

**NORTH IOWA COMMUNITY SCHOOL DISTRICT
BUFFALO CENTER, IOWA**

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

YEAR ENDED JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-5
Management’s Discussion and Analysis		6-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	19-20
Statement of Activities	B	21-22
Governmental Fund Financial Statements:		
Balance Sheet	C	23
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	24
Statement of Revenues, Expenditures and Changes in Fund Balances	E	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26-27
Proprietary Fund Financial Statements:		
Statement of Net Position	G	28
Statement of Revenues, Expenses and Changes in Fund Net Position	H	29
Statement of Cash Flows	I	30-31
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	32
Statement of Changes in Fiduciary Net Position	K	33
Notes to Financial Statements		34-60
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		61-62
Notes to Required Supplementary Information – Budgetary Reporting		63
Schedule of the District’s Proportionate Share of the Net Pension Liability		64
Schedule of District Contributions		65-66
Notes to Required Supplementary Information – Pension Liability		67-68
Schedule of Funding Progress for the Retiree Health Plan		69

Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	71
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	72-73
Capital Project Accounts:		
Combining Balance Sheet	4	74
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	75
Nonmajor Proprietary Funds:		
Combining Schedule of Net Position	6	76
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	7	77
Combining Schedule of Cash Flows	8	78-81
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	9	82
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	10	83-84
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		85-87
Schedule of Findings		88-93

**North Iowa Community School District
Buffalo Center, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rande Giesking	President	2015
Michael Holstad	Vice President	2015
Julie Balvance	Board Member	(Resigned) 2017
Matt Duve	Board Member	2015
Jamie Price	Board Member	2015
Renae Sachs	Board Member	2017
Rachel Wubben	Board Member	2017
Mark Ostermann	Board Member	(Appointed) 2015

School Officials

Cory Myer	Superintendent	2015
Sara Meinders	District Secretary/Treasurer and Business Manager	2015
Engel Law	Attorney	2015

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
North Iowa 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 North Iowa Community School District, Buffalo Center, Iowa, 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 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. Except as explained in the Basis for Disclaimer of Opinion paragraph, 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 on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of the North Iowa Athletic Boosters have not been audited, and we were not engaged to audit the North Iowa Athletic Boosters' financial statements as part of our audit of the District's basic financial statements. The North Iowa Athletic Boosters' financial activities are included in the District's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion on Discretely Presented Component Unit

Because the North Iowa Athletic Boosters' financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of North Iowa Community School District, as of and for the year ended June 30, 2015.

Opinions

In our opinion, the financial statements referred to in the first paragraph 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 North Iowa 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 15 to the financial statements, North Iowa 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 6 through 18 and 61 through 69 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 North Iowa 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 three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2016 on our consideration of North Iowa 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 North Iowa Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa 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 \$4,964,228 in fiscal 2014 to \$4,970,037 in fiscal 2015, while General Fund expenditures increased from \$5,112,056 in fiscal 2014 to \$5,413,690 in fiscal 2015. The District's General Fund balance decreased from \$1,088,055 at the end of fiscal 2014 to \$644,402 at the end of fiscal 2015, a 41% decrease.
- The increase in General Fund revenues was attributable to an increase in state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

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 North Iowa 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 North Iowa Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which North Iowa Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

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

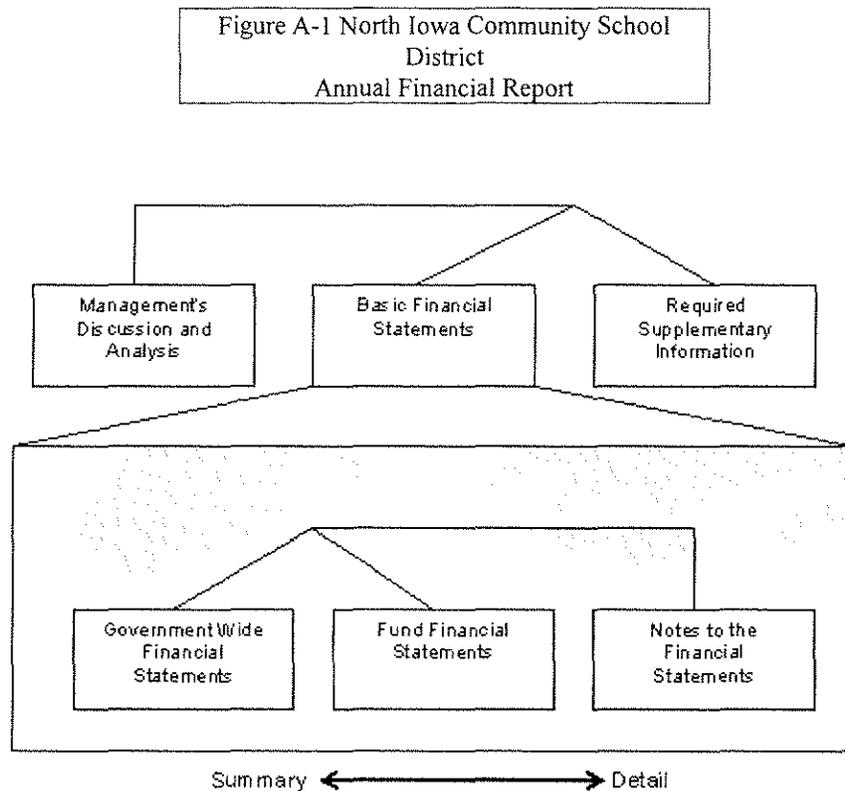


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into three 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.
- *Component units*: : This includes the activities of the North Iowa Athletic Boosters. The District receives significant financial benefits from this component unit although it is a legally separate entity.

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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has four Enterprise Funds, the School Nutrition Fund, Preschool Fund, Wellness Center Fund and FFA Projects Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2015-2014
Current and other assets	\$ 6,041	6,104	138	88	6,179	6,192	-0.2%
Capital assets	<u>7,416</u>	<u>7,725</u>	<u>7</u>	<u>10</u>	<u>7,423</u>	<u>7,735</u>	<u>-4.3%</u>
Total assets	<u>13,457</u>	<u>13,829</u>	<u>145</u>	<u>98</u>	<u>13,602</u>	<u>13,927</u>	<u>-2.3%</u>
Deferred outflows of resources	<u>416</u>	<u>---</u>	<u>11</u>	<u>---</u>	<u>427</u>	<u>---</u>	<u>100.0%</u>
Long-term liabilities	5,177	3,675	50	---	5,227	3,675	42.2%
Other liabilities	<u>741</u>	<u>665</u>	<u>22</u>	<u>9</u>	<u>763</u>	<u>674</u>	<u>13.2%</u>
Total liabilities	<u>5,918</u>	<u>4,340</u>	<u>72</u>	<u>9</u>	<u>5,990</u>	<u>4,349</u>	<u>37.7%</u>
Deferred inflows of resources	<u>3,751</u>	<u>2,830</u>	<u>19</u>	<u>---</u>	<u>3,770</u>	<u>2,830</u>	<u>33.2%</u>
Net position:							
Net investment in capital assets	4,186	4,170	7	10	4,193	4,180	0.3%
Restricted	833	942	---	---	833	942	-11.6%
Unrestricted	<u>(815)</u>	<u>1,547</u>	<u>58</u>	<u>79</u>	<u>(757)</u>	<u>1,626</u>	<u>-146.6%</u>
Total net position	<u>\$ 4,204</u>	<u>6,659</u>	<u>65</u>	<u>89</u>	<u>4,269</u>	<u>6,748</u>	<u>-36.7%</u>

The District's total net position decreased 36.7% or approximately \$2,479,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$109,000 or 12%, from the prior year. The decrease was primarily a result of changes in the Capital Projects Fund.

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 approximately \$2,383,000 or 147%. This reduction in unrestricted net position was a result of the District’s net pension liability and 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 \$2,212,978 and \$61,009, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contributions. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		
	2014		2014		2014		Change
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 469	484	223	232	692	716	-3.4%
Operating grants, contributions and restricted interest	857	813	157	135	1,014	948	7.0%
Capital grants, contributions and restricted interest	---	361	---	---	---	361	-100.0%
General revenues:							
Property tax	2,838	2,882	---	---	2,838	2,882	-1.5%
Statewide sales, services and use tax	437	399	---	---	437	399	9.5%
Income surtax	275	364	---	---	275	364	-24.5%
Unrestricted state grants	1,485	1,274	---	---	1,485	1,274	16.6%
Unrestricted investment earnings	3	3	---	---	3	3	0.0%
Other	30	29	---	---	30	29	3.4%
Loss on sale of fixed assets	(202)	(2)	---	---	(202)	(2)	-10,000.0%
Total revenues	<u>6,192</u>	<u>6,607</u>	<u>380</u>	<u>367</u>	<u>6,572</u>	<u>6,974</u>	<u>-5.8%</u>
Program expenses:							
Instruction	3,872	3,677	75	81	3,947	3,758	5.0%
Support services	1,917	1,954	13	17	1,930	1,971	-2.1%
Non-instructional programs	38	40	255	284	293	324	-9.6%
Other expenses	<u>607</u>	<u>648</u>	<u>---</u>	<u>---</u>	<u>607</u>	<u>648</u>	<u>-6.3%</u>
Total expenses	<u>6,434</u>	<u>6,319</u>	<u>343</u>	<u>382</u>	<u>6,777</u>	<u>6,701</u>	<u>1.1%</u>
Change in net position	(242)	288	37	(15)	(205)	273	-175.1%
Net position beginning of year, as restated	<u>4,446</u>	<u>6,371</u>	<u>28</u>	<u>104</u>	<u>4,474</u>	<u>6,475</u>	<u>-30.9%</u>
Net position end of year	<u>\$ 4,204</u>	<u>6,659</u>	<u>65</u>	<u>89</u>	<u>4,269</u>	<u>6,748</u>	<u>-36.7%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 69.8% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$6.6 million, of which approximately \$6.2 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.8% decrease in revenues and a 1.1% increase in expenses. The decrease in revenues is related to receiving no capital grants this year and loss on sale of building. The increase in expenses is related to negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,192,431 and expenses were \$6,433,933 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

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
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change	2015	2014	Change
	(Not restated)	(Not restated)	2014-2015	(Not restated)	(Not restated)	2014-2015
Instruction	\$ 3,872	3,677	5.3%	2,834	2,656	6.7%
Support services	1,917	1,954	-1.9%	1,828	1,874	-2.5%
Non-instructional programs	38	40	-5.0%	38	40	-5.0%
Other expenses	<u>607</u>	<u>648</u>	<u>-6.3%</u>	<u>408</u>	<u>91</u>	<u>348.4%</u>
Total	<u>\$ 6,434</u>	<u>6,319</u>	<u>1.8%</u>	<u>5,108</u>	<u>4,661</u>	<u>9.6%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$469,042.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$857,170.
- The net cost of governmental activities was financed with \$3,550,097 in property and other taxes and \$1,484,517 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$380,067, representing a 3.5% increase over the prior year, while expenses totaled \$343,188, a 10.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund, Preschool Fund, Wellness Center Fund and FFA Projects Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,002,144, below last year's ending fund balances of \$2,388,544.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,088,055 to \$644,402 due, in part, to negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund balance increased from \$463,079 at the end of fiscal year 2014 to \$590,448 at the end of fiscal 2015 due to revenues exceeding expenditures as the District is levying additional property taxes so the general obligation bonds can be called in the future.
- The Capital Projects Fund balance decreased from \$650,509 at the end of fiscal year 2014 to \$553,358 at the end of fiscal 2015 due to expenditures exceeding revenues.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$23,468 at June 30, 2014 to \$13,555 at June 30, 2015, representing an increase of approximately 158% due, in part, to an increase in federal meal reimbursement revenue and a decrease in supply expenditures.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$3,393 less than total budgeted revenues, a variance of 0.1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Also, the capital project did not progress as anticipated, so more was spent in fiscal year 2015 than was planned.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$7.4 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net decrease of 4.0% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$338,052.

The original cost of the District's capital assets was approximately \$12.0 million. Governmental funds accounted for approximately \$11.9 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District buildings net of depreciation totaled \$6,625,528 at June 30, 2015, compared to \$7,018,096 reported at June 30, 2014. This significant decrease resulted from the sale of the Thompson building and removing the undepreciated cost.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 37	37	---	---	37	37	0.0%
Art	52	52	---	---	52	52	0.0%
Construction in progress	46	---	---	---	46	---	100.0%
Buildings	6,626	7,018	---	---	6,626	7,018	-5.6%
Improvements other than buildings	234	189	---	---	234	189	23.8%
Furniture and equipment	421	429	7	10	428	439	-2.5%
Totals	\$ 7,416	7,725	7	10	7,423	7,735	-4.0%

Long-Term Debt

At June 30, 2015, the District had \$3,252,583 in long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 9% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Total District		Total Change
	June 30, <u>2015</u>	June 30, <u>2014</u>	June 30, <u>2014-2015</u>
General obligation bonds	\$ 1,225	1,435	-14.6%
Revenue bonds	<u>2,028</u>	<u>2,144</u>	<u>-5.4%</u>
Total	<u>\$ 3,253</u>	<u>3,579</u>	<u>-9.1%</u>

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 which could significantly affect its financial health in the future:

- The District's enrollment has stabilized, but with a low allowable growth rate from the state, the District will have to maintain expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- Continued upgrades to the District's transportation vehicles, building improvements, and technology upgrades will significantly impact the Statewide Sales, Services and Use Tax and the Physical Plant and Equipment Funds balances.
- Every year the District negotiates new agreements with the North Iowa Education Association (NIEA) for teachers. Any settlements in excess of "New Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related funds balance.
- The District applied for and was awarded a Federal Drug-Free Communities Support Program Grant on September 4, 2015. This grant will focus on two major goals for the entire population of Winnebago County, Iowa: 1) establish and strengthen collaboration among communities, public and private non-profit agencies, and Federal, state, local and tribal governments to support the effects of community coalitions, and 2) reduce substance use among youth and, over time, among adults. As fiscal agent, the District will record increased revenues and expenditures of \$125,000 annually over the next five fiscal years.

- The Affordable Care Act (ACA) will require the District to offer group health benefits to all employees working more than 30 hours per week while limiting employee premium contributions to 9.5% of compensation, beginning July 1, 2017. This will include a large number of support staff that are currently being offered group health benefits but not within the 9.5% of compensation. The impact to the District has yet to be determined and will depend on employee participation.

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 Sara Meinders, District Secretary/Treasurer and Business Manager, North Iowa Community School District, 111 3rd Ave NW, Buffalo Center, Iowa 50424.

Basic Financial Statements

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental Business Type			Unit
	Activities	Activities	Total	North Iowa Athletic Boosters
Assets				
Cash, cash equivalents and pooled investments	\$ 1,757,268	133,940	1,891,208	25,180
Restricted cash, cash equivalents and pooled investment:	749,902	-	749,902	-
Receivables:				
Property tax:				
Delinquent	24,806	-	24,806	-
Succeeding year	3,065,055	-	3,065,055	-
Accounts	51,057	-	51,057	-
Due from other governments	393,199	-	393,199	-
Inventories	-	3,414	3,414	-
Capital assets, net of accumulated depreciation/amortization	7,416,141	7,490	7,423,631	-
Total assets	<u>13,457,428</u>	<u>144,844</u>	<u>13,602,272</u>	<u>25,180</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>416,033</u>	<u>11,470</u>	<u>427,503</u>	<u>-</u>
Liabilities				
Accounts payable	188,948	13,771	202,719	-
Salaries and benefits payable	504,377	3,984	508,361	-
Unearned revenue	-	4,853	4,853	-
Advances from grantors	541	-	541	-
Due to other governments	19,017	-	19,017	-
Accrued interest payable	27,872	-	27,872	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	220,000	-	220,000	-
Revenue bonds	115,000	-	115,000	-
Portion due after one year:				
General obligation bonds	1,005,000	-	1,005,000	-
Revenue bonds	1,890,000	-	1,890,000	-
Bond premium	22,583	-	22,583	-
Net pension liability	1,799,161	49,601	1,848,762	-
Net OPEB liability	125,586	-	125,586	-
Total liabilities	<u>5,918,085</u>	<u>72,209</u>	<u>5,990,294</u>	<u>-</u>

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental Business Type			Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>North Iowa Athletic Boosters</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	3,065,055	-	3,065,055	-
Pension related deferred inflows	686,148	18,917	705,065	-
Total deferred inflows of resources	<u>3,751,203</u>	<u>18,917</u>	<u>3,770,120</u>	<u>-</u>
Net Position				
Net investment in capital assets	4,186,141	7,490	4,193,631	-
Restricted for:				
Categorical funding	66,838	-	66,838	-
Debt service	590,448	-	590,448	-
Management levy purposes	120,823	-	120,823	-
Physical plant and equipment	48,277	-	48,277	-
School infrastructure	505,081	-	505,081	-
Student activities	93,113	-	93,113	-
Athletic booster purposes	-	-	-	25,180
Unrestricted	(1,406,548)	57,698	(1,348,850)	-
Total net position	<u>\$ 4,204,173</u>	<u>65,188</u>	<u>4,269,361</u>	<u>25,180</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Activities
Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,110,633	156,851	358,820	-
Special instruction	810,553	79,216	87,233	-
Other instruction	950,207	219,562	135,498	-
	<u>3,871,393</u>	<u>455,629</u>	<u>581,551</u>	<u>-</u>
Support services:				
Student	169,163	4,778	28,058	-
Instructional staff	255,266	66	33,235	-
Administration	669,574	8,568	1,468	-
Operation and maintenance of plant	563,115	1	12,576	-
Transportation	259,803	-	283	-
	<u>1,916,921</u>	<u>13,413</u>	<u>75,620</u>	<u>-</u>
Non-instructional programs	<u>38,320</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	71,987	-	-	-
Long-term debt interest	116,678	-	-	-
AEA flowthrough	199,999	-	199,999	-
Depreciation/amortization (unallocated)*	218,635	-	-	-
	<u>607,299</u>	<u>-</u>	<u>199,999</u>	<u>-</u>
Total governmental activities	<u>6,433,933</u>	<u>469,042</u>	<u>857,170</u>	<u>-</u>
Business type activities:				
Instruction:				
FFA Project	69,864	70,174	-	-
Preschool	5,318	6,975	-	-
Support services:				
Administration	9,964	-	-	-
Operation and maintenance of plant	2,854	-	-	-
Non-instructional programs:				
Wellness Center	14,932	15,580	-	-
Food service operations	240,256	130,311	157,017	-
Total business type activities	<u>343,188</u>	<u>223,040</u>	<u>157,017</u>	<u>-</u>
Total	<u>\$ 6,777,121</u>	<u>692,082</u>	<u>1,014,187</u>	<u>-</u>
Component Unit:				
Athletic boosters	<u>\$ 54,251</u>	<u>20,090</u>	<u>45,062</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Public education and recreation purposes				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	North Iowa Athletic Boosters
(1,594,962)	-	(1,594,962)	-
(644,104)	-	(644,104)	-
(595,147)	-	(595,147)	-
(2,834,213)	-	(2,834,213)	-
(136,327)	-	(136,327)	-
(221,965)	-	(221,965)	-
(659,538)	-	(659,538)	-
(550,538)	-	(550,538)	-
(259,520)	-	(259,520)	-
(1,827,888)	-	(1,827,888)	-
(38,320)	-	(38,320)	-
(71,987)	-	(71,987)	-
(116,678)	-	(116,678)	-
-	-	-	-
(218,635)	-	(218,635)	-
(407,300)	-	(407,300)	-
(5,107,721)	-	(5,107,721)	-
-	310	310	-
-	1,657	1,657	-
-	(9,964)	(9,964)	-
-	(2,854)	(2,854)	-
-	648	648	-
-	47,072	47,072	-
-	36,869	36,869	-
(5,107,721)	36,869	(5,070,852)	-
-	-	-	10,901
2,285,616	-	2,285,616	-
402,374	-	402,374	-
111,606	-	111,606	-
38,139	-	38,139	-
275,427	-	275,427	-
436,935	-	436,935	-
1,484,517	-	1,484,517	-
3,347	10	3,357	-
30,265	-	30,265	-
(202,007)	-	(202,007)	-
4,866,219	10	4,866,229	-
(241,502)	36,879	(204,623)	10,901
4,445,675	28,309	4,473,984	14,279
\$ 4,204,173	65,188	4,269,361	25,180

North Iowa Community School District
Buffalo Center, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 1,149,638	380,074	1,611	225,945	1,757,268
Restricted cash, cash equivalents and pooled investments	-	164,094	585,808	-	749,902
Receivables:					
Property tax:					
Delinquent	19,011	840	3,029	1,926	24,806
Succeeding year	2,278,938	118,118	403,075	264,924	3,065,055
Accounts	51,037	20	-	-	51,057
Due from other governments	325,153	68,046	-	-	393,199
Total assets	\$ 3,823,777	731,192	993,523	492,795	6,041,287
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance					
Accounts payable	\$ 115,297	59,716	-	13,935	188,948
Salaries and benefits payable	504,377	-	-	-	504,377
Advances from grantors	541	-	-	-	541
Due to other governments	19,017	-	-	-	19,017
Total liabilities	639,232	59,716	-	13,935	712,883
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,278,938	118,118	403,075	264,924	3,065,055
Income surtax	261,205	-	-	-	261,205
Total deferred inflows of resources	2,540,143	118,118	403,075	264,924	3,326,260
Fund balances:					
Restricted for:					
Categorical funding	66,838	-	-	-	66,838
Debt service	-	-	590,448	-	590,448
Management levy purposes	-	-	-	120,823	120,823
Student activities	-	-	-	93,113	93,113
School infrastructure	-	505,081	-	-	505,081
Physical plant and equipment	-	48,277	-	-	48,277
Assigned	24,228	-	-	-	24,228
Unassigned	553,336	-	-	-	553,336
Total fund balances	644,402	553,358	590,448	213,936	2,002,144
Total liabilities, deferred inflows of resources and fund balances	\$ 3,823,777	731,192	993,523	492,795	6,041,287

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

Total fund balances of governmental funds (page 23) \$ 2,002,144

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,416,141

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 261,205

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (27,872)

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	\$ 416,033	
Deferred inflows of resources	<u>(686,148)</u>	(270,115)

Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,177,330)

Net position of governmental activities (page 20) \$ 4,204,173

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,373,926	111,606	402,374	213,744	3,101,650
Tuition	213,171	-	-	-	213,171
Other	54,333	10,397	2,659	231,134	298,523
State sources	2,144,414	438,233	4,680	1,016	2,588,343
Federal sources	181,240	-	-	-	181,240
Total revenues	<u>4,967,084</u>	<u>560,236</u>	<u>409,713</u>	<u>445,894</u>	<u>6,382,927</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,070,575	67,253	-	3,330	2,141,158
Special	832,270	-	-	-	832,270
Other	764,077	-	-	217,168	981,245
	<u>3,666,922</u>	<u>67,253</u>	<u>-</u>	<u>220,498</u>	<u>3,954,673</u>
Support services:					
Student	173,883	-	-	-	173,883
Instructional staff	121,496	153,506	-	-	275,002
Administration	600,777	10,143	-	69,799	680,719
Operation and maintenance of plant	435,204	69,321	-	81,615	586,140
Transportation	215,409	-	-	8,627	224,036
	<u>1,546,769</u>	<u>232,970</u>	<u>-</u>	<u>160,041</u>	<u>1,939,780</u>
Non-instructional programs	-	-	-	38,320	38,320
Other expenditures:					
Facilities acquisition	-	194,867	-	-	194,867
Long-term debt:					
Principal	-	-	325,000	-	325,000
Interest and fiscal charges	-	-	119,642	-	119,642
AEA flowthrough	199,999	-	-	-	199,999
	<u>199,999</u>	<u>194,867</u>	<u>444,642</u>	<u>-</u>	<u>839,508</u>
Total expenditures	<u>5,413,690</u>	<u>495,090</u>	<u>444,642</u>	<u>418,859</u>	<u>6,772,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(446,606)</u>	<u>65,146</u>	<u>(34,929)</u>	<u>27,035</u>	<u>(389,354)</u>
Other financing sources (uses):					
Sale of assets	2,953	1	-	-	2,954
Operating transfers in	-	-	162,298	-	162,298
Operating transfers out	-	(162,298)	-	-	(162,298)
Total other financing sources (uses)	<u>2,953</u>	<u>(162,297)</u>	<u>162,298</u>	<u>-</u>	<u>2,954</u>
Change in fund balances	(443,653)	(97,151)	127,369	27,035	(386,400)
Fund balances beginning of year	<u>1,088,055</u>	<u>650,509</u>	<u>463,079</u>	<u>186,901</u>	<u>2,388,544</u>
Fund balances end of year	<u>\$ 644,402</u>	<u>553,358</u>	<u>590,448</u>	<u>213,936</u>	<u>2,002,144</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

Change in fund balances - total governmental funds (page 25) \$ (386,400)

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/amortization expense in the Statement of Activities. Depreciation/amortization expense and loss on sale of fixed assets exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$	231,516	
Depreciation/amortization expense		(335,471)	
Proceeds from sale of fixed assets		(2,954)	
Loss on sale of fixed assets		<u>(202,007)</u>	(308,916)

Certain delinquent property tax and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 11,511

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 repayments and bond premium amortization is as follows:

Premium on bonds amortized		992	
Repaid		<u>325,000</u>	325,992

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,972

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. 285,709

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

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

Pension expense	(142,007)	
Other postemployment benefits	<u>(29,363)</u>	<u>(171,370)</u>
Change in net position of governmental activities (page 22)		<u>\$ (241,502)</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise Funds
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 133,940
Inventories	<u>3,414</u>
Total current assets	137,354
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>7,490</u>
Total assets	<u>144,844</u>
 Deferred Outflows of Resources	
Pension related deferred outflows	<u>11,470</u>
 Liabilities	
Current liabilities:	
Accounts payable	13,771
Salaries and benefits payable	3,984
Unearned revenue	<u>4,853</u>
Total current liabilities	<u>22,608</u>
Noncurrent liabilities:	
Net pension liability	<u>49,601</u>
Total liabilities	<u>72,209</u>
 Deferred Inflows of Resources	
Pension related deferred inflows	<u>18,917</u>
 Net Position	
Net investment in capital assets	7,490
Unrestricted	<u>57,698</u>
Total net position	<u>\$ 65,188</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 223,040
Total operating revenues	<u>223,040</u>
Operating expenses:	
Instruction:	
Regular	6,079
Other	<u>58,464</u>
	<u>64,543</u>
Support services:	
Administration	9,964
Operation and maintenance of plant	<u>26,081</u>
	<u>36,045</u>
Non-instructional programs:	
Salaries	78,901
Benefits	9,025
Purchased services	1,364
Supplies	150,729
Depreciation	<u>2,581</u>
	<u>242,600</u>
Total operating expenses	<u>343,188</u>
Operating loss	<u>(120,148)</u>
Non-operating revenues:	
State sources	2,268
Federal sources	154,749
Interest income	<u>10</u>
Total non-operating revenues	<u>157,027</u>
Increase in net position	36,879
Net position beginning of year, as restated	<u>28,309</u>
Net position end of year	<u>\$ 65,188</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 230,031
Cash paid to employees for services	(106,470)
Cash paid to suppliers for goods or services	<u>(194,645)</u>
Net cash used by operating activities	<u>(71,084)</u>
Cash flows from non-capital financing activities:	
State grants received	2,268
Federal grants received	<u>128,617</u>
Net cash provided by non-capital financing activities	<u>130,885</u>
Cash flows from investing activities:	
Interest on investments	<u>10</u>
Net increase in cash and cash equivalents	59,811
Cash and cash equivalents beginning of year	<u>74,129</u>
Cash and cash equivalents end of year	<u>\$ 133,940</u>
See notes to financial statements.	(continued)

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (120,148)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	25,371
Depreciation	2,581
Decrease in accounts receivable	6,333
Decrease in inventories	4,430
Increase in accounts payable	10,488
Increase in salaries and benefits payable	3,164
Increase in unearned revenue	658
(Decrease) in net pension liability	(18,717)
(Increase) in deferred outflows of resources	(4,161)
Increase in deferred inflows of resources	18,917
Net cash used by operating activities	<u>\$ (71,084)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$25,371 of federal commodities.

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 1,220,933	3,375
Land held in scholarship trust	<u>1,271,283</u>	<u>-</u>
Total assets	<u>2,492,216</u>	<u>3,375</u>
Liabilities		
Other payables	<u>-</u>	<u>3,375</u>
Total liabilities	<u>-</u>	<u>3,375</u>
Net position		
Reserved for scholarships	<u>\$ 2,492,216</u>	<u>-</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 16,064
Decrease in fair value of investments	(194,432)
Land rent	46,840
Interest and dividend income	<u>15,154</u>
Total additions	<u>(116,374)</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	84,755
Support services:	
Operation and maintenance of plant	<u>3,922</u>
Total deductions	<u>88,677</u>
Change in net position	(205,051)
Net position beginning of year	<u>2,697,267</u>
Net position end of year	<u>\$2,492,216</u>
See notes to financial statements.	

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

North Iowa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Buffalo Center, Thompson, Rake and Lakota, Iowa, and the predominate agricultural territory in Kossuth and Winnebago 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, North Iowa 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 financial statements present the North Iowa Community School District and its component unit, the North Iowa Athletic Boosters. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The North Iowa Athletic Boosters is a separate nonprofit organization whose purpose is to help defray costs of the North Iowa Community School District by helping to finance the cost of equipment and other items. The records are maintained on the cash basis of receipts and disbursements, with July 31 as its year end. The North Iowa Athletic Boosters meets the definition of a component unit which should be discretely presented. The North Iowa Athletic Booster Clubs' financial statements have not been audited and we do not express an opinion on them.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 Kossuth and Winnebago County Assessor's Conference boards.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

privileges provided by a given function and 2) grants, contributions and interest 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds include the Enterprise, School Nutrition Fund, Preschool Fund, Wellness Center Fund and the FFA Projects Fund. The School Nutrition Fund is used to account for the food service operations of the District, the Preschool Fund is used to account for preschool operations, the Wellness Center Fund is used to account for community recreation memberships and the FFA Projects Fund is used to account for the business type activities of the FFA.

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

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

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

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Land Held in Scholarship Trust – Land held by the District in a scholarship trust is reported at fair value.

Property Tax Receivable – Property tax in governmental funds is 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 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 1 ½% 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Capital Assets – Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ ---
Buildings	30,000
Improvements other than buildings	30,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	3-15 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/expenditures) 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported to 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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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 receivable and other receivables not collected within sixty days after year end.

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

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

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

Assigned – Amounts the District intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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. The District may also accept gifts of other types of investments.

At June 30, 2015, the District's Fiduciary Funds, Private Purpose Trust held the following investments that were gifted to the District for scholarship awards to students:

	Fair <u>Value</u>	<u>Maturity</u>
Bank of America Corp Subordinated Note	\$14,834	March 2017
706 Shares General Electric Co. Common Stock	18,763	N/A
66 Shares Mid Cap SPDR Trust Unit Series 1	18,155	April 2020
21 Shares SPDR Trust Unit Series 1	4,342	January 2118
20 Shares Discover Finan. PFD	518	N/A
492 Shares American Capital World Growth	23,053	N/A
Goldman Sacks CD	14,834	April 2018

At June 30, 2015, the District's governmental and proprietary funds had investments in the Iowa School Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,806,298 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2015, the District's governmental funds had investments in United States Treasury Notes State and Local Government Series valued at a fair value of \$375,000 with maturity in June, 2017.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Credit risk: The investments were rated by Standards & Poor's Financial Services as follows:

	<u>Rating</u>
Bank of America Corp Subordinated Note	BBB+
Iowa School Joint Investment Trust	AAAm

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 95% of the District's total 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	<u>\$ 162,298</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 36,797	---	---	36,797
Work of art	52,000	---	---	52,000
Construction in progress	---	46,431	---	46,431
Total capital assets not being depreciated	<u>88,797</u>	<u>46,431</u>	<u>---</u>	<u>135,228</u>
Capital assets being depreciated/amortized:				
Buildings	10,828,038	8,634	(897,033)	9,939,639
Improvements other than buildings	529,580	66,991	---	596,571
Intangible assets	27,620	---	---	27,620
Furniture and equipment	<u>1,660,792</u>	<u>109,460</u>	<u>(456,107)</u>	<u>1,314,145</u>
Total capital assets being depreciated/amortized	<u>13,046,030</u>	<u>185,085</u>	<u>(1,353,140)</u>	<u>11,877,975</u>
Less accumulated depreciation/amortization for:				
Buildings	3,809,942	196,241	(692,072)	3,314,111
Improvements other than buildings	340,299	21,768	---	362,067
Intangible assets	27,620	---	---	27,620
Furniture and equipment	<u>1,231,909</u>	<u>117,462</u>	<u>(456,107)</u>	<u>893,264</u>
Total accumulated depreciation/amortization	<u>5,409,770</u>	<u>335,471</u>	<u>(1,148,179)</u>	<u>4,597,062</u>
Total capital assets being depreciated/amortized, net	<u>7,636,260</u>	<u>(150,386)</u>	<u>(204,961)</u>	<u>7,280,913</u>
Governmental activities capital assets, net	<u>\$ 7,725,057</u>	<u>(103,955)</u>	<u>(204,961)</u>	<u>7,416,141</u>
Business type activities:				
Furniture and equipment	\$ 97,163	---	---	97,163
Less accumulated depreciation	<u>87,092</u>	<u>2,581</u>	<u>---</u>	<u>89,673</u>
Business type activities capital assets, net	<u>\$ 10,071</u>	<u>(2,581)</u>	<u>---</u>	<u>7,490</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 63,758
Other	1,331
Support services:	
Instructional staff	4,409
Operation and maintenance of plant	7,447
Transportation	<u>39,891</u>
	116,836
Unallocated	<u>218,635</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 335,471</u>
Business type activities:	
Food service operations	<u>\$ 2,581</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year <u>Restated</u>	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,435,000	---	210,000	1,225,000	220,000
Revenue bonds	2,143,575	---	115,992	2,027,583 (1)	115,000
Net pension liability	2,478,068	---	678,907	1,799,161	---
Net OPEB liability	<u>96,223</u>	<u>29,363</u>	<u>---</u>	<u>125,586</u>	<u>---</u>
Total	<u>\$ 6,152,866</u>	<u>29,363</u>	<u>1,004,899</u>	<u>5,177,330</u>	<u>335,000</u>

(1) Bonds were sold at a premium, unamortized premium at June 30, 2015 totaled \$22,583.

	Balance Beginning of Year <u>Restated</u>	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	<u>\$ 68,318</u>	<u>---</u>	<u>18,717</u>	<u>49,601</u>	<u>---</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

General Obligation Bonds

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

Year Ending <u>June 30</u>	Bond Issue of March 15, 2001			
	Interest Rate	Principal	Interest	Total
2016	4.70%	\$ 220,000	57,575	277,575
2017	4.70	230,000	47,235	277,235
2018	4.70	245,000	36,425	281,425
2019	4.70	255,000	24,910	279,910
2020	4.70	<u>275,000</u>	<u>12,925</u>	<u>287,925</u>
Total		<u>\$1,225,000</u>	<u>179,070</u>	<u>1,404,070</u>

Revenue Bonds

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

Year Ending <u>June 30</u>	Bond Issue of October 23, 2012			
	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 115,000	46,147	161,147
2017	2.00	120,000	43,848	163,848
2018	2.00	120,000	41,447	161,447
2019	2.00	120,000	39,048	159,048
2020	2.00	125,000	36,647	161,647
2021-2025	2.00-2.40	660,000	144,248	804,248
2026-2030	2.40-2.80	<u>745,000</u>	<u>62,030</u>	<u>807,030</u>
Total		<u>\$2,005,000</u>	<u>413,415</u>	<u>2,418,415</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,220,000 of bonds issued in October 2012. The bonds were issued for the purpose of financing a portion of a safe room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 37 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,418,415. For the current year total statewide sales, services and use tax revenues were \$436,935.

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

- a) \$163,848 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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 informational 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 the 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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 \$293,586.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$1,848,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.046616 percent, which was an increase of .002267 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$145,923. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,092	\$ -
Changes of assumptions	81,590	-
Net difference between projected and actual earnings on pension plan investments	-	705,065
Changes in proportion and differences between District contributions and proportionate share of contributions	32,235	-
District contributions subsequent to the measurement date	<u>293,586</u>	<u>-</u>
Total	<u>\$ 427,503</u>	<u>\$ 705,065</u>

\$293,586 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 <u>June 30,</u>	
2016	\$ (144,977)
2017	(144,977)
2018	(144,977)
2019	(144,977)
2020	<u>8,760</u>
Total	<u>\$ (571,148)</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent.

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 3,493,184	\$ 1,848,762	\$ 460,700

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 no payables to the defined benefit pension plan.

(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 49 active and nine retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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	\$ 50,871
Interest on net OPEB obligation	2,405
Adjustment to annual required contribution	<u>(7,084)</u>
Annual OPEB cost	46,192
Contributions made	<u>(16,829)</u>
Increase in net OPEB obligation	29,363
Net OPEB obligation beginning of year	<u>96,223</u>
Net OPEB obligation end of year	<u>\$ 125,586</u>

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

For the year ended June 30, 2015, the District contributed \$16,829 to the medical plan. Plan members eligible for benefits contributed \$65,448, or 80% of the premium costs.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30,			
2013	\$ 44,119	35.4%	\$ 68,371
2014	43,655	36.2	96,223
2015	46,192	36.4	125,586

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$236,230, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,230. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,410,000 and the ratio of the UAAL to covered payroll was 9.8%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$666 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

(8) Risk Management

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

(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 \$199,999 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) Operating Leases

The District entered into an operating lease with Access Systems Leasing for the rental of ten Hewlett-Packard printers and six Sharp copiers on November 13, 2013 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2015 was \$24,564. The future rentals are as follows:

Year Ending <u>June 30,</u>	
2016	\$ 27,344
2017	27,344
2018	27,344
2019	<u>13,672</u>
Total	\$ <u>95,704</u>

The District entered into an operating lease with Enterprise Financial for the rental of a time management system on November 23, 2014 for a period of 60 months beginning March 1, 2015. The amount paid for the fiscal year ended June 30, 2015 was \$996. The future rentals are as follows:

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

Year Ending <u>June 30,</u>	
2016	\$ 2,988
2017	2,988
2018	2,988
2019	2,988
2020	<u>1,992</u>
Total	\$ <u>13,944</u>

The District entered into a lease with Little Bison Childcare Center Inc. to rent space for the preschool program. The lease is for 60 months commencing January 1, 2013 and terminating December 31, 2017. The lease is \$1,850 per month. The rent paid on this lease for the year ended June 30, 2015 was \$22,200.

Future minimum rentals are as follows:

<u>June 30,</u>	
2016	\$ 22,200
2017	22,200
2018	<u>11,100</u>
Total	\$ <u>55,500</u>

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 21,180
Mentoring – Administration	147
Early Literacy	17,881
Teacher Leadership Grant	6,134
Dropout Prevention	6,838
Preschool	2,072
Limited English Proficient	<u>12,586</u>
Total	\$ <u>66,838</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

(12) Scholarship Trust Contribution

During the year ended June 30, 2012, the District received a contribution of 150 acres of farm land. The land is being rented by the District to the highest responsible bidder and all proceeds are being used for scholarships to further the education of North Iowa Community School District high school seniors.

The land had a fair value of \$1,271,283 at June 30, 2015 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Private-Purpose Trust Fund.

(13) Construction Commitment

The District entered into a contract totaling \$97,750 plus estimated cost of materials of \$118,643 for a total cost of \$216,393 for a gymnasium roof replacement project. As of June 30, 2015, costs of \$46,431 have been incurred against the contract. The balance of \$169,962 remaining at June 30, 2015 will be paid as work on the project progress.

(14) Deficit Fund Balance

The Enterprise, Preschool Fund had a deficit net position of \$1,071 at June 30, 2015. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 15, Accounting Change/Restatement).

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

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	\$ 6,658,653	89,318
Net pension liability at June 30, 2014	(2,478,068)	(68,318)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>265,090</u>	<u>7,309</u>
Net position July 1, 2014, as restated	\$ <u>4,445,675</u>	<u>28,309</u>

(16) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District's management has not yet determined the effect this GASB Statement will have on the Districts financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2015

(17) Subsequent Events

Subsequent events have been evaluated through March 18, 2016 which is the date the financial statements were available to be issued.

Required Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,613,344	223,050
State sources	2,588,343	2,268
Federal sources	<u>181,240</u>	<u>154,749</u>
Total revenues	<u>6,382,927</u>	<u>380,067</u>
Expenditures/Expenses:		
Instruction	3,954,673	64,543
Support services	1,939,780	36,045
Non-instructional programs	38,320	242,600
Other expenditures	<u>839,508</u>	<u>-</u>
Total expenditures/expenses	<u>6,772,281</u>	<u>343,188</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(389,354)	36,879
Other financing sources, net	<u>2,954</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(386,400)	36,879
Balances beginning of year	<u>2,388,544</u>	<u>28,309</u>
Balances end of year	<u>\$ 2,002,144</u>	<u>65,188</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
3,836,394	4,165,190	4,165,190	(328,796)
2,590,611	2,282,881	2,282,881	307,730
<u>335,989</u>	<u>318,316</u>	<u>318,316</u>	<u>17,673</u>
<u>6,762,994</u>	<u>6,766,387</u>	<u>6,766,387</u>	<u>(3,393)</u>
4,019,216	3,994,500	3,994,500	(24,716)
1,975,825	2,282,400	2,282,400	306,575
280,920	316,168	316,168	35,248
<u>839,508</u>	<u>687,940</u>	<u>687,940</u>	<u>(151,568)</u>
<u>7,115,469</u>	<u>7,281,008</u>	<u>7,281,008</u>	<u>165,539</u>
(352,475)	(514,621)	(514,621)	162,146
<u>2,954</u>	<u>-</u>	<u>-</u>	<u>2,954</u>
(349,521)	(514,621)	(514,621)	165,100
<u>2,416,853</u>	<u>2,571,934</u>	<u>2,571,934</u>	<u>(155,081)</u>
<u>2,067,332</u>	<u>2,057,313</u>	<u>2,057,313</u>	<u>10,019</u>

North Iowa Community School District
Buffalo Center, Iowa

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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2015, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.004662%
District's proportionate share of the net pension liability	\$ 1,848
District's covered-employee payroll	\$ 3,070
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.20%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

North Iowa Community School District
Buffalo Center, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 292	272	252
Contributions in relation to the statutorily required contribution	<u>(292)</u>	<u>(272)</u>	<u>(252)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,268	3,070	2,953
Contributions as a percentage of covered-employee payroll	8.94%	8.86%	8.53%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
242	201	214	214	199	168	183
<u>(242)</u>	<u>(201)</u>	<u>(214)</u>	<u>(214)</u>	<u>(199)</u>	<u>(168)</u>	<u>(183)</u>
-	-	-	-	-	-	-
3,017	2,944	3,292	3,422	3,277	2,914	3,132
8.02%	6.83%	6.50%	6.25%	6.07%	5.77%	5.84%

North Iowa Community School District
Buffalo Center, Iowa

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

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

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

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

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

North Iowa Community School District

Buffalo Center, Iowa

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 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	Jul 1, 2009	-	\$ 370,519	370,519	0.0%	\$2,321,000	16.0%
2011	Jul 1, 2009	-	352,007	352,007	0.0%	2,340,000	15.0%
2012	Jul 1, 2009	-	331,897	331,897	0.0%	2,417,000	13.7%
2013	Jul 1, 2012	-	263,817	263,817	0.0%	2,326,000	11.3%
2014	Jul 1, 2012	-	250,664	250,664	0.0%	2,244,000	11.2%
2015	Jul 1, 2012	-	236,230	236,230	0.0%	2,410,000	9.8%

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

North Iowa Community School District
Buffalo Center, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue				
	Student Activity	Manage- ment Levy	Public Education and Recreation Levy	District Support Trust	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 99,832	122,237	3,072	804	225,945
Receivables:					
Property tax:					
Delinquent	-	1,583	343	-	1,926
Succeeding year	-	225,000	39,924	-	264,924
Total assets	<u>99,832</u>	<u>348,820</u>	<u>43,339</u>	<u>804</u>	<u>492,795</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	7,523	2,997	3,415	-	13,935
Total liabilities	<u>7,523</u>	<u>2,997</u>	<u>3,415</u>	<u>-</u>	<u>13,935</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	225,000	39,924	-	264,924
Total deferred inflows of resources	<u>-</u>	<u>225,000</u>	<u>39,924</u>	<u>-</u>	<u>264,924</u>
Fund balances:					
Restricted for:					
Management levy purposes	-	120,823	-	-	120,823
Student activities	92,309	-	-	804	93,113
Total fund balances	<u>92,309</u>	<u>120,823</u>	<u>-</u>	<u>804</u>	<u>213,936</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 99,832</u>	<u>348,820</u>	<u>43,339</u>	<u>804</u>	<u>492,795</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue				Total
	Student Activity	Manage- ment Levy	Public Education and Recreation Levy	District Support Trust	
Revenues:					
Local sources:					
Local tax	\$ -	175,605	38,139	-	213,744
Other	218,044	13,090	-	-	231,134
State sources	-	835	181	-	1,016
Total revenues	<u>218,044</u>	<u>189,530</u>	<u>38,320</u>	<u>-</u>	<u>445,894</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	3,330	-	-	3,330
Other	217,168	-	-	-	217,168
Support services:					
Administration	-	69,799	-	-	69,799
Operation and maintenance of plant	-	81,615	-	-	81,615
Transportation	-	8,627	-	-	8,627
Non-instructional programs	-	-	38,320	-	38,320
Total expenditures	<u>217,168</u>	<u>163,371</u>	<u>38,320</u>	<u>-</u>	<u>418,859</u>
Excess of revenues over expenditures	876	26,159	-	-	27,035
Fund balances beginning of year	<u>91,433</u>	<u>94,664</u>	<u>-</u>	<u>804</u>	<u>186,901</u>
Fund balances end of year	<u>\$ 92,309</u>	<u>120,823</u>	<u>-</u>	<u>804</u>	<u>213,936</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Towel Fee	\$ 100	-	-	-	100
Activity Tickets	2,950	37,571	22,519	(17,399)	603
Interest	471				471
Drama	9,778	8,592	8,421	(2,000)	7,949
Speech	700	560	1,230	670	700
Vocal Music	60	-	601	541	-
Instrumental Music	2,320	-	628	-	1,692
HS/MS Uniform	-	501	5,405	4,904	-
Annual	4,837	7,578	7,933	-	4,482
Cross Country	700	251	863	612	700
Boys Basketball	2,567	1,905	3,163	976	2,285
Football	6,723	10,093	12,503	2,007	6,320
District Football	-	112	5	(74)	33
Baseball	3,124	6,301	8,468	1,607	2,564
Boys Track	2,621	3,674	3,353	245	3,187
Boys Golf	300	164	350	186	300
Boys Bowling	200	-	28	28	200
Wrestling	200	-	47	47	200
Girls Basketball	1,300	3,214	4,798	1,903	1,619
Volleyball	5,198	5,888	7,841	1,088	4,333
Girls Softball	3,128	4,671	4,515	433	3,717
Girls Track	2,558	3,994	3,201	(267)	3,084
Girls Golf	300	164	300	136	300
Girls Bowling	200	-	28	28	200
Trapshooting	-	4,043	4,043		-
Spanish Club	100	-	-	-	100
Cheerleading	4,152	5,699	4,202	-	5,649
FCCLA	279	1,200	459	-	1,020
Student Council	6,954	12,011	10,790		8,175
Honor Society	820	653	204	-	1,269
Tournament All Sport Fund	1,747	170	448		1,469
Class of 2015	2,148	155	2,048	(255)	-
Class of 2016	1,507	7,396	7,700	-	1,203
Class of 2017	630	909	39	-	1,500

(continued)

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Class of 2018	430	125	42	-	513
Class of 2019	280	135	-	-	415
Class of 2020	165	125	-	-	290
Class of 2021	-	75	-	-	75
Class of 2022	-	115	-	-	115
Quiz Bowl	100	-	180	180	100
MS Archery	2,431	100	-	-	2,531
MS Student Council	3,277	3,108	2,142	-	4,243
MS Music Club	4,165	11,802	10,160	-	5,807
MS Annual	-	1,931	3,338	1,407	-
MS Officials	2,500	-	2,205	2,205	2,500
MS Field Trips	231	-	-	-	231
MS Football	250	315	401	86	250
MS Girls Basketball	200	-	160	160	200
MS Boys Basketball	200	-	-	-	200
MS Wrestling	200	-	-	-	200
MS Volleyball	200	-	200	200	200
MS Girls Track	200	330	572	242	200
MS Boys Track	200	330	434	104	200
Destination DC	7,732	72,084	71,201	-	8,615
Total	<u>\$ 91,433</u>	<u>218,044</u>	<u>217,168</u>	<u>-</u>	<u>92,309</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide	Physical	
	Sales, Services	Plant and	
	<u>and Use Tax</u>	Equipment	
		<u>Levy</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 324,152	55,922	380,074
Restricted cash, cash equivalents and pooled investments	164,094	-	164,094
Receivables:			
Property tax:			
Delinquent	-	840	840
Succeeding year	-	118,118	118,118
Accounts	20	-	20
Due from other governments	<u>68,046</u>	<u>-</u>	<u>68,046</u>
Total assets	<u><u>556,312</u></u>	<u><u>174,880</u></u>	<u><u>731,192</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>51,231</u>	<u>8,485</u>	<u>59,716</u>
Total liabilities	<u>51,231</u>	<u>8,485</u>	<u>59,716</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>118,118</u>	<u>118,118</u>
Total deferred inflows of resources	<u>-</u>	<u>118,118</u>	<u>118,118</u>
Fund balances:			
Restricted for:			
School infrastructure	505,081	-	505,081
Physical plant and equipment	<u>-</u>	<u>48,277</u>	<u>48,277</u>
Total fund balances	<u>505,081</u>	<u>48,277</u>	<u>553,358</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 556,312</u></u>	<u><u>174,880</u></u>	<u><u>731,192</u></u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	111,606	111,606
Other	10,391	6	10,397
State sources	<u>436,935</u>	<u>1,298</u>	<u>438,233</u>
Total revenues	<u>447,326</u>	<u>112,910</u>	<u>560,236</u>
Expenditures:			
Instruction:			
Regular	52,544	14,709	67,253
Support services:			
Instructional staff	153,506	-	153,506
Administration	6,843	3,300	10,143
Operation and maintenance of plant	26,036	43,285	69,321
Other expenditures:			
Facilities acquisition	<u>153,799</u>	<u>41,068</u>	<u>194,867</u>
Total expenditures	<u>392,728</u>	<u>102,362</u>	<u>495,090</u>
Excess of revenues over expenditures	<u>54,598</u>	<u>10,548</u>	<u>65,146</u>
Other financing sources (uses):			
Sale of assets	-	1	1
Operating transfers out	<u>(162,298)</u>	<u>-</u>	<u>(162,298)</u>
Total other financing sources (uses)	<u>(162,298)</u>	<u>1</u>	<u>(162,297)</u>
Change in fund balances	(107,700)	10,549	(97,151)
Fund balances beginning of year	<u>612,781</u>	<u>37,728</u>	<u>650,509</u>
Fund balances end of year	<u>\$ 505,081</u>	<u>48,277</u>	<u>553,358</u>

See accompanying independent auditor's report.

Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
Assets					
Current assets:					
Cash, cash equivalents and pooled investments	\$ 63,634	4,070	22,090	44,146	133,940
Inventories	<u>3,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,414</u>
Total current assets	67,048	4,070	22,090	44,146	137,354
Noncurrent assets:					
Capital assets, net of accumulated depreciation	<u>7,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,490</u>
Total assets	<u>74,538</u>	<u>4,070</u>	<u>22,090</u>	<u>44,146</u>	<u>144,844</u>
Deferred Outflows of Resources					
Pension related deferred outflows	<u>10,621</u>	<u>849</u>	<u>-</u>	<u>-</u>	<u>11,470</u>
Liabilities					
Current liabilities:					
Accounts payable	239	-	11,827	1,705	13,771
Salaries and benefits payable	3,064	920	-	-	3,984
Unearned revenue	<u>4,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,853</u>
Total current liabilities	<u>8,156</u>	<u>920</u>	<u>11,827</u>	<u>1,705</u>	<u>22,608</u>
Noncurrent liabilities:					
Net pension liability	<u>45,931</u>	<u>3,670</u>	<u>-</u>	<u>-</u>	<u>49,601</u>
Total liabilities	<u>54,087</u>	<u>4,590</u>	<u>11,827</u>	<u>1,705</u>	<u>72,209</u>
Deferred Inflows of Resources					
Pension related deferred inflows	<u>17,517</u>	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>18,917</u>
Net Position					
Net investment in capital assets	7,490	-	-	-	7,490
Unrestricted	<u>6,065</u>	<u>(1,071)</u>	<u>10,263</u>	<u>42,441</u>	<u>57,698</u>
Total net position	<u>\$ 13,555</u>	<u>(1,071)</u>	<u>10,263</u>	<u>42,441</u>	<u>65,188</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds

Year ended June 30, 2015

	<u>School</u>	<u>Preschool</u>	<u>Wellness</u>	<u>FFA</u>	<u>Total</u>
	<u>Nutrition</u>		<u>Center</u>	<u>Project</u>	
Operating revenues:					
Local sources:					
Charges for service	\$ 130,311	6,975	15,580	70,174	223,040
Operating expenses:					
Instruction:					
Regular	761	5,318	-	-	6,079
Other	-	-	-	58,464	58,464
	<u>761</u>	<u>5,318</u>	<u>-</u>	<u>58,464</u>	<u>64,543</u>
Support services:					
Administration	9,943	21	-	-	9,964
Operation and maintenance of plant	115	2,739	11,827	11,400	26,081
	<u>10,058</u>	<u>2,760</u>	<u>11,827</u>	<u>11,400</u>	<u>36,045</u>
Non-instructional programs:					
Salaries	78,901	-	-	-	78,901
Benefits	9,025	-	-	-	9,025
Purchased services	1,364	-	-	-	1,364
Supplies	147,624	-	3,105	-	150,729
Depreciation	2,581	-	-	-	2,581
	<u>239,495</u>	<u>-</u>	<u>3,105</u>	<u>-</u>	<u>242,600</u>
Total operating expenses	<u>250,314</u>	<u>8,078</u>	<u>14,932</u>	<u>69,864</u>	<u>343,188</u>
Operating income (loss)	<u>(120,003)</u>	<u>(1,103)</u>	<u>648</u>	<u>310</u>	<u>(120,148)</u>
Non-operating revenues:					
State sources	2,268	-	-	-	2,268
Federal sources	154,749	-	-	-	154,749
Interest income	9	-	1	-	10
Total non-operating revenues	<u>157,026</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>157,027</u>
Increase (decrease) in net position	37,023	(1,103)	649	310	36,879
Net position beginning of year, as restated	<u>(23,468)</u>	<u>32</u>	<u>9,614</u>	<u>42,131</u>	<u>28,309</u>
Net position end of year	<u>\$ 13,555</u>	<u>(1,071)</u>	<u>10,263</u>	<u>42,441</u>	<u>65,188</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>
Cash flows from (used in) operating activities:		
Cash received from sale of lunches and breakfasts	\$ 133,282	10,995
Cash paid to employees for services	(98,496)	(7,974)
Cash paid to suppliers for goods or services	<u>(119,883)</u>	<u>(323)</u>
Net cash provided by (used by) operating activities	<u>(85,097)</u>	<u>2,698</u>
Cash flows from non-capital financing activities:		
State grants received	2,268	-
Federal grants received	<u>128,617</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>130,885</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>9</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	45,797	2,698
Cash and cash equivalents beginning of year	<u>17,837</u>	<u>1,372</u>
Cash and cash equivalents end of year	<u>\$ 63,634</u>	<u>4,070</u>

Schedule 8

<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
15,580	70,174	230,031
-	-	(106,470)
<u>(3,105)</u>	<u>(71,334)</u>	<u>(194,645)</u>
<u>12,475</u>	<u>(1,160)</u>	<u>(71,084)</u>
-	-	2,268
-	-	<u>128,617</u>
-	-	<u>130,885</u>
<u>1</u>	<u>-</u>	<u>10</u>
12,476	(1,160)	59,811
<u>9,614</u>	<u>45,306</u>	<u>74,129</u>
<u>22,090</u>	<u>44,146</u>	<u>133,940</u>

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>
Reconciliation of operating income (loss) to net cash from (used by) operating activities:		
Operating income (loss)	\$ (120,003)	(1,103)
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:		
Commodities used	25,371	-
Depreciation	2,581	-
(Increase) decrease in accounts receivable	2,313	4,020
(Increase) decrease in inventories	4,430	-
Increase (decrease) in accounts payable	180	(49)
Increase (decrease) in salaries and benefits payable	3,041	123
Increase (decrease) in unearned revenue	658	-
Increase (decrease) in net pension liability	(17,332)	(1,385)
(Increase) decrease in deferred outflows of resources	(3,853)	(308)
Increase (decrease) in deferred inflows of resources	<u>17,517</u>	<u>1,400</u>
Net cash provided by (used by) operating activities	<u>\$ (85,097)</u>	<u>2,698</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$25,371 of federal commodities.

See accompanying independent auditor's report.

Schedule 8

<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
648	310	(120,148)
-	-	25,371
-	-	2,581
-	-	6,333
-	-	4,430
11,827	(1,470)	10,488
-	-	3,164
-	-	658
-	-	(18,717)
-	-	(4,161)
-	-	18,917
<u>12,475</u>	<u>(1,160)</u>	<u>(71,084)</u>

North Iowa Community School District
Buffalo Center, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	<u>\$ 3,011</u>	<u>969</u>	<u>605</u>	<u>3,375</u>
Total assets	<u>\$ 3,011</u>	<u>969</u>	<u>605</u>	<u>3,375</u>
Liabilities				
Other payables	<u>\$ 3,011</u>	<u>969</u>	<u>605</u>	<u>3,375</u>
Total liabilities	<u>\$ 3,011</u>	<u>969</u>	<u>605</u>	<u>3,375</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 3,101,650	3,217,453	3,788,466	3,879,876
Tuition	213,171	243,864	180,580	138,565
Other	298,523	274,475	289,946	351,768
State sources	2,588,343	2,352,375	2,023,428	2,127,208
Federal sources	181,240	498,376	773,098	267,970
Total	<u>\$ 6,382,927</u>	<u>6,586,543</u>	<u>7,055,518</u>	<u>6,765,387</u>
Expenditures:				
Instruction:				
Regular	\$ 2,141,158	2,022,923	2,069,957	2,074,096
Special	832,270	692,273	706,648	687,602
Other	981,245	949,682	877,627	891,896
Support services:				
Student	173,883	155,760	141,927	150,288
Instructional staff	275,002	285,237	221,104	192,936
Administration	680,719	660,888	568,538	538,907
Operation and maintenance of plant	586,140	590,645	617,706	432,838
Transportation	224,036	239,222	419,487	306,428
Non-instructional programs	38,320	40,140	39,010	36,398
Other expenditures:				
Facilities acquisition	194,867	1,410,248	1,772,910	308,298
Long-term debt:				
Principal	325,000	305,000	195,000	185,000
Interest and other charges	119,642	138,836	160,250	95,958
AEA flowthrough	199,999	196,446	192,272	200,090
Total	<u>\$ 6,772,281</u>	<u>7,687,300</u>	<u>7,982,436</u>	<u>6,100,735</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3,802,253	3,411,163	3,238,342	2,878,809	2,854,275	2,787,187
139,991	182,284	153,744	182,149	256,213	243,246
361,036	190,166	240,412	331,872	337,536	288,193
2,137,078	1,846,942	2,443,215	2,493,550	2,479,592	2,461,232
256,059	475,038	283,172	144,216	165,971	171,962
<u>6,696,417</u>	<u>6,105,593</u>	<u>6,358,885</u>	<u>6,030,596</u>	<u>6,093,587</u>	<u>5,951,820</u>
2,140,177	2,318,175	2,485,066	2,248,623	2,281,676	2,149,499
658,358	635,308	668,822	694,825	738,855	711,412
761,184	617,457	628,455	639,912	628,095	588,239
145,567	143,238	167,604	134,662	101,660	103,702
166,510	161,047	126,313	145,872	139,482	190,493
567,176	692,217	660,954	707,982	696,755	617,282
365,463	479,629	531,554	491,841	580,382	578,829
345,095	233,793	243,069	302,843	277,501	393,127
49,831	44,724	40,516	40,063	37,260	40,010
484,372	218,944	124,170	98,189	231,566	432,351
175,000	165,000	155,000	145,000	140,000	130,000
104,395	111,237	118,445	125,188	131,698	137,743
225,243	225,553	199,417	192,471	189,574	184,267
<u>6,188,371</u>	<u>6,046,322</u>	<u>6,149,385</u>	<u>5,967,471</u>	<u>6,174,504</u>	<u>6,256,954</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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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
North Iowa Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2016. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component unit, North Iowa Athletic Boosters, which was not audited.

Internal Control Over Financial Reporting

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

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

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa 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.

North Iowa Community School District's Responses to the Findings

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

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Certified Public Accountants

March 18, 2016

North Iowa Community School District
Buffalo Center, Iowa

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 - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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 currently available staff, including elected officials.

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-15 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to North Iowa Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2015

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

North Iowa Community School District
Buffalo Center, Iowa

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 exceeded the certified budget amounts in the instruction and other expenditures function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

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 dated April 25, 1979 were noted.

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

II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Ostermann, Board Member	Scorebook and FFA custom farming	\$ 1,680
Renae Scahes, Board Member	Substitute teacher	1,995
Larry Lawson, District Employee, Co-owner L & T Construction	Repairs	825
Kim Davids, District Employee Owns Davids Tarp	Materials	84

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2015

Les Wubben, District Employee	School use of personal mower	300
Scott Anderson, Spouse of District Employee	Scoreboard and scorebook	315
Brad Arnevik, Spouse of District Employee	Volleyball line judge	15
Jon Wubben, District Employee	Thatch football field	150

The transactions with Board Members, Ostermann and Sachs, does not appear to violate Chapter 279.7A as the transaction is less than \$2,500 in a fiscal year.

In accordance with an Attorney General's opinion dated July 2, 1990, the above transactions with District employees do not appear to represent conflicts of interest.

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with the spouses of District employees do not appear to represent conflicts of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2015

- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

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

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

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

Beginning balance		\$ 612,781
Revenues/transfers in:		
Sales tax revenues	\$ 436,935	
Other local revenues	<u>10,391</u>	<u>447,326</u>
		1,060,107
Expenditures/transfers out:		
School infrastructure construction	152,549	
Equipment	99,909	
Other	140,270	
Transfers to other funds:		
Debt service fund	<u>162,298</u>	<u>555,026</u>
Ending balance		\$ <u>505,081</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.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2015

II-M-15 Music Booster Club – The Music Booster Club is using the District’s federal identification number on its bank checking account, but the District does not keep the Club’s financial records. Bank accounts not owned or controlled by the District should not be set up at the bank using the District’s federal identification number.

Recommendation – The Music Booster Club should obtain its own federal identification number and cease using the District’s identification number.

Response – We have talked to the Music Booster Club about this issue.

Conclusion – Response accepted.

II-N-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-O-15 Deficit Net Position - The Enterprise, Preschool Fund had a deficit net position at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the year.

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

Response – The District’s business-type activities went into a deficit in fiscal year 2015 due to the implementation of GASB Statement No. 68 which required the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.