

BCLUW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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BCLUW Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Shannan Callaway	President	2015
LJ Kopsa	Vice President	2017
Beth Neff	Board Member	2015
Brian Feldpausch	Board Member	2015
Eric Engle	Board Member	2017
Lynne Kock	Board Member	2017
Matt Garber	Board Member	2015
School Officials		
Ben Petty	Superintendent	2015
Paula Benson	Board Secretary/ Business Manager	2015
Craig, Smith & Cutler, LLP	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the BCLUW 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 BCLUW Community School District, Conrad, 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 BCLUW 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, BCLUW Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 17 through 16 and 44 through 50 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 BCLUW Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report the financial statements for the two ended June 30, 2014, (which is not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2016 on our consideration of BCLUW 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 BCLUW Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,286,807 in fiscal year 2014 to \$6,688,111 in fiscal year 2015, while General Fund expenditures increased from \$6,281,578 in fiscal year 2014 to \$6,476,727 in fiscal year 2015. The District's General Fund balance increased from \$1,237,619 at June 30, 2014, to a balance of \$1,449,003 at June 30, 2014, an 17.08% increase from the prior year.
- The increase in General Fund revenues was attributable to a increase in local tax revenues received in fiscal year 2015. The increase in expenditures was due primarily to increase spending in the instruction functional area.
- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition: Painting, Lighting, Furniture and repairs
- The district completed construction on bus barn in 2015. The district expects to complete a Wrestling room in August of 2015.
- The district built a new handicap ramp and purchased a School Bus in 2015.
- The District issued a capital loan note worth \$1,230,000.

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 BCLUW 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 BCLUW 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 BCLUW Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

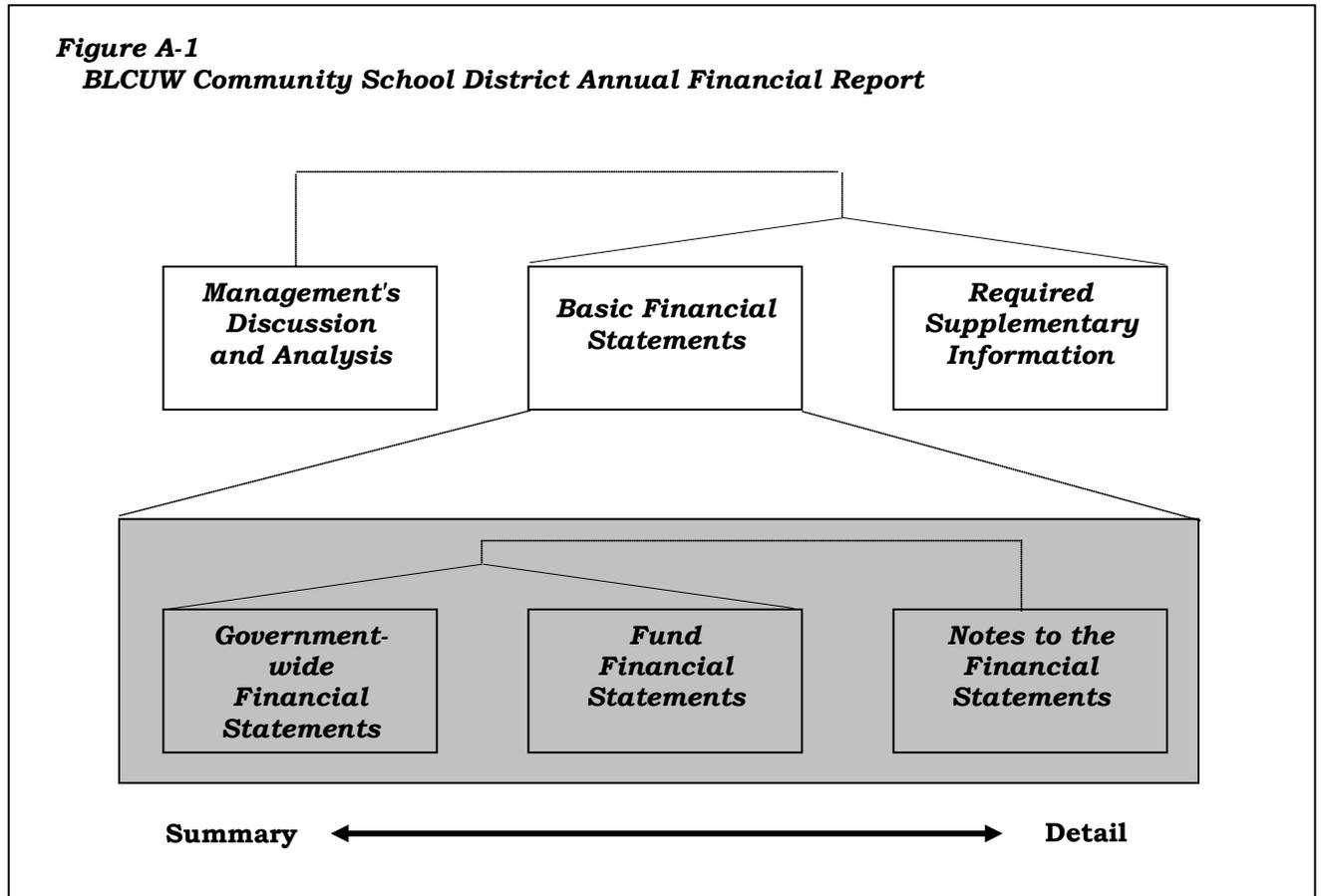


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service, IT construction, restaurant services, preschool services and the coaches clinic
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 they have changed. Net position is one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position 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, Capital Projects Fund and Debt Service 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, 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 total net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2015-14
		Not Restated		Not Restated		Not Restated	
Current and other assets	\$ 7,563,501	6,618,989	72,134	83,503	7,635,635	6,702,492	13.92%
Capital assets	5,790,139	5,279,763	31,000	21,117	5,821,139	5,300,880	9.81%
Total assets	13,353,640	11,898,752	103,134	104,620	13,456,774	12,003,372	12.11%
Deferred outflows of Resources	\$ 459,729	-	11,401	-	471,130	-	100.00%
Long-term liabilities	4,751,646	1,788,552	58,004	2,539	4,809,650	1,791,091	168.53%
Other liabilities	691,772	729,192	1,030	-	692,802	729,192	-4.99%
Total liabilities	5,443,418	2,517,744	59,034	2,539	5,502,452	2,520,283	118.33%
Deferred inflows of resources	4,046,903	3,033,878	22,792	-	4,069,695	3,033,878	34.14%
Net position:							
Net investment in capital assets	3,595,139	3,773,486	31,000	21,117	3,626,139	3,794,603	-4.44%
Restricted	2,098,202	1,378,633	-	-	2,098,202	1,378,633	52.19%
Unrestricted	(1,370,293)	1,195,011	1,709	80,964	(1,368,584)	1,275,975	-207.26%
Total net position	\$ 4,323,048	6,347,130	32,709	102,081	4,355,757	6,449,211	-32.46%

The District's total net position decreased 32.46%, or \$2,093,454 from the prior year. The largest portion of the District's net position is the 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 represent 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 \$719,569, or 52.19% over the prior year. The increase in restricted net position is largely a result of the improvement in fund balances in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: Physical Plant and Equipment Levy Fund during the year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,644,559, or -207.26%. The primary reason for this decrease 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 \$2,863,710 and \$71,021, 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, 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.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2015-14
	Not Restated		Not Restated		Not Restated		
Revenues:							
Program revenues:							
Charges for service	\$ 998,055	942,858	181,933	189,864	1,179,988	1,132,722	4.17%
Operating grants, contributions and restricted interest	559,400	486,337	165,139	161,221	724,539	647,558	11.89%
Capital grants, contributions and restricted interest	35,465	107,931	3,200	-	38,665	107,931	100.00%
General revenues:							
Property tax	3,034,963	2,943,790	-	-	3,034,963	2,943,790	3.10%
Income surtax	292,816	361,282	-	-	292,816	361,282	-18.95%
Statewide sales, services and use tax	544,777	511,866	-	-	544,777	511,866	6.43%
Unrestricted state grants	2,903,437	2,752,554	-	-	2,903,437	2,752,554	5.48%
Unrestricted interest earnings	14,803	11,763	101	113	14,904	11,876	25.50%
Other	42,510	46,895	3,256	2,841	45,766	49,736	-7.98%
Total revenues	<u>8,426,226</u>	<u>8,165,276</u>	<u>353,629</u>	<u>354,039</u>	<u>8,779,855</u>	<u>8,519,315</u>	<u>3.06%</u>
Program expenses:							
Instructional	4,595,359	4,634,253	-	-	4,595,359	4,634,253	-0.84%
Support services	2,486,179	2,389,094	6,354	6,444	2,492,533	2,395,538	4.05%
Non-instructional programs	12,677	14,816	345,626	347,504	358,303	362,320	-1.11%
Other expenses	492,383	506,765	-	-	492,383	506,765	-2.84%
Total expenses	<u>7,586,598</u>	<u>7,544,928</u>	<u>351,980</u>	<u>353,948</u>	<u>7,938,578</u>	<u>7,898,876</u>	<u>0.50%</u>
Changes in net position	839,628	620,348	1,649	91	841,277	620,439	2.56%
Net position beginning of year, as restated	<u>3,483,420</u>	<u>5,726,782</u>	<u>31,060</u>	<u>102,081</u>	<u>3,514,480</u>	<u>5,828,863</u>	<u>-39.71%</u>
Net position end of year	<u>\$ 4,323,048</u>	<u>6,347,130</u>	<u>32,709</u>	<u>102,172</u>	<u>4,355,757</u>	<u>6,449,302</u>	<u>-32.46%</u>

In fiscal year 2015, property tax, statewide sales and services tax and unrestricted state grants account for 76.94% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.14% of the revenue from business type activities.

The District's total revenues were approximately \$8.79 million, of which approximately \$8.43 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.06% increase in revenues and a .46% increase in expenses. The increase in revenues is primarily due to increases in property tax. The decrease in expenditures is primarily due to an increase in support services.

Governmental Activities

Revenues for governmental activities were \$8,426,226 and expenses were \$7,586,598 for the year ended June 30, 2015.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2015-14	2015	2014	Change 2015-14
		(Not restated)			(Not restated)	
Instruction	\$ 4,595,359	4,634,253	-0.84%	3,470,306	3,548,662	-2.21%
Support services	2,486,179	2,389,094	4.06%	2,262,713	2,176,449	3.96%
Non-instructional	12,677	14,816	-14.44%	12,677	14,816	-14.44%
Other expenses	492,383	506,765	-2.84%	247,982	267,875	-7.43%
Totals	\$ 7,586,598	7,544,928	-14.05%	5,993,678	6,007,802	-0.24%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$998,055.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$594,865.
- The net cost of governmental activities was financed with \$3,034,963 in property tax, \$292,816 in income surtax, \$544,777 in statewide sales, services and use tax, \$2,903,437 in unrestricted state grants, \$14,803 in investment income and \$42,510 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, were \$353,629 and expenses totaled \$351,980. 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 BCLUW 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 balance of \$3,462,245, compared to last year's ending fund balances of \$2,582,254. The primary reason for the increase was improvement in the Capital Projects Fund and Management Levy Fund balances compared to the prior year.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Revenues and expenses both increased compared to the prior year. The increase in revenues was greater than the increase in expenses and total revenues still outpaced total expenses leading to an increase in fund balance from \$1,237,619 at June 30, 2014 to \$1,449,003 at June 30, 2015.
- The Capital Projects Fund improved from a balance of \$677,313 at June 30, 2014 to \$1,334,942 at June 30, 2015. The Statewide Sales, Services and Use Tax Fund balance increased from \$510,236 at June 30, 2014 to \$684,281 at June 30, 2015 due to increases in

contributions received from local sources during the year. The Physical Plant and Equipment Levy Fund balance increased from \$167,077 at June 30, 2014 to \$650,661 at June 30, 2015 primarily due to an bond issuance.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$31,060 at June 30, 2014 to \$32,709 at June 30, 2015, representing an increase of less than one percent. The primary reason for this increase in fund balance is an increase in federal source revenues received compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, BCLUW Community School District amended its budget on time to reflect addition expenditures associated with higher food costs than expected and construction on the bus barn and wrestling room.

The District's revenues were \$150,749 more than budgeted revenues, a variance of 1.75%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$5.82 million, 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 9.81% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$359,591.

The original cost of the District's capital assets was \$12,804,361. Governmental funds account for \$12,710,386 of this total with the remainder of \$93,975 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$29,124 at June 30, 2014, compared to \$753,377 reported at June 30, 2015. The primary reason for this increase was due to construction on a bus barn and wrestling room.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2015-14
Land	\$ 80,000	80,000	-	-	80,000	80,000	0.00%
Construction in progress	753,377	29,124	-	-	753,377	29,124	2486.79%
Buildings	4,259,411	4,436,000	-	-	4,259,411	4,436,000	-3.98%
Land improvements	130,838	141,390	-	-	130,838	141,390	-7.46%
Machinery and equipment	566,513	593,249	31,000	21,117	597,513	614,366	-2.74%
Total	\$ 5,790,139	5,279,763	31,000	21,117	5,821,139	5,300,880	9.81%

Long-Term Debt

At June 30, 2015, the District had \$4,751,646 in long-term debt outstanding. This represents an Increase of 168.53% from last year. (See Figure A-7) The primary reason for this was due to the district issuing capital loan notes for \$1,230,000. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had \$1,090,000 of outstanding general obligation bonds at June 30, 2015, payable from the Debt Service Fund. The District had \$1,105,000 of outstanding capital loan notes on June 30, 2015 payable from the capital projects PPEL fund.
- The District completely paid off their computer lease payable at June 30, 2015 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$82,068 at June 30, 2015.
- The District had a net OPEB liability of \$262,741 at June 30, 2015. Governmental activities account for \$259,667 of this total while the remaining \$3,074 is accounted for as a part of the District's business type activities.
- The District had a net pension liability of \$2,269,841 at June 30, 2015. Governmental activities account for \$2,214,911 of this total while the remaining \$54,930 is accounted for as a part of the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2015-14
General obligation bonds	\$ 1,090,000	1,435,000	-	-	1,090,000	1,435,000	-24.04%
Capital Loan Notes	1,105,000	-	-	-	1,105,000	-	100.00%
Computer Lease	-	71,277	-	-	-	71,277	-100.00%
Termination benefits	82,068	67,798	-	-	82,068	67,798	21.05%
Net OPEB liability	259,667	214,477	3,074	2,539	262,741	217,016	21.07%
Net Pension Liability	2,214,911	-	54,930	-	2,269,841	-	100.00%
Total	\$ 4,751,646	1,788,552	58,004	2,539	4,809,650	1,791,091	168.53%

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:

- 1.61% contract settlement with professional staff.
- Decrease in enrollment.
- SAVE and voter approved PPEL tax continues to keep the district's facilities in good shape.
- Continue to share a superintendent, a transportation director and a couple of teachers. An elementary counselor and a Director of Curriculum and Innovation were also added this fiscal year.
- Added an additional preschool class and teacher
- Began receiving REAP funds again

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 Paula Benson, Board Secretary/Business Manager, BCLUW Community School District, 610 E Center St., PO Box 670, Conrad, Iowa, 50621.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,871,005	57,169	3,928,174
Receivables:			
Property tax:			
Delinquent	25,872	-	25,872
Succeeding year	3,127,868	-	3,127,868
Income surtax	287,229	-	287,229
Accounts	4,788	-	4,788
Due from other governments	246,739	-	246,739
Inventories	-	14,965	14,965
Capital assets, net of accumulated depreciation	5,790,139	31,000	5,821,139
TOTAL ASSETS	13,353,640	103,134	13,456,774
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	459,729	11,401	471,130
LIABILITIES			
Accounts payable	92,165	-	92,165
Salaries and benefits payable	593,994	-	593,994
Accrued interest payable payable	5,613	-	5,613
Unearned revenue	-	1,030	1,030
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	355,000	-	355,000
Capital Loan Note	128,000	-	128,000
Termination benefit payable	56,329	-	56,329
Portion due after one year:			
General obligation bonds payable	735,000	-	735,000
Capital Loan Note	977,000	-	977,000
Termination benefit payable	25,739	-	25,739
Net Pension Liability	2,214,911	54,930	2,269,841
Net OPEB liability	259,667	3,074	262,741
TOTAL LIABILITIES	5,443,418	59,034	5,502,452
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	919,035	22,792	941,827
Unavailable property tax revenue	3,127,868	-	3,127,868
TOTAL DEFERRED INFLOWS OF RESOURCES	4,046,903	22,792	4,069,695
NET POSITION			
Net investment in capital assets	3,595,139	31,000	3,626,139
Restricted for:			
Categorical funding	172,641	-	172,641
Debt service	38,438	-	38,438
Management levy purposes	409,549	-	409,549
Student activities	130,300	-	130,300
Public education and recreation levy	12,332	-	12,332
School infrastructure	684,281	-	684,281
Physical plant and equipment	650,661	-	650,661
Unrestricted	(1,370,293)	1,709	(1,368,584)
TOTAL NET POSITION	\$ 4,323,048	32,709	4,355,757

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,714,306	447,644	27,056	-	(2,239,606)	-	(2,239,606)
Special	803,998	121,212	73,899	-	(608,887)	-	(608,887)
Other	1,077,055	292,761	162,481	-	(621,813)	-	(621,813)
	<u>4,595,359</u>	<u>861,617</u>	<u>263,436</u>	<u>-</u>	<u>(3,470,306)</u>	<u>-</u>	<u>(3,470,306)</u>
Support services:							
Student	200,367	23,952	51,563	-	(124,852)	-	(124,852)
Instructional staff	217,174	31,439	-	-	(185,735)	-	(185,735)
Administration	764,274	69,595	-	-	(694,679)	-	(694,679)
Operation and maintenance of plant	817,754	-	-	35,465	(782,289)	-	(782,289)
Transportation	486,610	11,452	-	-	(475,158)	-	(475,158)
	<u>2,486,179</u>	<u>136,438</u>	<u>51,563</u>	<u>35,465</u>	<u>(2,262,713)</u>	<u>-</u>	<u>(2,262,713)</u>
Non-instructional:							
Food service operations	8,310	-	-	-	(8,310)	-	(8,310)
Community service operations	4,367	-	-	-	(4,367)	-	(4,367)
	<u>12,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,677)</u>	<u>-</u>	<u>(12,677)</u>
Facilities acquisitions							
Long-term debt interest	60,841	-	-	-	(60,841)	-	(60,841)
Other expenditures:							
AEA flowthrough	244,401	-	244,401	-	-	-	-
Depreciation(unallocated)*	187,141	-	-	-	(187,141)	-	(187,141)
	<u>431,542</u>	<u>-</u>	<u>244,401</u>	<u>-</u>	<u>(187,141)</u>	<u>-</u>	<u>(187,141)</u>
Total governmental activities	7,586,598	998,055	559,400	35,465	(5,993,678)	-	(5,993,678)
Business Type activities:							
Support services:							
Operation and maintenance of plant	6,354	-	-	-	-	(6,354)	(6,354)
Non-instructional programs:							
Food service operations	345,626	181,933	165,139	3,200	-	4,646	4,646
Total business type activities	<u>351,980</u>	<u>181,933</u>	<u>165,139</u>	<u>3,200</u>	<u>-</u>	<u>(1,708)</u>	<u>(1,708)</u>
Total	<u>\$ 7,938,578</u>	<u>1,179,988</u>	<u>724,539</u>	<u>38,665</u>	<u>(5,993,678)</u>	<u>(1,708)</u>	<u>(5,995,386)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,418,539	-	2,418,539
Debt services					380,068	-	380,068
Capital outlay					236,356	-	236,356
Income surtax					292,816	-	292,816
Statewide sales, services and use tax					544,777	-	544,777
Unrestricted state grants					2,903,437	-	2,903,437
Unrestricted investment earnings					14,803	101	14,904
Other general revenues					42,510	3,256	45,766
Total general revenues					<u>6,833,306</u>	<u>3,357</u>	<u>6,836,663</u>
Change in net position					839,628	1,649	841,277
Net position beginning of year, as restated					<u>3,483,420</u>	<u>31,060</u>	<u>3,514,480</u>
Net position end of year					<u>\$ 4,323,048</u>	<u>32,709</u>	<u>4,355,757</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Cash and pooled investments	\$ 1,954,021	1,247,837	669,147	3,871,005
Receivables:				
Property tax:				
Delinquent	18,658	2,011	5,203	25,872
Succeeding year	2,267,154	241,585	619,129	3,127,868
Income surtax	287,229	-	-	287,229
Accounts	838	-	3,950	4,788
Due from other governments	161,645	85,094	-	246,739
TOTAL ASSETS	\$ 4,689,545	1,576,527	1,297,429	7,563,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Accounts payable	\$ 92,165	-	-	92,165
Salaries and benefits payable	593,994	-	-	593,994
Total liabilities	686,159	-	-	686,159
Deferre inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	2,267,154	241,585	619,129	3,127,868
Income surtax	287,229	-	-	287,229
Total deferred inflows of resources	2,554,383	241,585	619,129	3,415,097
Fund balances:				
Restricted for:				
Categorical funding	172,641	-	-	172,641
Debt service	-	-	44,051	44,051
Management levy purposes	-	-	491,617	491,617
Student activities	-	-	130,300	130,300
Public education and recreation levy	-	-	12,332	12,332
School infrastructure	-	684,281	-	684,281
Physical plant and equipment	-	650,661	-	650,661
Unassigned	1,276,362	-	-	1,276,362
Total fund balances	1,449,003	1,334,942	678,300	3,462,245
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,689,545	1,576,527	1,297,429	7,563,501

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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)		\$ 3,462,245.00
 <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 in the governmental funds.		5,790,139
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and therefore, are recognized as deferred inflows of resources in the governmental funds.		287,229
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,613)
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	\$ 459,729	
Deferred inflows of resources	<u>(919,035)</u>	(459,306)
Long-term liabilities, including bonds payable, capital loan note payable, computer lease payable, termination benefits payable and other postemployment benefits payable, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,751,646)</u>
Net position of governmental activities(page 18)		<u><u>\$ 4,323,048.00</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,479,429	236,357	610,990	3,326,776
Tuition	497,282	-	-	497,282
Other	253,632	40,435	299,484	593,551
State sources	3,246,364	546,178	3,668	3,796,210
Federal sources	211,404	-	-	211,404
Total revenues	<u>6,688,111</u>	<u>822,970</u>	<u>914,142</u>	<u>8,425,223</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,551,311	20,648	71,878	2,643,837
Special	803,151	-	-	803,151
Other	779,654	-	317,764	1,097,418
	<u>4,134,116</u>	<u>20,648</u>	<u>389,642</u>	<u>4,544,406</u>
Support services:				
Student	198,074	-	-	198,074
Instructional staff	233,943	1,665	-	235,608
Administration	766,333	50,878	23,428	840,639
Operation and maintenance of plant	505,396	38,093	70,058	613,547
Transportation	390,097	86,848	31,536	508,481
	<u>2,093,843</u>	<u>177,484</u>	<u>125,022</u>	<u>2,396,349</u>
Non-instructional:				
Food service operations	-	-	8,310	8,310
Community service operations	4,367	-	-	4,367
	<u>4,367</u>	<u>-</u>	<u>8,310</u>	<u>12,677</u>
Capital outlay	-	968,333	-	968,333
Long-term debt:				
Principal	-	-	541,277	541,277
Interest and fiscal charges	-	10,705	57,084	67,789
	<u>-</u>	<u>10,705</u>	<u>598,361</u>	<u>609,066</u>
Other expenditures:				
AEA flowthrough	244,401	-	-	244,401
Total expenditures	<u>6,476,727</u>	<u>1,177,170</u>	<u>1,121,335</u>	<u>8,775,232</u>
Excess(deficiency) of revenues over(under) expenditures	211,384	(354,200)	(207,193)	(350,009)
Other financing sources(uses):				
Capital loan note issuance	-	1,230,000	-	1,230,000
Transfer in	-	-	218,171	218,171
Transfer out	-	(218,171)	-	(218,171)
Total other financing sources(uses)	<u>-</u>	<u>1,011,829</u>	<u>218,171</u>	<u>1,230,000</u>
Changes in fund balances	211,384	657,629	10,978	879,991
Fund balances beginning of year	<u>1,237,619</u>	<u>677,313</u>	<u>667,322</u>	<u>2,582,254</u>
Fund balances end of year	<u>\$ 1,449,003</u>	<u>1,334,942</u>	<u>678,300</u>	<u>3,462,245</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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

Net change in fund balances - total governmental funds(page 22) \$ 879,991

*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, depreciation expense and loss on disposal for the current year are as follows:

Capital outlay	\$ 867,186	
Depreciation expense	(355,580)	
Loss on disposal of assets	1,230	512,836

Income surtax account receivable is not available to finance expenditures of the current year and are not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

1,003

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

Issued	\$ (1,230,000)	
Repaid	541,227	(688,773)

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

6,948

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

337,908

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 fund.

Termination benefits	(14,270)	
Pension expense	(150,825)	
Net OPEB liability	(45,190)	(210,285)

Changes in net position of governmental activities(page 19) \$ 839,628

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Enterprise School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 57,169
Inventories	14,965
Capital assets, net of accumulated depreciation	<u>31,000</u>
TOTAL ASSETS	<u>103,134</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred outflows	<u>11,401</u>
LIABILITIES	
Net pension liability	54,930
Unearned revenues	1,030
Net OPEB liability	<u>3,074</u>
TOTAL LIABILITIES	<u>59,034</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>22,792</u>
NET POSITION	
Net investment in capital assets	31,000
Unrestricted	<u>1,709</u>
TOTAL NET POSITION	<u>\$ 32,709</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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 services	\$	181,933
Miscellaneous		3,256
Total operating revenues		185,189
 Operating Expenses:		
Support Services:		
Operations and maintenance of plant		
Services		6,354
Non-instructional programs:		
Food service operations:		
Salaries		97,113
Benefits		17,784
Services		23
Supplies		226,695
Depreciation		4,011
Total non-instructional programs		345,626
Total operating expenses		351,980
 Operating loss		(166,791)
 Non-operating revenues:		
State sources		2,913
Federal sources		162,226
Interest income		101
Total non-operating revenues		165,240
 Change in net position before other financing sources		(1,551)
 OTHER FINANCING SOURCES:		
Capital contributions		3,200
 Change in net position		1,649
 Net position beginning of year, as restated		31,060
 Net position end of year	\$	32,709

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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	\$ 183,915
Cash received from miscellaneous operating activities	3,256
Cash payments to employees for services	(119,062)
Cash payments to suppliers for goods or services	(210,983)
Net cash used in operating activities	(142,874)
Cash flows from non-capital financing activities:	
State grants received	2,913
Federal grants received	133,889
Net cash provided by non-capital financing activities	136,802
Cash flows from investing activities:	
Interest on investments	101
Cash flows from capital financing activities:	
Acquisition of assets	(10,694)
Net cash used in financing activities	(10,694)
Net decrease in cash and cash equivalents	(16,665)
Cash and cash equivalents beginning of year	73,834
Cash and cash equivalents end of year	\$ 57,169
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (166,791)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,337
Depreciation	4,011
Increase in inventories	(6,248)
Decrease in accounts payable	952
Increase in deferred outflows of resources	(3,308)
Increase in deferred inflows of resources	22,792
Decrease in net pension liability	(24,184)
Increase in net OPEB liability	535
Increase in unearned revenue	1,030
Net cash used in operating activities	\$ (142,874)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$28,337 of federal commodities.

During the year ended June 30, 2015 the District received \$3,200 in contributed capital from the capital projects: statewide sales, services and use tax.

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union, and Whitten, Iowa, and the predominate agricultural territory in Hardin, Grundy 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, BLCUW 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 BCLUW 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 Grundy, Marshall and Hardin County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 three categories:

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining statements are also included for the Capital Projects 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 District reports the following non-major proprietary fund:

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investments non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

Due from Other Governments - Due from other governments represents amounts due from the

State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-15 years
Machinery and equipment	5-10 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.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist 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 differences 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 other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit 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. As of June 30, 2015, the District had no investments.

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 73,558
Debt Service	Capital Projects: Plant and Equipment Levy	144,613
Total		<u>\$ 218,171</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer lease indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Construction in progress	29,124	724,253	-	753,377
Total capital assets not being depreciated	109,124	724,253	-	833,377
Capital assets being depreciated:				
Buildings	9,221,835	-	-	9,221,835
Land improvements	211,035	-	-	211,035
Machinery and equipment	2,497,860	142,933	196,654	2,444,139
Total capital assets being depreciated	11,930,730	142,933	196,654	11,877,009
Less accumulated depreciation for:				
Buildings	4,785,835	176,589	-	4,962,424
Land improvements	69,645	10,552	-	80,197
Machinery and equipment	1,904,611	168,439	195,424	1,877,626
Total accumulated depreciation	6,760,091	355,580	195,424	6,920,247
Total capital assets being depreciated, net	5,170,639	(212,647)	1,230	4,956,762
Governmental activities capital assets, net	\$ 5,279,763	511,606	1,230	5,790,139
Business type activities:				
Machinery and equipment	\$ 81,140	13,894	1,059	93,975
Less accumulated depreciation	60,023	4,011	1,059	62,975
Business type activities capital assets, net	\$ 21,117	9,883	-	31,000

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 67,638
Other		12,591
Support services:		
Administration		9,485
Operation and maintenance of plant		5,614
Transportation		73,111
		168,439
Unallocated depreciation		187,141
Total governmental activities depreciation expense		\$ 355,580
Business type activities:		
Food service operations		\$ 4,011

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,435,000	-	345,000	1,090,000	355,000
Capital loan Note	-	1,230,000	125,000	1,105,000	128,000
Termination benefits	67,798	79,358	65,088	82,068	56,329
Net Pension Liability	2,214,911	-	975,147	2,214,911	-
Net OPEB liability	214,477	45,190	-	259,667	-
Total	\$ 3,932,186	1,354,548	1,510,235	4,751,646	539,329
Business type activities:					
Net Pension Liability	79,114	-	24,184	54,930	-
Net OPEB liability	\$ 2,539	535	-	3,074	-
Total	\$ 81,653	535	24,184	58,004	-

General Obligation Bonds

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

Year Ending June 30,	Refunding Bond Issue of February 19, 2014				
	Interest Rates	Principal	Interest	Total	
2016	2.00 %	\$ 355,000	21,800	376,800	
2017	2.00	365,000	14,700	379,700	
2018	2.00	370,000	7,400	377,400	
Total		\$ 1,090,000	43,900	1,133,900	

Capital Loan Note

Details of the District's June 30, 2015 Capital Loan Note indebtedness, paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Capital Loan Note Issue of September 4, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.15	128,000	23,758	151,758
2017	2.15	131,000	21,006	152,006
2018	2.15	134,000	18,188	152,188
2019	2.15	137,000	15,308	152,308
2020	2.15	139,000	12,363	151,363
2021	2.15	142,000	9,374	151,374
2022	2.15	145,000	6,321	151,321
2023	2.15	149,000	3,203	152,203
Total		\$ 1,105,000	109,521	1,214,521

Termination Benefits

The District did offer a voluntary early retirement plan to District employees during fiscal year 2015. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which must be approved by the Board of Education.

Early retirees were given the option to receive their benefit in a cash payout or to apply it to insurance payments until the employee reaches ages 65 or the money runs out whichever occurs first. The early retirement benefit for each eligible employee was 50% of the employees retirement year salary, less supplemental pay or extended contract pay. Cash payouts for early retirement benefits are to be paid in two equal installments, one in June 2015 and the second payment in June 2016. Insurance premiums are applied on a monthly basis to the retirement benefit until it is used up or the employee reaches age 65.

At June 30, 2015, the District has obligations four participants with a total liability of \$82,068. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$65,088.

(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 \$323,768.

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 \$927,146 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.056085 percent, which was an increase of 0.033176 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$33,652. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,669	\$ -
Changes of assumptions	100,173	-
Net difference between projected and actual earnings on pension plan investments	-	865,652
Changes in proportion and differences between District contributions and proportionate share of contributions	-	76,175
District contributions subsequent to the measurement date	334,823	-
Total	\$ 459,665	\$ 941,827

\$459,665 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (205,042)
2017	(205,042)
2018	(205,042)
2019	(205,042)
2020	3,184
	\$ (816,985)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (-6.5%)	Discount Rate (-7.5%)	1% Increase (-8.5%)
District's proportionate share of the net pension liability	\$ 4,288,801	\$ 2,269,841	\$ 565,630

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 \$13,793 for legally required employer contributions and \$8,380 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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 61 active and 4 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The benefits are provided through fully-insured plans with Wellmark. Retirees under age 65 pay the same premiums 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 any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 57,841
Interest on net OPEB obligation	5,425
Adjustment to annual required contribution	(13,052)
Annual OPEB cost	<u>50,214</u>
Contributions made	<u>(4,489)</u>
Increase in net OPEB obligation	45,725
Net OPEB obligation beginning of year	217,016
Net OPEB obligation end of year	<u><u>\$ 262,741</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 48,581	14.75%	\$ 174,829
2014	47,302	10.81%	217,016
2015	50,214	8.94%	262,741

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 \$378,650, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$378,650. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,026,642 and the ratio of the UAAL to covered payroll was 9.40%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$779 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2015 were \$707,381.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$244,401 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.

(10) Categorical Funding

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

Program	Amount
Returning dropouts and dropout prevention programs	29,489
Weighted at-risk supplemental programs	17,812
Four-year old preschool state aid	90,364
Successful progression for early readers	26,189
Professional Development for the model core curriculum	8,787
Total	\$ 172,641

(11) Construction Commitments

As of June 30, 2015, the District has entered into a construction contracts totaling \$384,900 for the construction of a new Wrestling Room and \$527,523 for construction of new Bus Barn. As of June 30, 2015, the District has a cost of \$182,142 against the Wrestling Room contract and \$500,671 to the Bus Barn. These projects are expected to begin in fiscal 2015. The balance of \$202,758 remaining for the

Wrestling Room and \$26,851 for the Bus Barn at June 30, 2015 will, be paid as work on the projects continues.

(12) Operating Leases

The District entered into a 60 month contract with U.S. Bank Equipment Finance in November 2011 to lease five copy machines. The remaining amount to be paid on the lease is as follows:

Year Ended June 30,	Lease Payment
2016	34,620
2017	14,425
Total	<u>\$ 49,045</u>

The District entered into a 60 month contract with DeLage land Financial Services Inc. to lease a copy machine in September 2013. The remaining amount to be repaid on the lease is as follows:

Year Ended June 30,	Lease Payment
2016	3,420
2017	3,420
2018	3,420
2019	855
Total	<u>\$ 11,115</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	491,617	44,051	1,276,362
Capital assets, net of accumulated depreciation	(5,790,138)	-	-	-
General obligation bond capitalized indebtedness	(1,090,000)	-	-	-
Capital loan note indebtedness	(1,105,000)	-	-	-
Termination benefits payable	-	(82,068)	-	-
Accrued interest payable	-	-	(5,613)	-
Income surtax	-	-	-	287,229
Net OPEB liability	-	-	-	(259,667)
Net pension liability	-	-	-	(2,214,911)
Deferred outflows of resources	-	-	-	459,729
Deferred inflows of resources	-	-	-	(919,035)
Net position (Exhibit A)	<u>\$ (7,985,138)</u>	<u>409,549</u>	<u>38,438</u>	<u>(1,370,293)</u>

(14) Prospective Accounting Change

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	\$ 6,347,130	\$ 102,081
Net pension liability at June 30, 2014	<u>(3,190,058)</u>	<u>(79,114)</u>
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	326,348	8,093
Net position July 1, 2014, as restated	<u>\$ 3,483,420</u>	<u>\$ 31,060</u>

BCLUW COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BCLUW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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 Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,417,609	185,290	4,602,899	4,968,817	4,968,817	(365,918)
State sources	3,796,210	2,913	3,799,123	3,373,086	3,373,086	426,037
Federal sources	211,404	162,226	373,630	283,000	283,000	90,630
Total revenues	8,425,223	350,429	8,775,652	8,624,903	8,624,903	150,749
Expenditures/Expenses:						
Instruction	4,544,406	-	4,544,406	4,662,000	4,662,000	117,594
Support services	2,396,349	6,354	2,402,703	2,428,800	2,428,800	26,097
Non-instructional programs	12,677	345,626	358,303	365,650	390,650	32,347
Other expenditures	1,821,800	-	1,821,800	1,244,173	1,900,000	78,200
Total expenditures/expenses	8,775,232	351,980	9,127,212	8,700,623	9,381,450	254,238
Excess(Deficiency) of revenues over (under) expenditures/expenses	(350,009)	(1,551)	(351,560)	(75,720)	(756,547)	404,987
Other financing sources, net	1,230,000	3,200	1,233,200	71,277	71,277	1,161,923
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	879,991	1,649	881,640	(4,443)	(685,270)	1,566,910
Balances beginning of year	2,582,254	31,060	2,613,314	2,138,069	2,138,069	475,245
Balances end of year	\$ 3,462,245	32,709	3,494,954	2,133,626	1,452,799	2,042,155

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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, the District adopted one budget amendment, increasing budgeted expenditures by \$680,827.

BCLUW COMMUNITY SCHOOL DISTRICT

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

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.056085%
District's proportionate share of the net pension liability	\$ 2,269,841
District's covered-employee payroll	\$ 3,877,805
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.53%
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.

BCLUW COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 346,288	333,744	323,401	301,048	256,217	251,104	230,924	216,518	186,548	177,256
Contributions in relation to the statutorily required contribution	\$ (346,288)	(333,744)	(323,401)	(301,048)	(256,217)	(251,104)	(230,924)	(216,518)	(186,548)	(177,256)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,877,805	3,737,335	3,730,115	3,730,458	3,686,576	3,613,007	3,636,598	3,578,810	3,244,313	3,082,713
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.

BCLUW 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.

BCLUW 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 359,000	359,000	0.00%	\$ 3,776,000	9.51%
2011	July 1, 2009	-	359,000	359,000	0.00%	3,802,000	9.44%
2012	July 1, 2009	-	359,000	359,000	0.00%	3,812,000	9.42%
2013	July 1, 2012	-	412,231	412,231	0.00%	2,967,143	13.89%
2014	July 1, 2012	-	402,817	402,817	0.00%	3,262,076	12.35%
2015	July 1, 2012	-	378,650	378,650	0.00%	4,026,642	9.40%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue					
	Management	Student Activity	Public Education and Recreation Levy	Total	Debt Services	Total
ASSETS						
Cash and pooled investments	\$ 489,910	126,350	12,069	628,329	40,818	669,147
Receivables:						
Property tax:						
Delinquent	1,707	-	263	1,970	3,233	5,203
Succeeding year	210,001	-	31,828	241,829	377,300	619,129
Accounts	-	3,950	-	3,950	-	3,950
TOTAL ASSETS	\$ 701,618	130,300	44,160	876,078	421,351	1,297,429
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
	\$ -	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	210,001	-	31,828	241,829	377,300	619,129
Fund balances:						
Restricted for:						
Management	491,617	-	-	491,617	-	491,617
Student activities	-	130,300	-	130,300	-	130,300
Public education and recreation levy	-	-	12,332	12,332	-	12,332
Debt Services	-	-	-	-	44,051	44,051
Total fund balances	491,617	130,300	12,332	634,249	44,051	678,300
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 701,618	130,300	44,160	876,078	421,351	1,297,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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	Student Activity	Public Education and Recreation Levy	Total	Debt Services	
Revenues:						
Local sources:						
Local tax	\$ 200,069	-	30,854	230,923	380,067	610,990
Other	9,328	284,216	5,354	298,898	586	299,484
State sources	1,226	-	189	1,415	2,253	3,668
Total revenues	210,623	284,216	36,397	531,236	382,906	914,142
Expenditures:						
Current:						
Instruction:						
Regular	71,878	-	-	71,878	-	71,878
Other	-	296,095	21,669	317,764	-	317,764
Support services:						
Administration	23,428	-	-	23,428	-	23,428
Operation and maintenance of plant	63,227	-	6,831	70,058	-	70,058
Transportation	31,536	-	-	31,536	-	31,536
Fund Service	8,310	-	-	8,310	-	8,310
Other expenditures:	-	-	-	-	541,277	541,277
Long-term debt:	-	-	-	-	57,084	57,084
Total expenditures	198,379	296,095	28,500	522,974	598,361	1,121,335
Excess (Deficiency) of revenues over (under) expenditures	12,244	(11,879)	7,897	8,262	(215,455)	(207,193)
Other financing sources:						
Transfers in	-	-	-	-	218,171	218,171
Total other financing sources	-	-	-	-	218,171	218,171
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	12,244	(11,879)	7,897	8,262	2,716	10,978
Fund balances beginning of year	479,373	142,179	4,435	625,987	41,335	667,322
Fund balances end of year	\$ 491,617	130,300	12,332	634,249	44,051	678,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 599,187	648,650	1,247,837
Recivables:			
Property tax:			
Delinquent	-	2,011	2,011
Succeeding year	-	241,585	241,585
Due from other governments	85,094	-	85,094
TOTAL ASSETS	\$ 684,281	892,246	1,576,527
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	241,585	241,585
Fund balances:			
Restricted for:			
School infrastructure	684,281	-	684,281
Physical plant and equipment	-	650,661	650,661
Total fund balances	684,281	650,661	1,334,942
TOAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 684,281	892,246	1,576,527

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	236,357	236,357
Other	37,563	2,872	40,435
State sources	544,777	1,401	546,178
Total revenues	582,340	240,630	822,970
Expenditures:			
Instruction:			
Regular	-	20,648	20,648
Support Services:			
Instructional staff	-	1,665	1,665
Administration	45,717	5,161	50,878
Operation and maintenance of plant	-	38,093	38,093
Transportation	86,848	-	86,848
Other expenditures:	-	10,705	10,705
Capital outlay	202,173	766,160	968,333
Total expenditures	334,738	842,432	1,177,170
Excess(deficiency) of revenues over(under) expenditures	247,602	(601,802)	(354,200)
Other financing sources(uses):			
Proceeds from capital loan note	-	1,230,000	1,230,000
Transfers out	(73,557)	(144,614)	(218,171)
Total other financing sources(uses)	(73,557)	1,085,386	1,011,829
Change in fund balances	174,045	483,584	657,629
Fund balances beginning year	510,236	167,077	677,313
Fund balances end of year	\$ 684,281	650,661	1,334,942

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Interest	\$ -	590	100	(490)	-
Elementary Activities	29,781	3,791	9,360	81	24,293
MS Activities	5,553	6,582	6,283	34	5,886
High School Activities	1,433	1,155	2,208	16	396
Advanced Construction	1,198	1,978	2,020	-	1,156
Display Case	3,349	-	-	-	3,349
Drama/Thespians	2,735	4,643	2,768	15	4,625
Speech	10	613	359	-	264
Vocal Music	116	6,127	5,938	-	305
Show Choir	4,216	2,911	6,799	-	328
Band	139	4,245	2,962	5	1,427
Middle School Vocal Music	9	50	-	-	59
Little League	1,466	9,220	7,681	10	3,015
Athletic	44,600	121,833	134,623	107	31,917
MS Athletic	3,154	5,883	4,085	17	4,969
HS Mathletes	609	-	81	-	528
Talented and Gifted MS	1,667	757	639	6	1,791
Science Club	-	7,616	7,118	-	498
Green House	210	-	-	-	210
MS Theme Day	57	-	-	-	57
Class of 2018	-	296	154	-	142
Flower Fund	106	356	371	-	91
FCCLA	2,268	743	286	9	2,734
Comet Café	1,238	6,024	6,033	-	1,229
Library Club	-	-	-	-	-
Art Club	953	2,647	1,410	7	2,197
Letterwinners	2,484	-	391	7	2,100
National Art Honor Society	1,079	-	-	-	1,079
Class of 2016	5,888	19,533	21,046	15	4,390
Kiosk Fund	2,947	-	-	-	2,947
Concessions	530	27,035	27,565	-	-
Special Olympics	17	150	233	66	-
National Honor Society	1,970	325	913	5	1,387
Padlock	1,001	19	1,020	-	-
Class of 2017	398	10,197	4,349	21	6,267
Student Council	4,769	7,954	6,952	19	5,790
Summer Concessions	6,392	24,944	21,922	32	9,446
Yearbook	3,667	5,878	7,610	6	1,941
Class of 2015	6,170	-	2,737	12	3,445
Robotics Club	-	121	79	-	42
Total	\$ 142,179	284,216	296,095	-	130,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,326,776	3,202,898	3,800,176	3,584,440	3,503,935	3,358,274	3,379,165	3,163,985	3,072,460	2,941,371
Tuition	497,282	459,797	461,968	454,811	382,766	394,461	354,162	323,887	327,063	260,390
Other	593,551	651,850	566,835	550,492	575,797	510,325	531,636	554,796	469,174	553,728
State sources	3,796,210	3,585,964	3,015,531	3,063,554	2,823,470	2,514,445	3,060,564	2,906,756	2,560,037	2,367,946
Federal sources	211,404	162,593	208,677	145,589	291,194	539,357	289,694	269,196	216,894	116,345
Total	\$ 8,425,223	8,063,102	8,053,187	7,798,886	7,577,162	7,316,862	7,615,221	7,218,620	6,645,628	6,239,780
Expenditures:										
Instruction:										
Regular	\$ 2,643,837	2,532,089	2,777,757	2,483,786	2,449,910	2,538,909	2,655,148	2,662,171	2,386,688	2,256,634
Special	803,151	687,818	833,976	707,970	638,777	669,937	731,501	651,345	655,356	560,169
Other	1,097,418	1,167,054	1,143,970	1,059,803	1,132,360	1,043,032	989,208	804,006	747,297	761,726
Support services:										
Student	198,074	143,125	136,511	133,659	131,349	134,523	97,344	94,920	84,866	83,931
Instructional staff	235,608	251,717	267,018	265,967	267,771	223,273	230,109	200,159	193,510	182,949
Administration	840,639	795,354	760,906	754,014	737,939	744,651	747,875	703,427	683,912	659,495
Operation and maintenance of plant	613,547	652,773	607,582	591,612	617,800	539,137	548,564	569,301	505,318	530,856
Transportation	508,481	515,806	562,559	391,422	344,474	320,059	333,571	364,021	338,074	325,388
Non-instructional:										
Food service operations	8,310	8,162	7,245	6,631	7,574	9,811	7,060	5,648	5,828	5,380
Community service operations	4,367	6,654	2,492	4,515	6,656	18,945	19,685	2,435	17,357	1,982
Capital outlay	968,333	385,882	202,444	255,872	416,223	328,378	752,409	459,174	651,064	367,709
Long term debt:										
Principal	541,277	1,844,067	315,000	380,925	372,456	280,000	275,000	250,000	235,000	225,000
Interest and fiscal charges	67,789	84,336	83,975	102,512	117,029	117,538	127,825	168,688	179,145	207,324
Other expenditures:										
AEA flow-through	244,401	238,890	232,251	235,906	257,518	257,444	223,513	215,223	194,442	180,550
Total	\$ 8,775,232	9,313,727	7,933,686	7,374,594	7,497,836	7,225,637	7,738,812	7,150,518	6,877,857	6,349,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

To the Board of Education of the BCLUW 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 BCLUW Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCLUW 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.

BCLUW Community School District's Responses to Findings

BCLUW Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. BCLUW 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 BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts -recording, depositing, journalizing, and posting in the Nutrition Fund.
- 4) Disbursements - mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - recording, journalizing, posting, and recording.

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

Response - 1. Cash: C. Parker – Business Office Secretary counts the money, it is deposited by B. Petty - Superintendent or C. Parker, it is receipted in by P. Benson – School Business Official for General Fund, PPEL, PERL & SAVE. HL & Activity is receipted in by C. Parker and reconciled by P. Benson.

2. Investments: P. Benson invests and completes journal entries for investment interest but everything is shared and approved by B. Petty. All records of quoted rates are printed and kept with the CD file.

3. Receipts for Nutrition Fund: C. Parker, building secretaries and food service director all deposit money in to family accounts. Receipts are entered and posted by C. Parker and the account is reconciled by P. Benson.

4. Disbursements: Requisitions for GF, PPEL, PERL, SAVE, Mgt., Debt Service & HL are written up by P. Benson, checks are written by C. Parker. Requisitions for activity fund are written up by C. Parker, checks are written by P. Benson. All purchase orders and requisitions are approved by Mr. Petty before the checks are written.

5. Capital Assets: Purchases are approved by B. Petty & P. Benson and recorded as a capital asset by C. Parker. All items over \$500 are tagged by either the Head of Buildings and Grounds or the Technology Coordinator.

6. Payroll: Each building administrator and supervisor approves the time sheets before coming to the business office. Total hours are double checked by P. Benson and entered and posted in to the Software program. 88% of the distribution is sent by email from the Software program. C. Parker confirms all pay rate and deductions at the beginning of the year that were entered by P. Benson. B. Petty approves all overtime.

7. Financial Reporting: Monthly financial reports for hot lunch and activity fund are completed by C. Parker and reviewed by P. Benson. General fund, PPEL/PERL, Debt service, Management and Save are completed by P. Benson and approved by B. Petty.

8. Computer systems: Both P. Benson and C. Parker have all access to the computer system data input and output.

9. School Lunch program: See #3.

Conclusion – Response accepted.

I-B-15 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections

home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - There are always at least two people involved in the cash collection/sale at BCLUW. We do have cash boxes with established amounts in each box. The boxes are never left unattended and at the end of the activity, the money is handed over to the AD who in turn locks it up in the district office safe room. Cash boxes are never taken home. The next morning it is counted and deposited by C. Parker. The process is checked by P. Benson as randomly P. Benson will count the money and not tell C. Parker. After C. Parker counts the money and records what she counted, P. Benson confirms that their dollar amounts agree.

Conclusion – Response accepted.

OTHER MATTERS:

I-C-15 Deficit Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant deficit student lunch account balances on the books.

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

Response - The School set a new policy for negative lunch accounts, policy 710.4. We continually give families forms for free and reduced but if they don't complete them, we can't allow the reduction. We have also hired a new Food Service Director that is really trying to collect past due balances.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 did not exceeded the certified budget amounts.
- II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dates 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 or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-15 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	510,236
Revenues:			
Statewide sales, services and use tax revenue	\$	544,777	
Other local revenues		<u>37,563</u>	<u>582,340</u>
			1,092,576
Expenditures/transfers out:			
Equipment		200,229	
Other		134,509	
Transfers to other funds:			
Debt service fund		<u>73,557</u>	<u>408,295</u>
Ending Balance			<u><u>\$ 684,281</u></u>

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

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

Target Donations: Currently, the District records Target donations in the Student Activity Fund.

Recommendation -Donations given to a school should be expended according to donor request. Target Donations are undesignated, therefore more appropriately received in the General Fund for use as determined by the Board of Directors. This designation should be done annually and noted in the District’s board minutes.

Response - The Target Donations will now be deposited in to the General Fund.

Conclusion – Response accepted.

Questionable Accounts - We noted a Display Case fund, MS Theme Day, Flower Fund, and a Kiosk Fund, accounts within the Student Activity Fund. The expenditures related to these accounts appear to be for instructional items and therefore, would be more appropriately handled in the general fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Display Case fund, MS Theme Day, Flower Fund, and a Kiosk Fund, accounts should be reviewed for the appropriateness of the Activity Fund. The District should review each account and move the remaining balances to the appropriate fund.

Response - The Display Case Fund and Kiosk Fund are from left over money from graduating classes in the last couple of years that had ideas of what they wanted to use their left over money for – however – they did not have enough money to complete the project so the money has sat – we will expend by the end of the 2016 fiscal year. The padlock fund has been moved to the general fund and we no longer have a flower fun or a MS Theme Day fund.

Conclusion – Response accepted.

Class Accounts - We noted The Class of 2014 Account designated \$1,000 of their remaining account balance upon graduation to be given to BCLUW Foundation to be given out as a scholarship for the future. The Class of 2014 did not specifically fundraise for the purpose of scholarship.

Recommendation – Since the class did not fundraise specifically for scholarships any remaining funds should be distributed within the Student activity fund per board designation.

Response - Class Accounts: We did ask for the money back from the BCLUW Foundation and they declined – we have made the classes aware they need to designate the use of funds for specific purposes. (I have attached a copy of the Foundation’s minutes).

Conclusion - Response accepted.

II-N-15 Payroll Tax Reporting – We noted during our audit that the District did not file their 2015, 2nd quarter payroll reports to the IRS in a timely manner.

Recommendation – The District should review procedure in place to ensure that quarterly payroll reports are filed timely.

Response - This is the first time this has ever happened and there was no penalty received.

Conclusion - Response accepted.

II-O-15 District Contracts - During our audit we noted the following contracts entered into by the District during the year:

Athletic Training Services: We noted the District entered into an agreement with MMSC Rehabilitation Center to provide athletic training services to District athletes during District sporting events. This agreement was signed by the District’s Director of Athletics, not the Board President as required by Chapter 291.1 of the Code of Iowa.

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

Response - We have made sure that the board president signs all leases and contracts.

Conclusion - Response accepted.