund balances			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	58,594	58,594
Income surtax	-	38,433	38,433
Total deferred inflows of resources	-	97,027	97,027
Fund balances:			
Restricted for:			
School infrastructure	410,601	-	410,601
Physical plant and equipment	-	159,121	159,121
Total fund balances	410,601	159,121	569,722
Total liabilities, deferred inflows of resources and fund balances	\$ 410,601	256,148	666,749

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	82,934	82,934
State sources	338,044	112	338,156
Total revenues	<u>338,044</u>	<u>83,046</u>	<u>421,090</u>
Expenditures:			
Current:			
Support services:			
Administration	41,289	-	41,289
Transportation	10,057	98,732	108,789
Capital outlay	158,545	2,379	160,924
Total expenditures	<u>209,891</u>	<u>101,111</u>	<u>311,002</u>
Excess of revenues over expenditures	128,153	(18,065)	110,088
Other financing sources:			
Insurance proceeds	-	9,750	9,750
Change in fund balances	128,153	(8,315)	119,838
Fund balances beginning of year	<u>282,448</u>	<u>167,436</u>	<u>449,884</u>
Fund balances end of year	<u>\$ 410,601</u>	<u>159,121</u>	<u>569,722</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER 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	Interfund/ Intrafund Transfers	Balance End of Year
Drama	\$ 5,335	794	998	-	5,131
FCCLA	121	3,423	3,355	-	189
Sinfully delicious	165	-	-	-	165
Speech	-	473	473	-	-
Vocal music	294	58	241	-	111
Instrumental music	5,351	478	5,829	-	-
Athletics	4,096	82	3,916	-	262
CMB shared athletics	14,221	18,842	19,976	-	13,087
CMB hall of fame	-	5,377	4,249	-	1,128
CMB boys basketball	4,597	5,115	340	-	9,372
Ranck volleyball	-	4,126	4,073	-	53
CMB football	528	33,547	34,075	-	-
Luther football	12,544	29,843	34,346	-	8,041
CMB baseball	-	2,552	2,552	-	-
CMB boys track	-	4,003	4,003	-	-
CMB boys golf	-	22	22	-	-
CMB wrestling	470	-	-	-	470
CMB girls basketball	2,557	5,717	1,067	-	7,207
CMB volleyball	812	3,914	1,647	-	3,079
CMB softball	-	100	100	-	-
CMB girls track	-	7,444	7,444	-	-
CMB cross country	-	1,065	1,065	-	-
CMB soccer	43	-	-	-	43
Hasselbrink Soccer	-	1,614	1,341	-	273
Swalwell athletic donation	222	357	-	-	579
Cheerleading	1,355	2,343	2,475	-	1,223
Drill team	465	7,459	6,296	-	1,628
Student council	1,341	9,592	7,446	-	3,487
Class of 2008	916	-	916	-	-
Class of 2009	341	-	341	-	-
Class of 2010	1,602	-	1,602	-	-
Class of 2011	1,191	-	1,191	-	-
Class of 2012	221	-	-	-	221
Class of 2013	432	-	-	-	432
Class of 2014	1,114	-	-	-	1,114
Class of 2015	-	5,338	4,989	-	349
Class of 2016	-	3,491	2,830	-	661
Honor society	-	780	780	-	-
SAAD	225	-	225	-	-
Fourth grade	66	-	-	-	66
Art club	1,711	1,508	385	-	2,834
Brummel basketball	1,994	521	1,161	-	1,354
Zabel basketball	351	3,330	2,673	-	1,008
Seeman baseball	980	1,830	2,292	-	518
Interest	-	82	82	-	-
Yearbook	10,462	8,431	15,616	-	3,277
FFA	200	-	-	-	200
Special activities	3,060	-	-	-	3,060
PBIS	2,525	7,214	6,217	(3,522)	-
Library	80	249	-	-	329
Total	\$ 81,988	181,114	188,629	(3,522)	70,951

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,597,265	1,838,331	2,053,584	1,869,511	1,906,598	1,736,270	1,675,453	1,507,373	1,538,509	1,407,863
Tuition	589,795	550,061	446,777	449,299	447,630	393,026	433,004	369,585	342,593	333,183
Other	279,371	249,874	272,899	357,049	334,597	258,832	271,924	251,382	611,037	303,030
Intermediate sources	-	-	-	-	-	-	-	1,385	5,267	-
State sources	2,575,984	2,509,233	2,332,328	2,445,064	1,958,552	1,775,379	2,092,757	2,055,222	1,778,228	1,695,082
Federal sources	114,488	115,038	134,611	153,541	306,966	322,827	163,183	92,714	258,869	510,090
Total	\$ 5,156,903	5,262,537	5,240,199	5,274,464	4,954,343	4,486,334	4,636,321	4,277,661	4,534,503	4,249,248
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,738,732	1,742,403	1,734,857	1,819,644	1,748,316	1,485,428	1,546,516	1,559,368	1,374,303	1,305,718
Special	348,498	363,623	419,456	442,950	351,381	343,217	323,256	326,864	312,220	203,249
Other	774,638	729,703	625,915	670,589	481,706	493,505	447,058	394,144	425,547	342,909
Support services:										
Student	98,531	99,556	133,325	118,322	153,220	159,454	100,320	99,192	131,502	83,375
Instructional staff	123,682	114,243	136,153	120,383	147,906	136,881	106,009	113,186	115,979	122,060
Administration	639,524	596,857	703,539	649,141	601,104	604,441	584,217	560,410	550,534	555,113
Operation and maintenance of plant	585,813	448,244	451,130	384,412	446,470	402,519	427,196	386,243	436,435	348,217
Transportation	151,674	199,764	165,099	258,483	157,478	193,501	177,720	145,105	226,416	155,952
Capital outlay	160,924	238,775	108,296	100,442	85,676	100,847	110,715	126,758	149,120	3,567,484
Long-term debt:										
Principal	275,000	360,000	345,000	300,000	285,000	321,500	293,986	276,472	283,448	265,788
Interest and fiscal charges	80,102	96,343	109,565	120,685	132,986	142,134	152,073	161,774	166,341	160,663
Other expenditures:										
AEA flow-through	144,960	142,777	142,157	143,190	142,721	142,330	134,025	123,149	111,514	103,006
Total	\$ 5,122,078	5,132,288	5,074,492	5,128,241	4,733,964	4,525,757	4,403,091	4,272,665	4,283,359	7,213,534

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 the Baxter Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Baxter Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 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) Journal entries - writing, approving and posting
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, receipting and depositing.

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

Response - The District will continue to review the control procedures to obtain maximum segregation of duties whenever feasible.

Conclusion – Response accepted.

I-B-15 Disposition of Capital Assets - It was noted while testing capital assets during the audit that a scoreboard purchased in 1996 was not in District possession. It appears that a District employee scrapped the scoreboard without notifying appropriate District officials. District policy 901.4 states in part "...any furnishings, equipment and or supplies valued at or less than \$10 have declared obsolete by the administration, the superintendent or his/her designee shall be authorized to dispose of such items at the best possible price. The funds derived from such sales shall be forwarded to the secretary of the Board, who shall credit the proper fund." Additionally, according to Chapter 297.22-1(d) of Code of Iowa, "property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedure which is adopted by the board and each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district." It appears that there is a breakdown in internal controls relating to the disposition of capital assets and also it appears that the District does not clearly communicate Board policies or the organizational hierarchy of decision making to its employees.

Recommendation - The District should review its procedures for capital asset disposal to ensure compliance with both the Code of Iowa and Board Policy.

Response - The district administration has reviewed board policy and proper procedures with involved district employee.

Conclusion - Response accepted.

I-C-15 Timesheet Approval - We noted during our audit that timesheets are not consistently approved by immediate supervision before being processed through payroll.

Recommendation - The District should review its procedures to ensure that timesheets are properly approved and documented before being submitted to payroll for processing.

Response - We ensure that all timesheets will be approved prior to payment.

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 non-instructional programs functional area.

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

Response - The district will work to avoid exceeding the certified budget amounts and should we anticipate exceeding the amounts, will work to get the budget amended.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined by an Attorney general's opinion dated April 25, 1979 were noted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-15 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- II-I-15 Deposits and Investments - 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 were noted.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 District reported for the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 282,448
Revenues:		
Sales tax revenues	\$ 338,044	338,044
		620,492
Expenditures:		
Other	78,838	
Equipment	131,053	209,891
Ending Balance		\$ 410,601

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

- II-M-15 Financial Condition - The School Nutrition Fund had a deficit unrestricted net position of \$43,628 and a deficit total net position \$28,727 at June 30, 2015. The District's

governmental activities had a deficit unrestricted net position of \$667,093 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB statements No. 68 and No.71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No.68 and 71 will affect the District's financials moving forward.

Response - The deficit in the governmental activities is due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - During our audit concerns arose about certain accounts within the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of findings are listed below.

Graduated Class Accounts - We noted during our audit that the Student Activity Fund has a several old graduated class accounts, 2012, 2013 and 2014, with balances totaling \$1,767 still on the District's books as of June 30, 2015.

Recommendation - Class officers of the graduating class should decide what happens with unused class funds before year end. Any remaining moneys in prior year's graduating class accounts should be reclassified within the Student Activity Fund per the District's Board of Directors guidance.

Response - The district will distribute funds of past class accounts according to procedures recently established after Board of Directors approval.

Conclusion - Response accepted.

Inactive Accounts - We noted an FFA account with a balance of \$200 that has not had activity since 2009.

Recommendation - The District should review this account with the Activities Director and determine if the account should be closed. In that case, the remaining funds should be reallocated within the Student Activity Fund per the District's Board of Directors guidance.

Response - District administration will visit with the FFA sponsor for an allowable and agreeable solution to expending the funds.

Conclusion - Response accepted.