

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Collins-Maxwell Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Lowell Crouse	President	2017
Bryce Caple	Vice President	2017
Amy Van Mannen	Board Member (resigned July 2014)	2015
Justin Boege	Board Member	2017
Mark Huntrods	Board Member	2015
Brad Plunkett	Board Member (appointed July 2014)	2017

**School Officials**

Jason Ellingson	Superintendent	2015
Bonnie Mitchell	District Secretary/Treasurer and Business Manager	2015
Ahlers & Cooney, P.C.	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Collins-Maxwell 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 Collins-Maxwell Community School District, Maxwell, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Collins-Maxwell 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, Collins-Maxwell Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 48 through 54 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 Collins-Maxwell Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which is not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016  
Newton, Iowa

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

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Collins-Maxwell 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 \$4,706,143 in fiscal year 2014 to \$4,873,659 in fiscal year 2015, while General Fund expenditures decreased from \$5,164,765 in fiscal year 2014 to \$5,117,666 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$697,425 in fiscal year 2014 to a balance of \$453,418 in fiscal year 2015, a 34.99% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources received compared to the prior year. The decrease in expenditures was due primarily to a decrease in instruction expenditures incurred compared to the prior year.
- The 2014-2015 school year brought with it many challenging opportunities and resulted in many successes. This was a year of great change for the district, so we continue to build from our strong foundation as we challenge ourselves to grow.
  - A bond election for \$7.95 million worth of improvements to the MS-HS facility in Maxwell failed to reach the supermajority approval needed by the community.
  - The Board of Education decided on maintaining iPads for each student in grades 6-8. The Board purchased MacBooks Airs for each student in grades 9-12. The Board kept the extra iPads from the high school and distributed them to the elementary so almost every student in the district will have a device for the 2015-2016 school year.
  - In May, Collins-Maxwell awarded diplomas to 36 seniors. Of those, 36 indicated they plan to attend some type of postsecondary institution to expand their learning and prepare for a career.
  - Those same seniors gave incredible portfolio presentations in December and April. For the third year, all portfolio presentations were electronic. The District congratulates the students for demonstrating their success with our Student Learning Goals.
  - The District successfully met all Adequate Yearly Progress goals in reading, mathematics, and science for the school year, except for middle school reading and mathematics.
  - The District continued to receive strong financial and personal support from our various booster clubs. Our students were celebrated and supported in sports, fine arts, and other extra-curricular activities.
  - The ACT is the most common college entrance exam taken by our students. A score of 20 or higher on the ACT is considered to be an indicator of

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probable success in college. Of the 36 ACT-tested juniors and seniors during the 2014-2015 school year, 24 (or 66.7%) of them earned a score of 20 or more.

- The District's Comprehensive School Improvement Plan (CSIP) was certified by the state. Professional development plans for the District, the buildings, and every teacher were aligned to the CSIP to ensure a clear and consistent focus on improvement in our goal areas. This year, the entire district teaching staff engaged in learning and using the Authentic Intellectual Work (AIW) framework.
- The base salary of the teachers for the 2015-2016 school year was increased to \$29,029. Teachers were able to receive their year of experience increase as well as any lane advancements due to staff development or graduate course credits.
- Special education costs continued to rise compared to previous years. The District continues to see an increase in the number of special education students with increasingly severe needs.
- Select students from the FFA again attended the national convention in Louisville, Kentucky in the fall.
- District enrollment decreased this year, continuing downward trend for the district. Open enrollment out requests continue to outbalance open enrollment in requests. The District continues to review funding to support quality programs and services.
- Health insurance rates continue to rise, forcing the district to carry a larger burden of the cost or reduce employee benefits. The District chose to maintain the same level of benefits and worked with its insurance management company to continue to partially self-fund its insurance plan.
- The IMPACT Teen Club was once again offered to middle school students throughout the year. The District is thankful to Youth and Shelter Services for providing the supervising personnel and to the Story County Decat board for support for a grant to fund the worthwhile activities that support learning and positive social interaction.
- Breakfast and lunch prices were increased by ten cents in the spring for 2015-2016 school year to fund new changes to the food service program as mandated by the federal government.
- The Board approved its FY16 budget with no debt service levy, since all debt is now retired. The income surtax for the instructional support program increased to seven percent from five percent. The District did levy to pay off its special education deficit and for cash reserves. Overall, the total levy rate remained the same.
- The District received \$461,805 in state sales tax revenue, while spending \$469,657 toward debt and other small improvements in facilities and technology. The District plans to use the balance of sales tax revenue to support larger facility and technology improvements in the near future.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

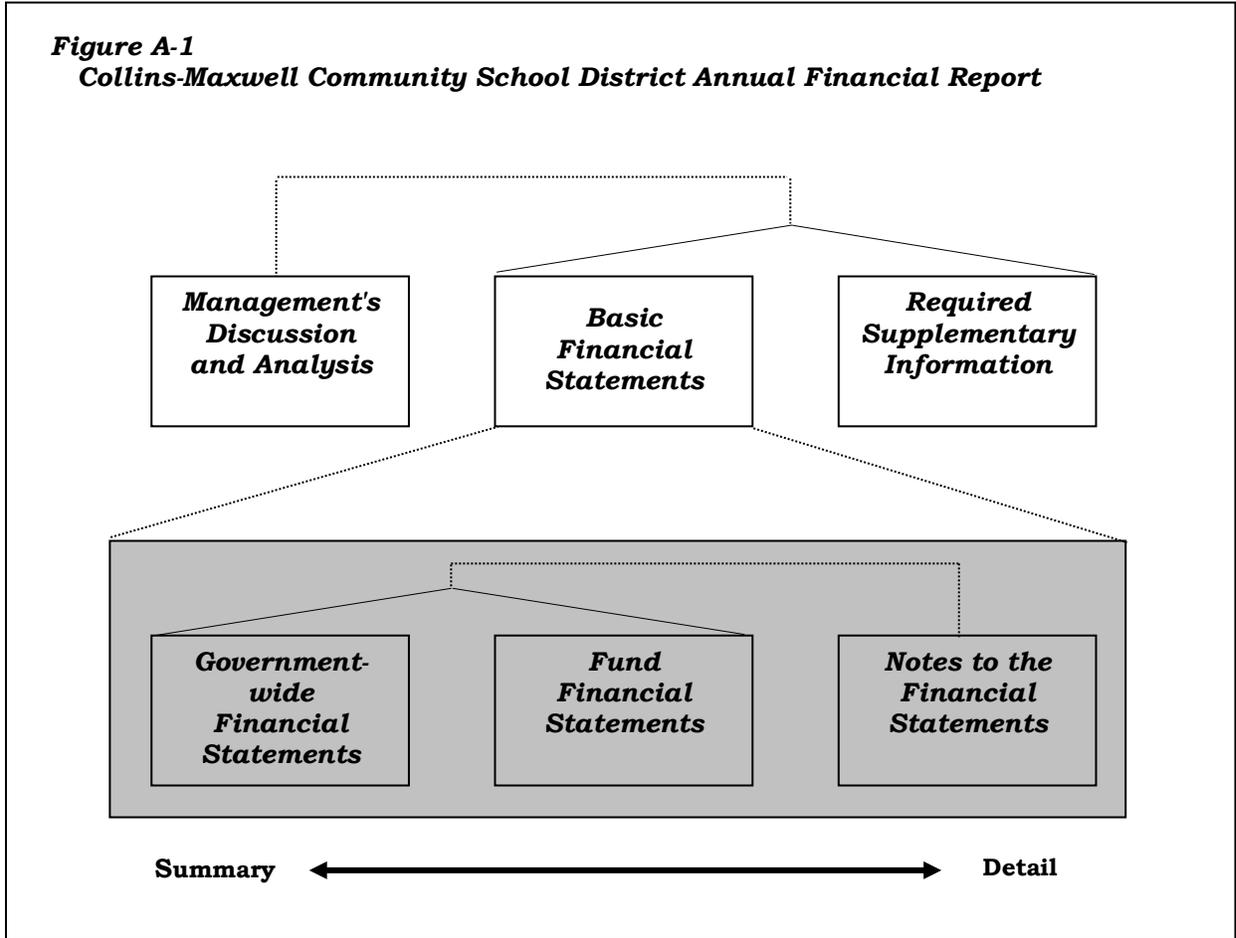


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in 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 fund.
- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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,		June 30,		June 30,	June 30,	
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 5,712,791	5,230,314	21,426	10,129	5,734,217	5,240,443	9.42%
Capital assets	6,169,959	6,259,071	23,070	26,926	6,193,029	6,285,997	-1.48%
Total assets	11,882,750	11,489,385	44,496	37,055	11,927,246	11,526,440	3.48%
Deferred outflows of resources	381,754	-	8,528	-	390,282	-	100.00%
Long-term obligations	4,574,818	2,788,828	54,835	4,518	4,629,653	2,793,346	65.74%
Other liabilities	605,880	287,077	4,903	4,578	610,783	291,655	109.42%
Total liabilities	5,180,698	3,075,905	59,738	9,096	5,240,436	3,085,001	69.87%
Deferred inflows of resources	2,901,876	2,098,344	19,084	-	2,920,960	2,098,344	39.20%
Net position:							
Net investment in capital assets	3,579,959	3,559,071	23,070	26,926	3,603,029	3,585,997	0.47%
Restricted	2,826,840	2,329,314	-	-	2,826,840	2,329,314	21.36%
Unrestricted	(2,224,869)	426,751	(48,868)	1,033	(2,273,737)	427,784	-631.52%
Total net position	\$ 4,181,930	6,315,136	(25,798)	27,959	4,156,132	6,343,095	-34.48%

The District's combined net position decreased by 34.48%, or \$2,186,963 from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$497,526, or 21.36% from the prior year. The increase was a result of the increase in the Management Levy Fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,701,521, or 631.52%. This decrease in unrestricted net position was primarily due to the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,358,271 and \$61,710, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for services	\$ 306,861	277,098	135,629	129,308	442,490	406,406	8.88%
Operating grants and contributions and restricted interest	422,969	396,929	101,460	104,519	524,429	501,448	4.58%
General revenues:							
Property tax	2,101,327	2,071,612	-	-	2,101,327	2,071,612	1.43%
Income surtax	43,076	137,193	-	-	43,076	137,193	-68.60%
Statewide sales, services and use tax	461,805	406,604	-	-	461,805	406,604	13.58%
Unrestricted state grants	2,609,742	2,365,943	-	-	2,609,742	2,365,943	10.30%
Unrestricted investment earnings	8,394	10,985	38	38	8,432	11,023	-23.51%
Other	17,640	22,326	700	447	18,340	22,773	-19.47%
Total revenues	5,971,814	5,688,690	237,827	234,312	6,209,641	5,923,002	4.84%
Program expenses:							
Governmental activities:							
Instruction	3,880,965	3,903,681	-	-	3,880,965	3,903,681	-0.58%
Support services	1,423,289	1,365,433	2,132	27,780	1,425,421	1,393,213	2.31%
Non-instructional programs	-	-	227,742	255,401	227,742	255,401	-10.83%
Other expenses	442,495	439,465	-	-	442,495	439,465	0.69%
Total expenses	5,746,749	5,708,579	229,874	283,181	5,976,623	5,991,760	-0.25%
Excess(Deficiency) of revenues over(under) expenses	225,065	(19,889)	7,953	(48,869)	233,018	(68,758)	-438.90%
Transfers	-	(73,632)	-	73,632	-	-	0.00%
Change in net position	225,065	(93,521)	7,953	24,763	233,018	(68,758)	-438.90%
Beginning net position, as restated	3,956,865	6,408,657	(33,751)	3,196	3,923,114	6,411,853	-38.81%
Ending net position	\$ 4,181,930	6,315,136	(25,798)	27,959	4,156,132	6,343,095	-34.48%

In fiscal 2015, property tax and unrestricted state grants account for 78.89% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.69% of the revenue from business type activities.

The District's total revenues were approximately \$6.21 million of which \$5.97 million was for governmental activities and \$0.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.84% increase in revenues and a 0.25% decrease in expenses as compared to the prior year.

**Governmental Activities**

Revenues for governmental activities were \$5,971,814 and expenses were \$5,746,749.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,880,965	3,903,681	-0.58%	3,343,780	3,414,309	-2.07%
Support services	1,423,289	1,365,433	4.24%	1,421,731	1,364,579	4.19%
Other expenses	442,495	439,465	0.69%	251,408	255,664	-1.66%
Total	\$ 5,746,749	5,708,579	0.67%	5,016,919	5,034,552	-0.35%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$306,861.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$422,969.
- The net cost of governmental activities was financed with \$2,101,327 in property tax, \$43,076 in income surtax, \$461,805 in statewide sales, services and use tax, \$2,609,742 in unrestricted state grants, \$8,394 in unrestricted investment earnings, and \$17,640 in other general revenues.

**Business Type Activities**

Revenues of the District’s business type activities were \$237,827 and expenses were \$229,874. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,939,775, above last year’s ending fund balances of \$2,763,003. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in the Management Levy Fund.

**Governmental Fund Highlights**

- The District’s General Fund decreased from a balance of \$697,425 at June 30, 2014 to \$453,418 at June 30, 2015. This represents a decrease of \$244,007 or 34.99%. Total expenditures outpaced total revenues for the year ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance increased from \$1,474,145 at June 30, 2014 to \$1,525,356 at June 30, 2015.

## Proprietary Fund Highlights

The Enterprise, Nutrition Fund's net position increased from a restated deficit net position of \$33,751 at July 1, 2014 to a deficit of \$25,798 at June 30, 2015, representing an increase of 23.56%. Implementation of GASB 68 was the main cause of the change. (See Note 15, Accounting Change/Restatement)

## BUDGETARY HIGHLIGHTS

The District's revenues were \$290,093 less than budgeted revenues, a variance of 4.40%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$6,193,029, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$323,026.

The original cost of the District's capital assets was \$12,107,362. Governmental funds account for \$12,014,190 with the remainder of \$93,172 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014, compared to \$230,058 reported at June 30, 2015. This increase resulted from the continuing construction of the middle school and high school renovations.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 226,464	226,464	-	-	226,464	226,464	0.00%
Construction in progress	230,058	-	-	-	230,058	-	100.00%
Buildings and improvements	5,347,094	5,515,909	-	-	5,347,094	5,515,909	-3.06%
Land improvements	195,507	206,731	-	-	195,507	206,731	-5.43%
Machinery and equipment	170,836	309,967	23,070	26,926	193,906	336,893	-42.44%
Total	\$ 6,169,959	6,259,071	23,070	26,926	6,193,029	6,285,997	-1.48%

## Long-Term Debt

At June 30, 2015, the District had \$4,629,653 in total long-term debt outstanding. This represents an increase of 65.74% from last year. (See Figure A-7) Of the total long-term debt remaining, \$140,000 is due within one year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had revenue bonded indebtedness of \$2,590,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund at June 30, 2015.

The District had a net pension liability of \$1,916,364 at June 30, 2015. Of this, \$1,867,496 is attributable to governmental activities with the remaining \$48,868 attributable to the business activities of the District.

The District had a net OPEB liability of \$123,289 at June 30, 2015. Of this, \$117,322 is attributable to governmental activities with the remaining \$5,967 attributable to the business activities of the District.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	2014 (Not restated)	June 30, 2015	2014 (Not restated)	June 30, 2015	2014 (Not restated)	2014-15
General obligation bonds	\$ -	110,000	-	-	-	110,000	-100.00%
Revenue bonds	2,590,000	2,590,000	-	-	2,590,000	2,590,000	0.00%
Net pension liability	1,867,496	-	48,868	-	1,916,364	-	100.00%
Net OPEB liability	117,322	88,828	5,967	4,518	123,289	93,346	32.08%
Totals	\$ 4,574,818	2,788,828	54,835	4,518	4,629,653	2,793,346	65.74%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- An increase to open enrollment is expected to have a positive impact on the District.

## 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 Bonnie Mitchell, Board Secretary/Business Manager, Collins-Maxwell Community School District, 400 Metcalf St., Maxwell, Iowa, 50161.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,348,949	10,128	3,359,077
Receivables:			
Property tax:			
Delinquent	20,914	-	20,914
Succeeding year	2,172,599	-	2,172,599
Income surtax	26,848	-	26,848
Due from other governments	143,481	-	143,481
Inventories	-	11,298	11,298
Capital assets, net of accumulated depreciation	6,169,959	23,070	6,193,029
<b>TOTAL ASSETS</b>	<b>11,882,750</b>	<b>44,496</b>	<b>11,927,246</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	381,754	8,528	390,282
<b>LIABILITIES</b>			
Accounts payable	117,030	-	117,030
Salaries and benefits payable	456,539	-	456,539
Interest payable	32,311	-	32,311
Unearned revenue	-	4,903	4,903
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	140,000	-	140,000
Portion due after one year:			
Revenue bonds payable	2,450,000	-	2,450,000
Net pension liability	1,867,496	48,868	1,916,364
Net OPEB liability	117,322	5,967	123,289
<b>TOTAL LIABILITIES</b>	<b>5,180,698</b>	<b>59,738</b>	<b>5,240,436</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,172,599	-	2,172,599
Pension related deferred inflows	729,277	19,084	748,361
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,901,876</b>	<b>19,084</b>	<b>2,920,960</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,579,959	23,070	3,603,029
Restricted for:			
Categorical funding	372,794	-	372,794
Debt service	349,916	-	349,916
Management levy purposes	466,646	-	466,646
Student activities	112,128	-	112,128
School infrastructure	1,437,358	-	1,437,358
Physical plant and equipment	87,998	-	87,998
Unrestricted	(2,224,869)	(48,868)	(2,273,737)
<b>TOTAL NET POSITION</b>	<b>\$ 4,181,930</b>	<b>(25,798)</b>	<b>4,156,132</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,494,959	137,050	67,606	(2,290,303)	-	(2,290,303)
Special	701,907	61,572	21,973	(618,362)	-	(618,362)
Other	684,099	108,239	140,745	(435,115)	-	(435,115)
	<u>3,880,965</u>	<u>306,861</u>	<u>230,324</u>	<u>(3,343,780)</u>	<u>-</u>	<u>(3,343,780)</u>
Support services:						
Student	134,137	-	-	(134,137)	-	(134,137)
Instructional staff	205,368	-	-	(205,368)	-	(205,368)
Administration	493,326	-	-	(493,326)	-	(493,326)
Operation and maintenance of plant	410,280	-	-	(410,280)	-	(410,280)
Transportation	180,178	-	1,558	(178,620)	-	(178,620)
	<u>1,423,289</u>	<u>-</u>	<u>1,558</u>	<u>(1,421,731)</u>	<u>-</u>	<u>(1,421,731)</u>
Long-term debt interest	71,369	-	-	(71,369)	-	(71,369)
Other expenses:						
AEA flowthrough	191,087	-	191,087	-	-	-
Depreciation(unallocated)*	180,039	-	-	(180,039)	-	(180,039)
	<u>371,126</u>	<u>-</u>	<u>191,087</u>	<u>(180,039)</u>	<u>-</u>	<u>(180,039)</u>
Total governmental activities	<u>5,746,749</u>	<u>306,861</u>	<u>422,969</u>	<u>(5,016,919)</u>	<u>-</u>	<u>(5,016,919)</u>
Business type activities:						
Support services:						
Administration	137	-	-	-	(137)	(137)
Operation and maintenance of plant	1,995	-	-	-	(1,995)	(1,995)
Non-instructional programs:						
Nutrition services	227,742	135,629	101,460	-	9,347	9,347
Total business type activities	<u>229,874</u>	<u>135,629</u>	<u>101,460</u>	<u>-</u>	<u>7,215</u>	<u>7,215</u>
Total	<u>\$ 5,976,623</u>	<u>442,490</u>	<u>524,429</u>	<u>(5,016,919)</u>	<u>7,215</u>	<u>(5,009,704)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,847,960	-	1,847,960
Debt service				114,976	-	114,976
Capital outlay				138,391	-	138,391
Income surtax				43,076	-	43,076
Statewide sales, services and use tax				461,805	-	461,805
Unrestricted state grants				2,609,742	-	2,609,742
Unrestricted investment earnings				8,394	38	8,432
Other general revenues				17,640	700	18,340
Total general revenues				<u>5,241,984</u>	<u>738</u>	<u>5,242,722</u>
Changes in net position				225,065	7,953	233,018
Net position beginning of year, as restated				<u>3,956,865</u>	<u>(33,751)</u>	<u>3,923,114</u>
Net position end of year				<u>\$ 4,181,930</u>	<u>(25,798)</u>	<u>4,156,132</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 933,392	1,458,700	956,857	3,348,949
Receivables:				
Property tax:				
Delinquent	14,912	1,373	4,629	20,914
Succeeding year	2,030,579	142,020	-	2,172,599
Income surtax	26,848	-	-	26,848
Due from other governments	71,724	71,757	-	143,481
<b>TOTAL ASSETS</b>	<b>\$ 3,077,455</b>	<b>1,673,850</b>	<b>961,486</b>	<b>5,712,791</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 110,071	6,474	485	117,030
Salaries and benefits payable	456,539	-	-	456,539
Total liabilities	566,610	6,474	485	573,569
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,030,579	142,020	-	2,172,599
Income surtax	26,848	-	-	26,848
Total deferred inflows of resources	2,057,427	142,020	-	2,199,447
Fund balances:				
Restricted for:				
Categorical funding	372,794	-	-	372,794
Debt service	-	-	382,227	382,227
Management levy purposes	-	-	466,646	466,646
Student activities	-	-	112,128	112,128
School infrastructure	-	1,437,358	-	1,437,358
Physical plant and equipment	-	87,998	-	87,998
Unassigned	80,624	-	-	80,624
Total fund balances	453,418	1,525,356	961,001	2,939,775
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,077,455</b>	<b>1,673,850</b>	<b>961,486</b>	<b>5,712,791</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 22)</b>	\$	2,939,775
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*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 report as assets in in the governmental funds.		6,169,959
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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.		(32,311)
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Accounts receivable income surtax, are not yet available to finance current year expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		26,848
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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	\$ 381,754		
Deferred inflows of resources	<u>(729,277)</u>		(347,523)

Long-term liabilities, including bonds payable, other post employment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,574,818)</u>
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<b>Net position of governmental activities (page 20)</b>	<b>\$</b>	<b><u><u>4,181,930</u></u></b>
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COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,628,858	138,391	465,176	2,232,425
Tuition	176,252	-	-	176,252
Other	48,089	5,169	113,664	166,922
State sources	2,893,258	462,044	1,883	3,357,185
Federal sources	127,052	-	-	127,052
<b>TOTAL REVENUES</b>	<b>4,873,509</b>	<b>605,604</b>	<b>580,723</b>	<b>6,059,836</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,297,343	-	56,099	2,353,442
Special	701,997	-	-	701,997
Other	576,844	-	100,353	677,197
	<b>3,576,184</b>	<b>-</b>	<b>156,452</b>	<b>3,732,636</b>
Support services:				
Student	135,013	-	-	135,013
Instructional staff	199,349	4,750	-	204,099
Administration	493,343	930	-	494,273
Operation and maintenance of plant	361,844	-	36,498	398,342
Transportation	160,846	-	11,687	172,533
	<b>1,350,395</b>	<b>5,680</b>	<b>48,185</b>	<b>1,404,260</b>
Capital outlay	-	373,193	-	373,193
Long-term debt:				
Principal	-	-	110,000	110,000
Interest and fiscal charges	-	-	72,038	72,038
	<b>-</b>	<b>-</b>	<b>182,038</b>	<b>182,038</b>
Other expenditures:				
AEA flowthrough	191,087	-	-	191,087
<b>TOTAL EXPENDITURES</b>	<b>5,117,666</b>	<b>378,873</b>	<b>386,675</b>	<b>5,883,214</b>
Excess(deficiency) of revenues over(under) expenditures	(244,157)	226,731	194,048	176,622
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer in	-	29,078	204,598	233,676
Transfer out	-	(204,598)	(29,078)	(233,676)
Sale of equipment	150	-	-	150
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>150</b>	<b>(175,520)</b>	<b>175,520</b>	<b>150</b>
Change in fund balances	(244,007)	51,211	369,568	176,772
Fund balances beginning of year	697,425	1,474,145	591,433	2,763,003
Fund balances end of year	<b>\$ 453,418</b>	<b>1,525,356</b>	<b>961,001</b>	<b>2,939,775</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds (page 24)** \$ 176,772

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

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

Capital outlays	\$ 230,058	
Depreciation expense	<u>(319,170)</u>	(89,112)

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. 110,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 669

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. (88,022)

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. 279,042

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:

Other postemployment benefits	(28,494)	
Pension expense	<u>(135,790)</u>	<u>(164,284)</u>

**Change in net position of governmental activities (page 21)** \$ 225,065

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Enterprise, School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 10,128
Inventories	11,298
Total current assets	21,426
Noncurrent assets:	
Capital assets, net of accumulated depreciation	23,070
<b>TOTAL ASSETS</b>	<b>44,496</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	8,528
<b>LIABILITIES</b>	
Current liabilities:	
Unearned revenue	4,903
Total current liabilities	4,903
Noncurrent liabilities:	
Net pension liability	48,868
Net OPEB liability	5,967
Total noncurrent liabilities	54,835
<b>TOTAL LIABILITIES</b>	<b>59,738</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	19,084
<b>NET POSITION</b>	
Invested in capital assets	23,070
Unrestricted	(48,868)
<b>TOTAL NET POSITION</b>	<b>\$ (25,798)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 135,629
Miscellaneous	700
TOTAL OPERATING REVENUES	136,329
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	137
Operation and maintenance of plant:	
Supplies	1,995
Total support services	2,132
Non-instructional programs:	
Salaries	72,217
Benefits	30,219
Supplies	121,450
Depreciation	3,856
	227,742
TOTAL OPERATING EXPENSES	229,874
OPERATING LOSS	(93,545)
NON-OPERATING REVENUES:	
State sources	1,823
Federal sources	99,637
Interest on investments	38
TOTAL NON-OPERATING REVENUES	101,498
Change in net position	7,953
Net position beginning of year, as restated	(33,751)
Net position end of year	\$ (25,798)

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 135,954
Cash received from miscellaneous sources	700
Cash payments to employees for services	(103,410)
Cash payments to suppliers for goods or services	(109,323)
Net cash used by operating activities	(76,079)
Cash flows from non-capital financing activities:	
Repayment to General Fund	(5,000)
State grants received	1,823
Federal grants received	79,997
Net cash provided by non-capital financing activities	76,820
Cash flows from investing activities:	
Interest on investments	38
Net increase in cash and cash equivalents	779
Cash and cash equivalents at beginning of year	9,349
Cash and cash equivalents at end of year	\$ 10,128
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (93,545)
Adjustments to reconcile operating loss to net cash provided by(used by) operating activities:	
Commodities consumed	19,706
Depreciation	3,856
Increase in inventories	(5,584)
Increase in unearned revenue	325
Decrease in net pension liability	(20,042)
Increase in deferred outflows of resources	(1,328)
Increase in deferred inflows of resources	19,084
Increase in other postemployment benefits	1,449
Net cash used by operating activities	\$ (76,079)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$19,706.

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 417,488	
Land		1,918,368
<b>TOTAL ASSETS</b>	<u>2,335,856</u>	
<b>LIABILITIES</b>		
		<u>-</u>
<b>NET POSITION</b>		
Held in trust for scholarships	\$ 2,335,856	

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Rent	\$ 88,755
Interest income	1,016
Total additions	<u>89,771</u>
Deductions:	
Instruction:	
Scholarships awarded	78,145
Support services:	
Farm maintenance costs	28,048
Total deductions	<u>106,193</u>
Change in net position before other financing sources	(16,422)
Other financing uses:	
Unrealized loss on land	<u>(126,256)</u>
Change in net position	(142,678)
Net position beginning of year	<u>2,478,534</u>
Net position end of year	<u>\$ 2,335,856</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

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

The Collins-Maxwell 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 Collins and Maxwell, Iowa, and the agricultural territory in Jasper, Marshall, Polk and Story 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 Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Collins-Maxwell 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 Collins-Maxwell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The 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 also reports the following non-major proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a non-major fund used to account for the food service operations of the District.

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

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

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

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 1,000
Buildings and improvements	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 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/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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

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

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

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.

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.

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

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

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgeting and Budgetary Control**

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

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

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2015, the District had no investments.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 204,598
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	29,078
Total		<u>\$ 233,676</u>

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

The transfer from the Debt Service Fund to the Capital Projects: Statewide Sales, Services and Use Tax was needed to move excess money transferred for the general obligation bond indebtedness.

**Note 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 226,464	-	-	226,464
Construction in progress	-	230,058	-	230,058
Total capital assets not being depreciated	<u>226,464</u>	<u>230,058</u>	<u>-</u>	<u>456,522</u>
Capital assets being depreciated:				
Buildings and improvements	8,420,758	-	-	8,420,758
Land improvements	479,611	-	-	479,611
Machinery and equipment	2,657,299	-	-	2,657,299
Total capital assets being depreciated	<u>11,557,668</u>	<u>-</u>	<u>-</u>	<u>11,557,668</u>
Less accumulated depreciation for:				
Buildings and improvements	2,904,849	168,815	-	3,073,664
Land improvements	272,880	11,224	-	284,104
Machinery and equipment	2,347,332	139,131	-	2,486,463
Total accumulated depreciation	<u>5,525,061</u>	<u>319,170</u>	<u>-</u>	<u>5,844,231</u>
Total capital assets being depreciated, net	<u>6,032,607</u>	<u>(319,170)</u>	<u>-</u>	<u>5,713,437</u>
Governmental activities capital assets, net	<u>\$ 6,259,071</u>	<u>(89,112)</u>	<u>-</u>	<u>6,169,959</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 93,172	-	-	93,172
Less accumulated depreciation	66,246	3,856	-	70,102
Business type activities capital assets, net	<u>\$ 26,926</u>	<u>(3,856)</u>	<u>-</u>	<u>23,070</u>

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:		
Regular		\$ 113,386
Other		3,365
Support services:		
Administration		3,599
Operation and maintenance of plant		11,312
Transportation		7,469
		<u>139,131</u>
Unallocated depreciation		<u>180,039</u>
		<u>\$ 319,170</u>

**Business Type activities:**

Food services		<u>\$ 3,856</u>
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**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 110,000	-	110,000	-	-
Revenue Bonds	2,590,000	-	-	2,590,000	140,000
Early Retirement	-	21,703	21,703	-	-
Net Pension Liability	2,633,430	-	765,934	1,867,496	-
Net OPEB Liability	88,828	28,494	-	117,322	-
Total	<u>\$ 5,422,258</u>	<u>50,197</u>	<u>897,637</u>	<u>4,574,818</u>	<u>140,000</u>
<b>Business type Activities:</b>					
Net Pension Liability	\$ 68,910	-	20,042	48,868	-
Net OPEB Liability	4,518	1,449	-	5,967	-
Total	<u>\$ 73,428</u>	<u>1,449</u>	<u>20,042</u>	<u>54,835</u>	<u>-</u>

**Revenue Bonds**

Details of the District's June 30, 2015 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rate	Principal	Interest	Total
2016	1.00	140,000	63,923	203,923
2017	1.25	140,000	62,348	202,348
2018	1.50	145,000	60,385	205,385
2019	1.75	145,000	58,029	203,029
2020	2.00	150,000	55,260	205,260
2021-2025	2.20-2.85	805,000	221,129	1,026,129
2026-2030	3.00-3.25	1,065,000	96,974	1,161,974
Total		<u>\$ 2,590,000</u>	<u>618,048</u>	<u>3,208,048</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,590,000 bonds issued June 28, 2012. 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 nearly 44% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,208,048. For the current year, \$64,623 in interest was paid on the bonds and total statewide sales and services tax revenues were \$461,805.

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

- a) \$208,760 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.

#### **Termination Benefits**

The District approved a voluntary early retirement plan for its full-time licensed employees in fiscal year 2015. The plan was only offered to employees for one year. Eligible employees must have completed fifteen years of service as a full-time licensed employee and must have reached age 55 or older before June 30 of the year of retirement. The application is subject to approval by the Board of Directors.

Early retirement benefits equal a \$21,703 payment directly to a 403(b) special pay deferral plan or to the health care savings plan.

At June 30, 2015, the District did not have any outstanding obligations to retiree participants. During fiscal year 2015 the District had two employees retire under the retirement agreement and these employees were paid out on June 30, 2015. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$21,703.

#### **Note 6. Operating Lease**

In April 2013, the District entered into a five year copier lease agreement with Primer Copiers, Printers and IT Services, with yearly payments of \$25,814.92. As of June 30, 2015, three years remained on the lease agreement.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 55 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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	\$ 34,748
Interest on net OPEB obligation	2,334
Adjustment to annual required contribution	<u>(5,277)</u>
Annual OPEB cost	31,805
Contributions made	<u>(1,862)</u>
Increase in net OPEB obligation	29,943
Net OPEB obligation beginning of year	93,346
Net OPEB obligation end of year	<u><u>\$ 123,289</u></u>

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

For the year ended June 30, 2015 the District contributed \$1,862 to the medical plan.

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

Year Ended Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 30,994	18.0	% \$ 65,919
2014	30,277	9.4	93,346
2015	31,805	5.9	123,289

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 \$203,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$203,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,108,453, and the ratio of the UAAL to covered payroll was 6.5%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

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

Projected claim costs of the medical plan are is \$674 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Pension and Retirement Benefits**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$284,882.

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 \$1,916,364 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 .047352 percent, which was an increase of .000376 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$139,344. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,827	\$ -
Changes of assumptions	84,573	-
Net difference between projected and actual earnings on pension plan investments	-	730,846
Changes in proportion and differences between District contributions and proportionate share of contributions	-	17,515
District contributions subsequent to the measurement date	284,882	-
Total	<u>\$ 390,282</u>	<u>\$ 748,361</u>

\$284,882 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (162,178)
2017	(162,178)
2018	(162,178)
2019	(162,178)
2020	5,749
	<u>\$ (642,963)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,620,915	\$ 1,916,364	\$ 477,545

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$40,769 for legally required employer contributions and \$27,164 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 9. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection for dental. District contributions to ISEBA for the year ended June 30, 2015 were \$21,696.

Collins-Maxwell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,087 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 24,326
Home School Assistance Program	51,471
Dropout and dropout prevention	94,365
Beginning teacher mentoring and induction	2,204
Teacher salary supplement	13,334
Prof development for model core curriculum	37,068
Professional development	53,428
Four-year-old preschool	46,140
Successful progression for early readers	25,216
Teacher development academies	12,011
Competency based instruction program	7,118
Teacher leadership grants	5,754
STEM Grant	359
Total restricted for categorical funding	<u>\$ 372,794</u>

**Note 12. Fiduciary Fund, Private Purpose Trust Land Value**

The land balance in the Fiduciary Fund, Private Purpose Trust Fund is found using the 2015 Iowa Land Values for Story County (obtained from the Iowa State University Extension and Outreach) and the Story County assessed value for the Maxwell Post Office. The land value for fiscal year 2015 is as follows:

	<u>2015 Iowa Land Value</u>	<u>Tillable Acres</u>	<u>Total</u>
Land	\$9,021	208	\$1,876,368
Post office (assessed value)			42,000
Total Land Value			<u>\$1,918,368</u>

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

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

	<u>Net Investment in Capital Assets</u>	<u>Debt</u>	<u>Unassigned/ Restricted</u>
<b>Fund Balance (Exhibit C)</b>	\$ -	382,227	80,624
Capital assets, net of accumulated depreciation	6,169,959	-	-
Revenue bond capitalized indebtedness	(2,590,000)	-	-
Income surtax	-	-	26,848
Accrued interest payable	-	(32,311)	-
Net pension liability	-	-	(1,867,496)
Deferred outflows of resources	-	-	381,754
Deferred inflows of resources	-	-	(729,277)
Net OPEB liability	-	-	(117,322)
<b>Net position (Exhibit A)</b>	<u>\$ 3,579,959</u>	<u>349,916</u>	<u>(2,224,869)</u>

**Note 14. Deficit Unrestricted and Total Net Position**

At June 30, 2015, the District had a deficit unrestricted net position of \$48,868, and a total deficit net position of \$25,798 in its business type activities, and a deficit unrestricted net position of \$2,224,869 in its governmental activities.

**Note. 15. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 6,315,136	\$ 27,959
Net pension liability at June 30, 2014	(2,633,430)	(68,910)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>275,159</u>	<u>7,200</u>
Net position July 1, 2014, as restated	<u>\$ 3,956,865</u>	<u>\$ (33,751)</u>

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,575,599	136,367	2,711,966	3,358,324	3,358,324	(646,358)
State sources	3,357,185	1,823	3,359,008	2,899,432	2,899,432	459,576
Federal sources	127,052	99,637	226,689	330,000	330,000	(103,311)
Total revenues	6,059,836	237,827	6,297,663	6,587,756	6,587,756	(290,093)
<b>Expenditures/expenses:</b>						
Instruction	3,732,636	-	3,732,636	4,430,000	4,430,000	697,364
Support services	1,404,260	2,132	1,406,392	1,840,900	1,840,900	434,508
Non-instructional programs	-	227,742	227,742	300,000	300,000	72,258
Other expenditures/expenses	746,318	-	746,318	4,822,341	4,822,341	4,076,023
Total expenditures/expenses	5,883,214	229,874	6,113,088	11,393,241	11,393,241	5,280,153
Excess(Deficiency) of revenues over(under) expenditures/expenses	176,622	7,953	184,575	(4,805,485)	(4,805,485)	4,990,060
Other financing sources, net	150	-	150	4,502,000	4,502,000	(4,501,850)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	176,772	7,953	184,725	(303,485)	(303,485)	488,210
Balance beginning of year, as restated	2,763,003	(33,751)	2,729,252	1,508,086	1,508,086	1,221,166
Balance end of year	\$ 2,939,775	(25,798)	2,913,977	1,204,601	1,204,601	1,709,376

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

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

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

	2015
District's proportion of the net pension liability	0.047352%
District's proportionate share of the net pension liability	\$ 1,916,364
District's covered-employee payroll	\$ 3,190,168
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 284,882	282,359	267,190	247,590	203,464	196,248	182,646	162,386	148,391	144,739
Contributions in relation to the statutorily required contribution	<u>(284,882)</u>	<u>(282,359)</u>	<u>(267,190)</u>	<u>(247,590)</u>	<u>(203,464)</u>	<u>(196,248)</u>	<u>(182,646)</u>	<u>(162,386)</u>	<u>(148,391)</u>	<u>(144,739)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 3,190,168	3,161,915	3,081,776	3,068,030	2,927,540	2,823,712	2,876,315	2,684,066	2,580,713	2,517,200
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

**Changes of benefit terms**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

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

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

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR  
THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 162,000	162,000	0.0%	\$ 3,039,000	5.3%
2011	July 1, 2009	-	159,000	159,000	0.0%	2,988,000	5.3%
2012	July 1, 2009	-	152,000	152,000	0.0%	3,118,000	4.9%
2013	July 1, 2012	-	220,298	220,298	0.0%	3,170,720	6.9%
2014	July 1, 2012	-	214,289	214,289	0.0%	3,038,563	7.1%
2015	July 1, 2012	-	203,446	203,446	0.0%	3,108,453	6.5%

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

**SUPPLEMENTARY INFORMATION**

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue				
	Student Activity	Management Levy	Total	Debt Service	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 112,613	463,157	575,770	381,087	956,857
Receivables:					
Property tax:					
Delinquent	-	3,489	3,489	1,140	4,629
<b>TOTAL ASSETS</b>	<b>\$ 112,613</b>	<b>466,646</b>	<b>579,259</b>	<b>382,227</b>	<b>961,486</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 485	-	485	-	485
Deferred inflows of resources:	-	-	-	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	382,227	382,227
Management levy purposes	-	466,646	466,646	-	466,646
Student activities	112,128	-	112,128	-	112,128
Total fund balances	112,128	466,646	578,774	382,227	961,001
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 112,613</b>	<b>466,646</b>	<b>579,259</b>	<b>382,227</b>	<b>961,486</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Student Activity	Management Levy	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ -	350,200	350,200	114,976	465,176
Other	108,239	5,396	113,635	29	113,664
State sources	-	1,685	1,685	198	1,883
<b>TOTAL REVENUES</b>	<b>108,239</b>	<b>357,281</b>	<b>465,520</b>	<b>115,203</b>	<b>580,723</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	-	56,099	56,099	-	56,099
Other	100,353	-	100,353	-	100,353
Support services:					
Operation and maintenance of plant	-	36,498	36,498	-	36,498
Transportation	-	11,687	11,687	-	11,687
Long-term Debt:					
Principal	-	-	-	110,000	110,000
Interest and fiscal charges	-	-	-	72,038	72,038
<b>TOTAL EXPENDITURES</b>	<b>100,353</b>	<b>104,284</b>	<b>204,637</b>	<b>182,038</b>	<b>386,675</b>
Excess (Deficiency) of revenues over (under) expenditures	7,886	252,997	260,883	(66,835)	194,048
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	-	204,598	204,598
Transfers out	-	-	-	(29,078)	(29,078)
<b>TOTAL FINANCING SOURCES(USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,520</b>	<b>175,520</b>
Change in fund balances	7,886	252,997	260,883	108,685	369,568
Fund balances beginning of year	104,242	213,649	317,891	273,542	591,433
Fund balances end of year	<b>\$ 112,128</b>	<b>466,646</b>	<b>578,774</b>	<b>382,227</b>	<b>961,001</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,365,601	93,099	1,458,700
Receivables:			
Property tax:			
Delinquent	-	1,373	1,373
Succeeding year	-	142,020	142,020
Due from other governments	71,757	-	71,757
<b>TOTAL ASSETS</b>	<b>\$ 1,437,358</b>	<b>236,492</b>	<b>1,673,850</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	6,474	6,474
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	142,020	142,020
Fund balances:			
Restricted for:			
School infrastructure	1,437,358	-	1,437,358
Physical plant and equipment levy	-	87,998	87,998
Total fund balances	1,437,358	87,998	1,525,356
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,437,358</b>	<b>236,492</b>	<b>1,673,850</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	138,391	138,391
Other	3,572	1,597	5,169
State sources	461,805	239	462,044
TOTAL REVENUES	<u>465,377</u>	<u>140,227</u>	<u>605,604</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	4,750	4,750
Administration	930	-	930
Capital outlay	264,129	109,064	373,193
TOTAL EXPENDITURES	<u>265,059</u>	<u>113,814</u>	<u>378,873</u>
Excess of revenues over expenditures	200,318	26,413	226,731
OTHER FINANCING SOURCES(USES):			
Transfers in	29,078	-	29,078
Transfer out	(204,598)	-	(204,598)
TOTAL FINANCING SOURCES(USES)	<u>(175,520)</u>	<u>-</u>	<u>(175,520)</u>
Change in fund balances	24,798	26,413	51,211
Fund balances beginning of year	<u>1,412,560</u>	<u>61,585</u>	<u>1,474,145</u>
Fund balances end of year	<u>\$ 1,437,358</u>	<u>87,998</u>	<u>1,525,356</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Elementary Music	\$ -	326	326	-	-
Vocal Music	397	5,299	5,766	3,341	3,271
Instrumental Music	244	768	1,012	-	-
Music	919	-	-	(919)	-
Music Boosters	2,201	221	-	(2,422)	-
CMB Athletics	12,879	49,917	35,553	-	27,243
JH Track	39	-	-	-	39
Golf	190	-	-	-	190
Boys Basketball	119	-	-	-	119
Wrestling	1,761	1,508	1,298	(506)	1,465
Youth Wrestling	116	-	-	-	116
Girls Basketball	2	-	-	-	2
Soccer	1,411	1,500	-	-	2,911
Softball	310	-	-	-	310
Girls Track	45	-	-	-	45
FFA	12,787	10,937	13,854	-	9,870
Greenhouse	26,070	-	-	-	26,070
Class of 2015	900	-	630	-	270
Class of 2016	283	5,448	4,875	-	856
Class of 2017	717	-	-	-	717
Class of 2018	500	-	-	-	500
Dance Team	2,469	6,866	5,743	-	3,592
National Honor Society	150	119	269	-	-
HS Academic	1,156	-	-	-	1,156
HS Student Council	718	6,384	6,037	-	1,065
Staff scholarship	120	156	250	-	26
Powerlifting	537	-	-	-	537
MS Student Council	5,811	4,908	4,500	-	6,219
JH Softball	170	-	-	-	170
CHAMPS	1,028	158	172	-	1,014
Robotics	3,138	1,500	1,840	-	2,798
Yearbook	6,767	5,558	4,537	-	7,788
TAG	-	338	338	-	-
Book Fair	-	2,779	1,436	-	1,343
Dance Marathon	50	-	-	-	50
Shop	64	-	-	-	64
Elementary	3,092	2,347	4,134	-	1,305
Raiders	10,826	1,202	5,612	506	6,922
JH Basketball	580	-	-	-	580
JH Volleyball	3,198	-	-	-	3,198
JH Cheerleading	244	-	-	-	244
Courtyard	1,194	-	1,194	-	-
Baseball	7	-	-	-	7
Preschool	977	-	977	-	-
Spirit club	56	-	-	-	56
<b>TOTAL</b>	<b>\$ 104,242</b>	<b>108,239</b>	<b>100,353</b>	<b>-</b>	<b>112,128</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2015

	Private Purpose Trust - Scholarship				
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 25,134	5,980	4,476	381,898	417,488
Land	-	-	-	1,918,368	1,918,368
<b>TOTAL ASSETS</b>	<u>25,134</u>	<u>5,980</u>	<u>4,476</u>	<u>2,300,266</u>	<u>2,335,856</u>
<b>LIABILITIES</b>	-	-	-	-	-
<b>NET POSITION</b>					
Held in trust for scholarships	<u>\$ 25,134</u>	<u>5,980</u>	<u>4,476</u>	<u>2,300,266</u>	<u>2,335,856</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship				
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	Total
Additions:					
Local sources:					
Rent	\$ -	-	-	88,755	88,755
Interest income	609	8	256	143	1,016
Total additions	609	8	256	88,898	89,771
Deductions:					
Instruction:					
Scholarships awarded	500	-	250	70,625	71,375
Support services:					
Farm maintenance costs	-	-	-	34,818	34,818
Total deductions	500	-	250	105,443	106,193
Change in net position before other financing sources	109	8	6	(16,545)	(16,422)
Other financing uses:					
Unrealized loss on land	-	-	-	(126,256)	(126,256)
Change in net position	109	8	6	(142,801)	(142,678)
Net position beginning of year	25,025	5,972	4,470	2,443,067	2,478,534
Net position end of year	\$ 25,134	5,980	4,476	2,300,266	2,335,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 2,232,425	2,205,891	2,749,382	2,450,354	2,477,413	2,242,840	2,155,623	1,978,105	1,968,465	1,822,223
Tuition	176,252	160,719	196,717	153,201	180,529	71,472	85,995	94,385	126,671	215,461
Other	166,922	151,061	179,800	191,832	196,617	240,666	303,053	267,687	295,368	224,408
State sources	3,357,185	3,043,504	2,772,444	2,751,290	2,696,237	2,336,628	2,794,560	2,796,247	2,581,360	2,538,211
Federal sources	127,052	124,601	180,132	257,918	284,496	346,984	142,795	133,000	110,827	145,682
<b>Total</b>	<b>\$ 6,059,836</b>	<b>5,685,776</b>	<b>6,078,475</b>	<b>5,804,595</b>	<b>5,835,292</b>	<b>5,238,590</b>	<b>5,482,026</b>	<b>5,269,424</b>	<b>5,082,691</b>	<b>4,945,985</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 2,353,442	2,325,382	2,357,926	2,365,727	2,199,167	2,262,998	2,226,835	2,046,725	1,969,826	1,767,991
Special	701,997	743,897	612,430	635,255	639,065	520,093	559,536	572,074	600,798	533,982
Other	677,197	692,506	674,525	624,465	606,460	604,287	617,340	517,461	474,137	492,066
<b>Support services:</b>										
Student	135,013	126,801	115,929	96,302	98,739	106,269	89,363	89,818	79,943	50,864
Instructional staff	204,099	183,898	143,024	88,761	138,990	156,750	158,726	155,090	154,064	174,582
Administration	494,273	490,300	499,758	458,190	465,729	456,563	509,566	483,980	473,002	464,577
Operation and maintenance of plant	398,342	427,147	378,472	360,995	345,871	337,045	345,842	345,604	318,243	347,620
Transportation	172,533	193,541	195,486	187,649	179,150	154,753	159,315	165,695	160,463	248,149
<b>Other expenditures:</b>										
Capital outlays	373,193	952,267	2,044,566	923,019	185,387	75,970	55,931	154,683	141,004	89,446
<b>Long-term debt:</b>										
Principal	110,000	444,032	494,876	295,000	285,000	280,000	275,000	260,000	255,000	195,000
Interest and other charges	72,038	78,172	73,734	37,623	47,312	56,412	65,350	73,150	80,800	140,483
AEA flow-through	191,087	183,801	180,680	180,069	200,245	198,258	182,969	172,246	162,388	154,124
<b>Total</b>	<b>\$ 5,883,214</b>	<b>6,841,744</b>	<b>7,771,406</b>	<b>6,253,055</b>	<b>5,391,115</b>	<b>5,209,398</b>	<b>5,245,773</b>	<b>5,036,526</b>	<b>4,869,668</b>	<b>4,658,884</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Collins-Maxwell Community School District:**

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

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Collins-Maxwell 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.

### **Collins-Maxwell Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016  
Newton, Iowa

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

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

Response - The District will review its policies and practices to determine if greater segregation of duties can be accomplished.

Conclusion - Response accepted.

I-B-15 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.

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

Response - Although some of the policies have been revised, the business office, in conjunction with the Board, will review and revise policies and institute practices that provide greater internal controls for cash handling at all activity events.

Conclusion - Response accepted.

- I-C-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The business office will review and revise policies and institute practices that will meet the Department of Labor requirements.

Conclusion - Response accepted.

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

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the General Fund. Gift certificates do not allow the board to “audit and allow” final purchases in accordance with Iowa Code Section 279.9 and does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards and cash incentives are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills. The gift cards do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purpose to be in accordance with the Attorney General’s opinion dated April 25, 1979.

Response - The District will review the purchasing policies and make the necessary adjustments.

Conclusion - Response accepted.

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

II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting - We noted a supplementary weighting data certified to the Department of Education was overstated by .088 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District’s auditors will contact the Iowa Department of Education and Department of Management to resolve the matter.

Conclusion - Response accepted.

II-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - We noted during our audit that the District paid for administrative costs that was coded to the Home School Assistance Program. According to the Iowa Administrative Code 281 Chapter 98.12 (“Financial Management of

Categorical Funding”), any expenditure not directly related to providing the home assistance program is an inappropriate expenditure. Administrative costs would appear to not be an allowable expense for the home school assistance program fund.

The following is the adjustment to the ending restricted balance for categorical funding:

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Expense Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Home School Assistance Program	\$ 45,176	\$ 6,295	\$ 51,471

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code “Financial Management of Categorical Funding” to better understand the appropriate vs. inappropriate expenditures for Categorical Funding. The District should contract the Iowa Department of Education regarding required corrective action.

Response - The business office will review appropriate expenditures for Categorical Funding and make the necessary adjustments.

Conclusion - Response accepted.

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

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

Beginning balance		\$ 1,412,560
Revenues:		
Sales tax revenues	\$ 461,805	
Other local revenue	3,572	
Transfers from other funds:		
Debt service fund	29,078	494,455
		<u>1,907,015</u>
Expenditures/transfers out:		
School infrastructure	\$ 23,480	
Equipment	52,671	
Other	188,908	
Transfers to other funds:		
Debt service fund	204,598	469,657
		<u>469,657</u>
Ending balance		<u><u>\$ 1,437,358</u></u>

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

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

**Questionable Account:** We noted a Book Fair account in the Student Activity Fund. The revenues and expenditures related to the Book Fair accounts appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Book Fair accounts appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The District has reviewed the propriety of the revenues and expenditures that are approved in the Student Activity Fund and will be deposited to the General Fund.

Conclusion - Response accepted.

**Lifetouch Picture Commissions:** We noted during our audit that Lifetouch Picture commissions were being receipted to the Student Activity Fund. According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Since commissions are not identified as allowable to the Student Activity Fund, they should be recorded in the General Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch Picture commissions should be receipted into the General Fund.

Response - The District has reviewed the propriety of the revenues and expenditures that are approved in the Student Activity Fund and will be deposited to the General Fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - We noted during our audit that the District had a deficit unrestricted net position of \$48,868, and a total deficit net position of \$25,798 in its business type activities, and a deficit unrestricted net position of \$2,224,869 in its governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

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

Conclusion - Response accepted.