

**COLO-NESCO
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Joel Niemeyer	President	September, 2015
Jon Cutler	Vice President	September, 2015
John Fuller	Board Member	September, 2017
Kelly Hendrick	Board Member	September, 2017
Brad Kohlwes	Board Member	September, 2015
P. J. McBride	Board Member	September, 2015
Traci Nessa	Board Member	September, 2017
School Officials		
Dr. James Verlengia	Superintendent	June 30, 2016
Lisa Waddell	Business Official/District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Colo-NESCO Community School District
Colo, Iowa

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 Colo-NESCO Community School District, Colo, 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, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Colo-NESCO Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 auditing standards generally accepted in the United States of America, 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 Colo-NESCO 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 are not presented herein) and expressed an unmodified opinion on those financial statements. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 51 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. 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 a report dated June 23, 2016 on our consideration of Colo-NESCO Community School District's internal control over financial reporting and 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 Colo-NESCO Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
June 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colo-NESCO 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.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$5,549,631 in fiscal year 2014 to \$6,178,950 in fiscal year 2015, and General Fund expenditures increased from \$5,327,783 in fiscal year 2014 to \$5,474,819 in fiscal year 2015. This resulted in an increase in the General Fund balance from (\$300,255) in fiscal year 2014 to \$403,876 in fiscal year 2015.
- The increase in General Fund revenue was primarily attributable to increases in state revenue and property tax. The increase in expenditures was due primarily to an increase in salaries and benefits and other instructional expenditures.

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 Colo-NESCO 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 Colo-NESCO Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 governmental and proprietary funds.

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

FIGURE A-1

**COLO-NESCO COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

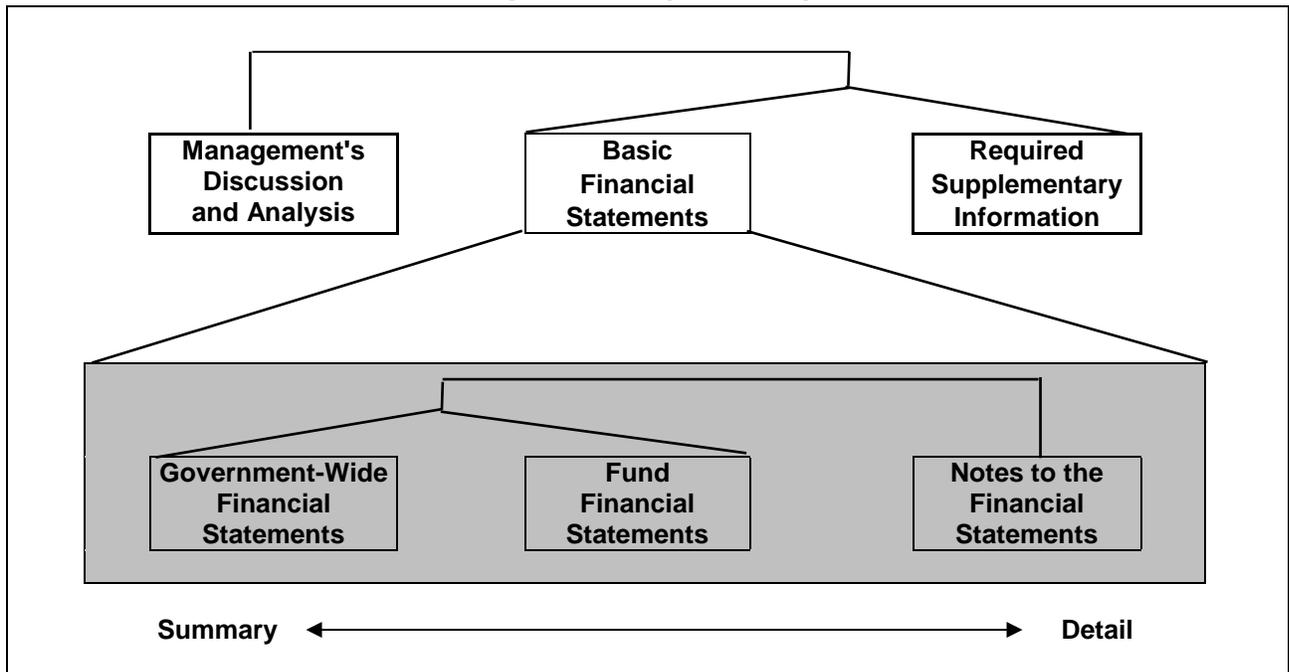


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

FIGURE A-2			
MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and daycare
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 School Nutrition Fund and Daycare Fund are 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue, such as federal grants.

The District has two kinds of funds:

- **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 available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

- **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, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District has two enterprise funds: the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and other assets	\$ 5,928,250	\$ 5,018,987	\$ 9,749	\$ 21,496	\$ 5,937,999	\$ 5,040,483	17.8%
Capital assets	5,376,902	5,461,239	11,611	13,211	5,388,513	5,474,450	(1.6)
Total Assets	11,305,152	10,480,226	21,360	34,707	11,326,512	10,514,933	7.7
Deferred Outflows of Resources	467,799	—	12,044	—	479,843	—	100.0
Total Assets and Deferred Outflows of Resources	\$ 11,772,951	\$ 10,480,226	\$ 33,404	\$ 34,707	\$ 11,806,355	\$ 10,514,933	12.3%
Long-term liabilities	\$ 5,667,153	\$ 3,745,841	\$ 49,709	\$ 1,470	\$ 5,716,862	\$ 3,747,311	52.6%
Other liabilities	636,716	1,062,217	16,421	13,079	653,137	1,075,296	(39.3)
Total Liabilities	6,303,869	4,808,058	66,130	14,549	6,369,999	4,822,607	32.1
Deferred Inflows of Resources	4,232,816	3,428,643	18,397	—	4,251,213	3,428,643	24.0
Net Position							
Net investment in capital assets	1,814,260	1,704,799	11,611	13,211	1,825,871	1,718,010	6.3
Restricted	1,173,075	1,255,047	—	—	1,173,075	1,255,047	(6.5)
Unrestricted	(1,751,069)	(716,321)	(62,734)	6,947	(1,813,803)	(709,374)	(155.7)
Total Net Position	1,236,266	2,243,525	(51,123)	20,158	1,185,143	2,263,683	(47.6)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 11,772,951	\$ 10,480,226	\$ 33,404	\$ 34,707	\$ 11,806,355	\$ 10,514,933	12.3%

The District's total net position decreased 47.6%, or \$1,078,540, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's total restricted net position decreased by \$81,972, or 6.5%, from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$1,104,429, or 155.7%. The decrease was primarily the result of the District's net pension liability 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 \$2,249,044 and \$57,907, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer 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 as compared to the year ended June 30, 2014.

**FIGURE A-4
CHANGES IN NET POSITION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Revenue							
Program Revenue							
Charges for service	\$ 353,955	\$ 295,693	\$ 267,128	\$ 290,799	\$ 621,083	\$ 586,492	5.9%
Operating grants and contributions	1,021,309	925,932	138,830	147,102	1,160,139	1,073,034	8.1
General Revenue							
Property tax	3,436,869	3,164,561	—	—	3,436,869	3,164,561	8.6
Income surtax	206,456	231,425	—	—	206,456	231,425	(10.8)
Statewide sales, services and use tax	539,451	430,963	—	—	539,451	430,963	25.2
Unrestricted state grants	1,944,072	1,646,228	—	—	1,944,072	1,646,228	18.1
Unrestricted invest- ment earnings	10,363	2,231	—	—	10,363	2,231	364.5
Other	—	1,306	—	—	—	1,306	(100.0)
Total Revenue	<u>7,512,475</u>	<u>6,698,339</u>	<u>405,958</u>	<u>437,901</u>	<u>7,918,433</u>	<u>7,136,240</u>	<u>11.0</u>
Program Expenses							
Instruction	3,975,071	3,862,406	—	—	3,975,071	3,862,406	2.9
Support services	1,570,088	1,895,636	—	—	1,570,088	1,895,636	(17.2)
Noninstructional programs	—	—	419,332	431,622	419,332	431,622	(2.8)
Other expenses	725,531	612,275	—	—	725,531	612,275	18.5
Total Program Expenses	<u>6,270,690</u>	<u>6,370,317</u>	<u>419,332</u>	<u>431,622</u>	<u>6,690,022</u>	<u>6,801,939</u>	<u>(1.6)</u>
Change in Net Position	1,241,785	328,022	(13,374)	6,279	1,228,411	334,301	267.5
Net Position - Beginning of Year, as restated (Note 14)	(5,519)	1,915,503	(37,749)	13,879	(43,268)	1,929,382	(102.2)
Net Position - End of Year	<u>\$ 1,236,266</u>	<u>\$ 2,243,525</u>	<u>\$ (51,123)</u>	<u>\$ 20,158</u>	<u>\$ 1,185,143</u>	<u>\$ 2,263,683</u>	<u>(47.6)%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 71.6% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100% of business-type activities revenue. The District's total revenue was approximately \$7.9 million, of which approximately \$7.5 million was for governmental activities and \$0.4 million was for business-type activities.

As shown in figure A-4, the District as a whole experienced an 11% increase in revenue and a 1.6% decrease in expenses. The increase in revenue was primarily related to an increase in property taxes and unrestricted state grants. The decrease in expenses is primarily related to a decrease in support services expenses.

Governmental Activities

Revenue for governmental activities was \$7,512,475 and expenses were \$6,270,690 for the year ended June 30, 2015.

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

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2015	2014 (Not Restated)	Total Change 2014-2015	2015	2014 (Not Restated)	Total Change 2014-2015
Instruction	\$ 3,975,071	\$ 3,862,406	2.9%	\$ 2,973,433	\$ 2,840,942	4.7%
Support services	1,570,088	1,895,636	(17.2)	1,396,389	1,877,036	(25.6)
Other expenses	725,531	612,275	18.5	525,604	430,714	22.0
Total	<u>\$ 6,270,690</u>	<u>\$ 6,370,317</u>	<u>(1.6)%</u>	<u>\$ 4,895,426</u>	<u>\$ 5,148,692</u>	<u>(4.9)%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$353,955.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,021,309.
- The net cost of governmental activities was financed with \$4,182,776 in property and other taxes and \$1,944,072 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$405,958, representing a 7.3% decrease from the prior year, while expenses totaled \$419,332, a 2.8% decrease from the prior year. The District's business-type activities includes the School Nutrition Fund and Daycare Fund. Revenue from these activities was comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,590,900 compared to last year's ending fund balances of \$735,205. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due to an increase in local taxes.

Governmental Fund Highlights

- The General Fund balance increased from (\$300,255) to \$403,876. The increase was primarily due to an increase in property taxes and state grant revenue.
- The Debt Service Fund balance decreased from \$806,105 at the end of fiscal year 2014 to \$733,325 at the end of fiscal year 2015. Transfers in from the Capital Projects Fund were less than total principal and interest payments made in fiscal year 2015.
- The Capital Projects Fund includes revenue from statewide sales, services and use tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Physical Plant and Equipment Levy account balance increased from (\$41,011) as of June 30, 2014 to \$43,884 as of June 30, 2015. This was due primarily to note proceeds received in the current year.
 - The Statewide Sales, Service and Use Tax account balance increased from \$194,837 as of June 30, 2014 to \$309,187 as of June 30, 2015. This was due to decreased funds transferred to the Debt Service Fund to pay down long-term debt and an increase in statewide sales, services and use tax revenue.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from (\$94,834) as of June 30, 2014 to (\$87,996) as of June 30, 2015, representing an increase of \$6,838.

The Daycare Fund net position decreased from \$57,085 as of June 30, 2014 to \$36,873 as of June 30, 2015.

BUDGETARY HIGHLIGHTS

The District's total revenue was \$484,558 more than total budgeted revenue. Total expenditures were \$469,468 over budget.

The certified budget was exceeded in the instruction, noninstructional programs and other expenditures functional areas due to the timing of disbursements paid at year end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$5,388,513, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$341,587.

The original cost of the District's capital assets was \$11,603,126. Governmental funds account for approximately \$11,583,931, with the remainder of \$19,195 accounted for in the Proprietary, School Nutrition Fund.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	2015	2014	2015	2014	
Land	\$ 46,656	\$ 46,656	\$ —	\$ —	\$ 46,656	\$ 46,656	0.0%
Buildings and improve- ments	4,922,566	5,194,137	—	—	4,922,566	5,194,137	(5.2)
Equipment and furniture	407,680	220,446	11,611	13,211	419,291	233,657	79.4
Total	<u>\$ 5,376,902</u>	<u>\$ 5,461,239</u>	<u>\$ 11,611</u>	<u>\$ 13,211</u>	<u>\$ 5,388,513</u>	<u>\$ 5,474,450</u>	<u>(1.6)%</u>

Long-Term Debt

As of June 30, 2015, the District had \$3,688,134 in total long-term debt outstanding. This represents a decrease of 7.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**FIGURE A-7
OUTSTANDING LONG-TERM DEBT**

	Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	
Governmental Activities			
Revenue bonds	\$ 3,230,000	\$ 3,585,000	(9.9)%
Notes payable	332,642	171,440	94.0
Lease payable	125,492	247,061	(49.2)
Total	<u>\$ 3,688,134</u>	<u>\$ 4,003,501</u>	<u>(7.9)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District financing and funding is highly dependent upon student enrollment. The District's enrollment decreased in fiscal year 2015 by five students. Future enrollment stability is a critical element in maintaining a sound financial foundation. The Board of Education and administration of the District believe that the commitment to improving facilities will be an attraction for future enrollment growth.
- Taxable valuations have increased in the Colo-NESCO School District. This has helped generate additional funds from tax levies to help maintain buildings in several communities in the area.
- The District continuously evaluates the condition of its transportation vehicles and is determined to ensure safety. The District will continue to replace vehicles by using resources from the voter-approved Physical Plant and Equipment Levy that was approved in April, 2012.
- Health Insurance premiums continue to increase which forces the District to carry a larger burden for employee benefits.

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 Lisa Waddell, District Secretary/Treasurer, Colo-NESCO Community School District, 919 West Street, Colo, Iowa 50056.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and investments	\$ 1,835,138	\$ 16,855	\$ 1,851,993
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	27,315	—	27,315
Succeeding year	3,518,264	—	3,518,264
Accounts	18,659	—	18,659
Internal balances	12,834	(12,834)	—
Due from other governments	460,086	4,819	464,905
Inventories and prepaid items	20,684	909	21,593
Unamortized bond discounts	35,270	—	35,270
Capital assets, net of accumulated depreciation	5,376,902	11,611	5,388,513
Total Assets	<u>11,305,152</u>	<u>21,360</u>	<u>11,326,512</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>467,799</u>	<u>12,044</u>	<u>479,843</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,772,951</u>	<u>\$ 33,404</u>	<u>\$ 11,806,355</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 83,796	\$ 703	\$ 84,499
Salaries and benefits payable	483,032	10,673	493,705
Accrued interest payable	69,888	—	69,888
Unearned revenue	—	5,045	5,045
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds	145,000	—	145,000
Notes payable	98,799	—	98,799
Lease payable	125,492	—	125,492
Early retirement	16,821	—	16,821
Portion Due After One Year			
Revenue bonds	3,085,000	—	3,085,000
Notes payable	233,843	—	233,843
Net pension liability	1,873,640	48,239	1,921,879
Net OPEB liability	88,558	1,470	90,028
Total Liabilities	<u>6,303,869</u>	<u>66,130</u>	<u>6,369,999</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	3,518,264	—	3,518,264
Pension-related deferred inflows	714,552	18,397	732,949
Total Deferred Inflows of Resources	<u>4,232,816</u>	<u>18,397</u>	<u>4,251,213</u>
Net Position			
Net investment in capital assets	1,814,260	11,611	1,825,871
Restricted for			
Categorical funding	37,490	—	37,490
Debt service	698,707	—	698,707
Physical plant and equipment	43,884	—	43,884
School infrastructure	309,187	—	309,187
Management levy purposes	31,488	—	31,488
Student activities	52,319	—	52,319
Unrestricted	(1,751,069)	(62,734)	(1,813,803)
Total Net Position	<u>1,236,266</u>	<u>(51,123)</u>	<u>1,185,143</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 11,772,951</u>	<u>\$ 33,404</u>	<u>\$ 11,806,355</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 2,692,075	\$ 197,603	\$ 615,666	\$ (1,878,806)	\$ —	\$ (1,878,806)
Special	567,299	—	28,228	(539,071)	—	(539,071)
Vocational	190,375	—	4,625	(185,750)	—	(185,750)
Other	525,322	155,516	—	(369,806)	—	(369,806)
Total Instruction	<u>3,975,071</u>	<u>353,119</u>	<u>648,519</u>	<u>(2,973,433)</u>	<u>—</u>	<u>(2,973,433)</u>
Support Services						
Student	49,961	—	—	(49,961)	—	(49,961)
Instructional staff	139,914	—	172,403	32,489	—	32,489
Administration	542,024	—	—	(542,024)	—	(542,024)
Operation and maintenance of plant	514,824	836	—	(513,988)	—	(513,988)
Transportation	323,365	—	460	(322,905)	—	(322,905)
Total Support Services	<u>1,570,088</u>	<u>836</u>	<u>172,863</u>	<u>(1,396,389)</u>	<u>—</u>	<u>(1,396,389)</u>
Other Expenses						
Facilities acquisition	77,497	—	—	(77,497)	—	(77,497)
Long-term debt interest and fiscal charges	157,134	—	—	(157,134)	—	(157,134)
AEA flow through	199,927	—	199,927	—	—	—
Depreciation (unallocated)*	290,973	—	—	(290,973)	—	(290,973)
Total Other Expenses	<u>725,531</u>	<u>—</u>	<u>199,927</u>	<u>(525,604)</u>	<u>—</u>	<u>(525,604)</u>
Total Governmental Activities	<u>6,270,690</u>	<u>353,955</u>	<u>1,021,309</u>	<u>(4,895,426)</u>	<u>—</u>	<u>(4,895,426)</u>
Business-Type Activities						
Noninstructional Programs						
Food service operations ...	273,581	141,589	138,830	—	6,838	6,838
Daycare	145,751	125,539	—	—	(20,212)	(20,212)
Total Business-Type Activities	<u>419,332</u>	<u>267,128</u>	<u>138,830</u>	<u>—</u>	<u>(13,374)</u>	<u>(13,374)</u>
Total	<u>\$ 6,690,022</u>	<u>\$ 621,083</u>	<u>\$ 1,160,139</u>	<u>(4,895,426)</u>	<u>(13,374)</u>	<u>(4,908,800)</u>
General Revenue						
Property Tax Levied for						
General purposes				2,807,928	—	2,807,928
Management levy purposes				195,463	—	195,463
Capital outlay				433,478	—	433,478
Income surtax				206,456	—	206,456
Statewide sales, services and use tax				539,451	—	539,451
Unrestricted state grants				1,944,072	—	1,944,072
Interest and investment earnings				10,363	—	10,363
Total General Revenue				<u>6,137,211</u>	<u>—</u>	<u>6,137,211</u>
Change in Net Position				1,241,785	(13,374)	1,228,411
Net Position - Beginning of Year, as restated (Note 14)				(5,519)	(37,749)	(43,268)
Net Position - End of Year				<u>\$ 1,236,266</u>	<u>\$ (51,123)</u>	<u>\$ 1,185,143</u>

* This amount excludes depreciation that is reported in the direct expenses of the various programs.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 736,584	\$ 733,325	\$ 271,213	\$ 94,016	\$ 1,835,138
Receivables					
Property Tax, Net of Allowance					
Current year delinquent	22,439	—	3,265	1,611	27,315
Succeeding year	2,707,689	—	460,575	350,000	3,518,264
Accounts	11,692	—	—	6,967	18,659
Due from other funds	12,834	—	—	—	12,834
Due from other governments	381,008	—	79,078	—	460,086
Prepaid items	8,708	—	11,976	—	20,684
Total Assets	<u>\$ 3,880,954</u>	<u>\$ 733,325</u>	<u>\$ 826,107</u>	<u>\$ 452,594</u>	<u>\$ 5,892,980</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 69,369	\$ —	\$ 12,461	\$ 1,966	\$ 83,796
Salaries and benefits payable	483,032	—	—	—	483,032
Total Liabilities	<u>552,401</u>	<u>—</u>	<u>12,461</u>	<u>1,966</u>	<u>566,828</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax	2,707,689	—	460,575	350,000	3,518,264
Income surtax	216,988	—	—	—	216,988
Total Deferred Inflows of Resources	<u>2,924,677</u>	<u>—</u>	<u>460,575</u>	<u>350,000</u>	<u>3,735,252</u>
Fund Balances					
Nonspendable prepaid items	8,708	—	11,976	—	20,684
Restricted for					
Categorical funding	37,490	—	—	—	37,490
Debt service	—	733,325	—	—	733,325
School infrastructure	—	—	309,187	—	309,187
Physical plant and equipment	—	—	31,908	—	31,908
Management levy purposes	—	—	—	48,309	48,309
Student activities	—	—	—	52,319	52,319
Unassigned	357,678	—	—	—	357,678
Total Fund Balances	<u>403,876</u>	<u>733,325</u>	<u>353,071</u>	<u>100,628</u>	<u>1,590,900</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,880,954</u>	<u>\$ 733,325</u>	<u>\$ 826,107</u>	<u>\$ 452,594</u>	<u>\$ 5,892,980</u>

See accompanying notes to the financial statements.

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

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 16).... **\$ 1,590,900**

***Amounts reported for governmental activities in the
statement of net position are different because:***

Unamortized bond discounts are amortized over the life of the bonds and, therefore, are not reported as assets in the governmental funds..... 35,270

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 5,376,902

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds..... 216,988

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (69,888)

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	\$ 467,799	
Deferred inflows of resources	<u>(714,552)</u>	(246,753)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds	\$ (3,230,000)	
Notes payable	(332,642)	
Lease payable.....	(125,492)	
Early retirement.....	(16,821)	
Net pension liability	(1,873,640)	
Net OPEB liability	<u>(88,558)</u>	<u>(5,667,153)</u>

Net Position of Governmental Activities (Page 14)..... **\$ 1,236,266**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax	\$ 3,027,559	\$ —	\$ 433,478	\$ 195,463	\$ 3,656,500
Tuition	160,143	—	—	—	160,143
Other	41,062	—	6,965	161,951	209,978
State sources	2,792,267	—	545,668	3,175	3,341,110
Federal sources	157,919	—	—	—	157,919
Total Revenue	<u>6,178,950</u>	<u>—</u>	<u>986,111</u>	<u>360,589</u>	<u>7,525,650</u>
Expenditures					
Current					
Instruction					
Regular	2,717,107	—	—	67,981	2,785,088
Special	584,971	—	—	—	584,971
Vocational	190,824	—	—	—	190,824
Other	399,078	—	—	148,880	547,958
Total Instruction	<u>3,891,980</u>	<u>—</u>	<u>—</u>	<u>216,861</u>	<u>4,108,841</u>
Support Services					
Student	51,633	—	—	—	51,633
Instructional staff	115,466	—	27,514	—	142,980
Administration	549,748	—	—	5,076	554,824
Operation and maintenance of plant	404,347	—	5,744	111,093	521,184
Transportation	261,718	—	121,093	—	382,811
Total Support Services	<u>1,382,912</u>	<u>—</u>	<u>154,351</u>	<u>116,169</u>	<u>1,653,432</u>
Other Expenditures					
Facilities acquisition	—	—	228,385	—	228,385
Long-Term Debt					
Principal	—	556,660	—	—	556,660
Interest and fiscal charges	—	164,008	—	—	164,008
AEA flowthrough	199,927	—	—	—	199,927
Total Other Expenditures	<u>199,927</u>	<u>720,668</u>	<u>228,385</u>	<u>—</u>	<u>1,148,980</u>
Total Expenditures	<u>5,474,819</u>	<u>720,668</u>	<u>382,736</u>	<u>333,030</u>	<u>6,911,253</u>
Revenue Over (Under) Expenditures	<u>704,131</u>	<u>(720,668)</u>	<u>603,375</u>	<u>27,559</u>	<u>614,397</u>
Other Financing Sources (Uses)					
Proceeds from notes payable	—	—	241,298	—	241,298
Transfers in	—	647,888	2,460	—	650,348
Transfers out	—	—	(647,888)	(2,460)	(650,348)
Total Other Financing Sources (Uses)	<u>—</u>	<u>647,888</u>	<u>(404,130)</u>	<u>(2,460)</u>	<u>241,298</u>
Change in Fund Balances	704,131	(72,780)	199,245	25,099	855,695
Fund Balances - Beginning of Year ...	(300,255)	806,105	153,826	75,529	735,205
Fund Balances - End of Year	<u>\$ 403,876</u>	<u>\$ 733,325</u>	<u>\$ 353,071</u>	<u>\$ 100,628</u>	<u>\$ 1,590,900</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 18) \$ 855,695

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

Capital outlays to purchase or build capital assets are reported in the 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 amount of capital outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 255,650	
Depreciation expense.....	<u>(339,987)</u>	(84,337)

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (13,175)

Amortization of bond discounts on bonds payable did not use current financial resources of governmental funds but it decreases assets in the statement of net position. 2,351

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of issuances and repayments for the year are as follows:

Issued	\$ (241,298)	
Repaid	<u>556,660</u>	315,362

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 interest accrues, regardless of when it is due. 4,523

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position. 287,042

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:

Early retirement.....	\$ 21,936	
Other post-employment benefits.....	10,779	
Pension expense.....	<u>(158,391)</u>	<u>(125,676)</u>

Change in Net Position of Governmental Activities (Page 15) \$ 1,241,785

Statement of Net Position - Proprietary Funds

Year Ended June 30, 2015

	Nonmajor Enterprise
Assets and Deferred Outflows of Resources	
Current Assets	
Cash, cash equivalents and pooled investments	\$ 16,855
Due from other funds.....	53,641
Due from other governments	4,819
Inventories.....	909
Total Current Assets	<u>76,224</u>
Capital Assets, Net of Accumulated Depreciation	<u>11,611</u>
Total Assets	<u>87,835</u>
Deferred Outflows of Resources	
Pension-related deferred outflows	<u>12,044</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 99,879</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accounts payable	\$ 703
Salaries and benefits payable.....	10,673
Due to other funds.....	66,475
Unearned revenue.....	5,045
Total Current Liabilities	<u>82,896</u>
Noncurrent Liabilities	
Net pension liability.....	48,239
Net OPEB liability	1,470
Total Noncurrent Liabilities	<u>49,709</u>
Total Liabilities	<u>132,605</u>
Deferred Inflows of Resources	
Pension-related deferred inflows	<u>18,397</u>
Net Position	
Investment in capital assets.....	11,611
Unrestricted	<u>(62,734)</u>
Total Net Position	<u>(51,123)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 99,879</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2015

	Nonmajor Enterprise
Operating Revenue	
Local Sources	
Charges for service.....	\$ 265,296
Other receipts	<u>1,832</u>
Total Operating Revenue	<u>267,128</u>
Operating Expenses	
Noninstructional Programs	
Salaries and benefits.....	243,887
Purchased services and supplies	173,056
Depreciation.....	1,600
Other.....	<u>789</u>
Total Operating Expenses	<u>419,332</u>
Loss From Operations	<u>(152,204)</u>
Nonoperating Revenue	
State sources	2,262
Federal sources.....	<u>136,568</u>
Total Nonoperating Revenue	<u>138,830</u>
Change in Net Position	(13,374)
Net Position - Beginning of Year, as restated (Note 14).....	<u>(37,749)</u>
Net Position - End of Year	<u>\$ (51,123)</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	Nonmajor Enterprise
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts.....	\$ 142,669
Cash received from daycare services.....	125,304
Cash received for other.....	1,832
Cash paid to employees for services.....	(246,512)
Cash paid to suppliers for goods and services.....	<u>(148,758)</u>
Net Cash Used in Operating Activities.....	<u>(125,465)</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	4,169
Federal grants received.....	115,998
Proceeds from interfund payables.....	<u>12,834</u>
Net Cash Provided by Noncapital Financing Activities.....	<u>133,001</u>
Net Increase in Cash, Cash Equivalents and Pooled Investments.....	7,536
Cash, Cash Equivalents and Pooled Investments - Beginning of Year.....	<u>9,319</u>
Cash, Cash Equivalents and Pooled Investments - End of Year.....	<u>\$ 16,855</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations.....	\$ (152,204)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used.....	24,714
Depreciation.....	1,600
Changes in Assets and Liabilities	
Increase in due from other governments.....	(235)
Decrease in inventories.....	633
Increase in pension-related deferred outflows.....	(4,936)
Decrease in accounts payable.....	(260)
Increase in salaries and benefits payable.....	690
Increase in unearned revenue.....	2,912
Decrease in net pension liability.....	(16,776)
Increase in pension-related deferred inflows.....	<u>18,397</u>
Net Cash Used in Operating Activities.....	<u>\$ (125,465)</u>

Noncash Investing, Capital and Related Financing Activities

During the year ended June 30, 2015, the District received \$20,570 of federal commodities.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Colo-NESCO 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 Colo, McCallsburg and Zearing, Iowa, and the predominate agricultural territory in portions of Story, Marshall and Hardin Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, Colo-NESCO 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. Colo-NESCO Community School District has no component units that 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 does 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 Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

(1) Summary of Significant Accounting Policies

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise, Daycare Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Enterprise, Daycare Fund is used to account for child care services.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal year 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 revenue. 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 revenue.

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise funds are 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Cash, Cash Equivalents and Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

Property Tax Receivable

Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% monthly 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 revenue, grants and reimbursements from other governments.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. 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.

Land.....	\$ 4,000
Buildings and improvements	10,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	4,000
Intangibles.....	25,000

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

Buildings and improvements	20 - 50 Years
Intangibles.....	3 - 10 Years
Furniture 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 teachers and staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

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

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and income surtax receivable not collected within 60 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 until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

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

Nonspendable - Amounts which cannot be spent because they are not in spendable form.

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, noninstructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of 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 as 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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,787 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise	Enterprise	\$ 53,641
Daycare	School Nutrition	12,834
General	Daycare	<u>\$ 66,475</u>

The balances were related to various reimbursements not made before year end and are to be repaid by June 30, 2016.

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	\$ 647,888
	Special Revenue	
Capital Projects	Student Activity	2,460
		<u>\$ 650,348</u>

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

Notes to the Financial Statements

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 46,656	\$ —	\$ —	\$ 46,656
Capital Assets Being Depreciated				
Buildings and improvements	8,428,751	—	—	8,428,751
Furniture and equipment	<u>2,852,874</u>	<u>255,650</u>	<u>—</u>	<u>3,108,524</u>
Total Capital Assets Being Depreciated.....	<u>11,281,625</u>	<u>255,650</u>	<u>—</u>	<u>11,537,275</u>
Less Accumulated Depreciation for				
Buildings and improvements	3,234,614	271,571	—	3,506,185
Furniture and equipment	<u>2,632,428</u>	<u>68,416</u>	<u>—</u>	<u>2,700,844</u>
Total Accumulated Depreciation...	<u>5,867,042</u>	<u>339,987</u>	<u>—</u>	<u>6,207,029</u>
Net Total Capital Assets Being Depreciated.....	<u>5,414,583</u>	<u>(84,337)</u>	<u>—</u>	<u>5,330,246</u>
Net Governmental Activities				
Capital Assets	<u>\$ 5,461,239</u>	<u>\$ (84,337)</u>	<u>\$ —</u>	<u>\$ 5,376,902</u>
Business-Type Activities				
Furniture and equipment	\$ 19,195	\$ —	\$ —	\$ 19,195
Less accumulated depreciation	<u>5,984</u>	<u>1,600</u>	<u>—</u>	<u>7,584</u>
Net Business-Type Activities Capital Assets	<u>\$ 13,211</u>	<u>\$ (1,600)</u>	<u>\$ —</u>	<u>\$ 11,611</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Support Services	
Transportation.....	\$ 49,014
Unallocated	<u>290,973</u>
Total Governmental Activities Depreciation Expense	<u>\$ 339,987</u>

Business-Type Activities

School Nutrition	<u>\$ 1,600</u>
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Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 3,585,000	\$ —	\$ 355,000	\$ 3,230,000	\$ 145,000
Notes payable	171,440	241,298	80,096	332,642	98,799
Lease payable	247,061	—	121,569	125,492	125,492
Early retirement	38,757	—	21,936	16,821	16,821
Net pension liability	2,525,108	—	651,468	1,873,640	—
Net OPEB liability	77,779	10,779	—	88,558	—
Total	<u>\$ 6,645,145</u>	<u>\$ 252,077</u>	<u>\$ 1,230,069</u>	<u>\$ 5,667,153</u>	<u>\$ 386,112</u>
Business-Type Activities					
Net pension liability	\$ 65,015	\$ —	\$ 16,776	\$ 48,239	\$ —
Net OPEB liability	1,470	—	—	1,470	—
Total	<u>\$ 66,485</u>	<u>\$ —</u>	<u>\$ 16,776</u>	<u>\$ 49,709</u>	<u>\$ —</u>

Revenue Bonds

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

Year Ending June 30,	Bonds Issued November, 2009			
	Interest Rates	Principal	Interest	Total
2016	3.250%	\$ 145,000	\$ 121,694	\$ 266,694
2017	3.375	150,000	116,806	266,806
2018	3.500	155,000	111,562	266,562
2019	3.750	160,000	105,850	265,850
2020	4.000	165,000	99,550	264,550
2021-2025	4.000 - 4.250	940,000	389,994	1,329,994
2026-2030	4.250 - 4.500	1,310,000	167,732	1,477,732
Total		<u>\$ 3,025,000</u>	<u>\$ 1,113,188</u>	<u>\$ 4,138,188</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Year Ending June 30,	Bonds Issued September, 2011			
	Interest Rates	Principal	Interest	Total
2016	4.5%	\$ —	\$ 9,225	\$ 9,225
2017	4.5	—	9,225	9,225
2018	4.5	—	9,225	9,225
2019	4.5	—	9,225	9,225
2020	4.5	—	9,225	9,225
2021-2025	4.5	—	46,125	46,125
2026-2030	4.5	205,000	46,125	251,125
Total		<u>\$ 205,000</u>	<u>\$ 138,375</u>	<u>\$ 343,375</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 145,000	\$ 130,919	\$ 275,919
2017	150,000	126,031	276,031
2018	155,000	120,787	275,787
2019	160,000	115,075	275,075
2020	165,000	108,775	273,775
2021-2025	940,000	436,119	1,376,119
2026-2030	1,515,000	213,857	1,728,857
Total	<u>\$ 3,230,000</u>	<u>\$ 1,251,563</u>	<u>\$ 4,481,563</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$4,045,000 of bonds issued in November, 2009 and September, 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue 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 75% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,481,563. For the current year, \$355,000 of principal and \$140,063 of interest was paid on the bonds and total statewide sales, services and use tax revenue was \$539,451.

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

1. \$336,428 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is recorded in the District's Debt Service Fund.
2. Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue account, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking account is recorded in the District's Debt Service Fund.

Notes to the Financial Statements

(6) Long-Term Liabilities

In addition to the above provisions, the bonds issued September, 2011 also had the following provision relating to early redemption of the bonds:

In each month there shall be deposited in a surplus revenue account all surplus statewide sales, services and use tax not used to pay debt service on the bonds issued September, 2011, or the bonds issued November, 2009. In each fiscal year, no more than \$20,000 of these surplus funds may be used for any lawful purpose. Beginning July 1, 2013, and on each July 1 thereafter, the surplus funds (less the \$20,000 previously mentioned) shall be used to prepay the September, 2011 bonds until such time as the bonds have been fully retired.

The District was in compliance with all of the provisions for the year ended June 30, 2015.

Notes Payable

During the year ended June 30, 2013, the District entered into a note payable to finance the purchase of two school buses. The note bears interest at 3.1% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Note Issued January 10, 2013			
	Bus Loan			
	Interest Rate	Principal	Interest	Total
2016	3.1%	\$ 39,708	\$ 1,583	\$ 41,291
2017	3.1	<u>20,326</u>	<u>322</u>	<u>20,648</u>
Total		<u>\$ 60,034</u>	<u>\$ 1,905</u>	<u>\$ 61,939</u>

During the year ended June 30, 2015, the District made principal and interest payments of \$38,492 and \$2,799, respectively.

During the year ended June 30, 2014, the District entered into a note payable to finance the purchase of one school bus. The note bears interest at 3.83% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Note Issued April 8, 2014			
	Bus Loan			
	Interest Rate	Principal	Interest	Total
2016	3.83%	\$ 20,621	\$ 1,838	\$ 22,459
2017	3.83	21,419	1,040	22,459
2018	3.83	<u>10,760</u>	<u>210</u>	<u>10,970</u>
Total		<u>\$ 52,800</u>	<u>\$ 3,088</u>	<u>\$ 55,888</u>

During the year ended June 30, 2015, the District made principal and interest payments of \$20,114 and \$2,344, respectively.

Notes to the Financial Statements

(6) Long-Term Liabilities

During the year ended June 30, 2015, the District entered into a note payable to finance the purchase of stadium lights. The note bears interest at 4.285% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Note Issued July 1, 2014			
	Stadium Lights Loan			
	Interest Rate	Principal	Interest	Total
2016	4.285%	\$ 15,392	\$ 4,665	\$ 20,057
2017	4.285	16,066	3,991	20,057
2018	4.285	16,762	3,296	20,058
2019	4.285	17,487	2,570	20,057
2020	4.285	18,245	1,812	20,057
2021-2022	4.285	<u>28,562</u>	<u>1,226</u>	<u>29,788</u>
Total		<u>\$ 112,514</u>	<u>\$ 17,560</u>	<u>\$ 130,074</u>

During the year ended June 30, 2015, the District made principal and interest payments of \$5,614 and \$4,415, respectively.

During the year ended June 30, 2015, the District entered into a note payable to finance the purchase of a score board. The note bears interest at 4.652% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Note Issued October 2, 2014			
	Score Board Loan			
	Interest Rate	Principal	Interest	Total
2016	4.652%	\$ 4,223	\$ 697	\$ 4,920
2017	4.652	4,458	461	4,919
2018	4.652	<u>6,516</u>	<u>251</u>	<u>6,767</u>
Total		<u>\$ 15,197</u>	<u>\$ 1,409</u>	<u>\$ 16,606</u>

During the year ended June 30, 2015, the District made principal and interest payments of \$6,369 and \$591, respectively.

During the year ended June 30, 2015, the District entered into a note payable to finance the purchase of one school bus. The note bears interest at 4.575% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Notes to the Financial Statements

(6) Long-Term Liabilities

Details of the District's indebtedness under the agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Note Issued December 15, 2014			
	Bus Loan			
	Interest Rate	Principal	Interest	Total
2016	4.575%	\$ 18,855	\$ 4,054	\$ 22,909
2017	4.575	19,739	3,169	22,908
2018	4.575	20,665	2,244	22,909
2019	4.575	21,634	1,275	22,909
2020	4.575	11,204	260	11,464
Total		<u>\$ 92,097</u>	<u>\$ 11,002</u>	<u>\$ 103,099</u>

During the year ended June 30, 2015, the District made principal and interest payments of \$9,505 and \$1,950, respectively.

The total of the District's future maturities of principal and interest as of June 30, 2015 are as follows:

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 98,799	\$ 12,837	\$ 111,636
2017	82,008	8,983	90,991
2018	54,703	6,001	60,704
2019	39,121	3,845	42,966
2020	29,449	2,072	31,521
2021-2022	28,562	1,226	29,788
Total	<u>\$ 332,642</u>	<u>\$ 34,964</u>	<u>\$ 367,606</u>

Capital Lease

In June, 2012, the District entered into a lease purchase agreement for iPads. The cost of the individual iPads was below the District's capitalization policy and have not been recorded as capital assets. However, the lease payable has been recorded in the statement of net position. The following is a schedule of future minimum lease payments:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	3.2017%	<u>\$ 125,492</u>	<u>\$ 3,021</u>	<u>\$ 128,513</u>

Early Retirement Plan

As of June 30, 2015, the District had obligations to four participants with a total liability of \$16,821. Retirement expenditures paid during the year ended June 30, 2015 totaled \$21,936.

Line of Credit

The District also has a \$250,000 line of credit at State Bank and Trust Co. which bears interest at 4%, matures in September, 2015, and is secured by all District assets. No borrowings were outstanding under this line as of June 30, 2015.

(7) 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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of 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% 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% 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.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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 one 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% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$294,432.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported a liability of \$1,921,879 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. As of June 30, 2014, the District's proportion was 0.047488% which was an increase of 0.001742% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$131,966. As of 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	\$ 20,887	\$ —
Changes of assumptions	84,817	—
Net difference between projected and actual earnings on pension plan investments.....	—	732,949
Changes in proportion and differences between District contributions and proportionate share of contributions	79,707	—
District contributions subsequent to the measurement date.....	<u>294,432</u>	<u>—</u>
Total	<u>\$ 479,843</u>	<u>\$ 732,949</u>

Notes to the Financial Statements

(7) Pension and Retirement Benefits

\$294,432 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 ending 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 Ending June 30,	
2016	\$ (139,917)
2017	(139,917)
2018	(139,917)
2019	(139,917)
2020	12,130
Total	<u>\$ (547,538)</u>

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%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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>	

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) 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	\$3,631,336	\$1,921,879	\$478,920

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2015, the District reported no material payables to the defined benefit pension plan.

(8) 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 34 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which 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.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 32,810
Interest on net OPEB obligation.....	1,981
Adjustment to annual required contribution.....	<u>(7,463)</u>
Annual OPEB Cost	27,328
Contributions made	<u>(16,549)</u>
Increase in Net OPEB Obligation	10,779
Net OPEB Obligation - Beginning of Year.....	79,249
Net OPEB Obligation - End of Year	<u><u>\$ 90,028</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 plan's actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$16,549 to the plan. Plan members eligible for benefits contributed \$208 or 1.24% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 26,385	48.6%	\$ 67,417
June 30, 2014	26,569	44.6	79,249
June 30, 2015	27,328	60.6	90,028

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$148,339, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,339. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,860,000, and the ratio of the UAAL to the covered payroll was 8.0%. As of June 30, 2015, there were no trust fund assets.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Table, projected to 2000 on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study and applying the termination factors used in the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on a closed basis over 30 years.

(9) Operating Lease

The District has several operating leases for office copiers that expire in 2019.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

Year Ending June 30,	
2016	\$ 8,676
2017	8,676
2018	8,676
2019	<u>7,230</u>
Total Minimum Payments Required	<u>\$ 33,258</u>

Rental expenses for all operating leases was \$8,676 for the year ended June 30, 2015.

Notes to the Financial Statements

(10) Risk Management

Colo-NESCO 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.

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$199,927 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.

(12) Categorical Funding

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

Program	Amount
Gifted and talented	\$ 1,676
Teacher salary supplement	8,020
Beginning teacher and mentoring induction	1,488
Home school assistance.....	4,727
Early readers	9,620
Educator quality, professional development	2,502
Teacher leadership.....	9,457
	<u>\$ 37,490</u>

(13) Subsequent Events

Management has evaluated events through June 23, 2016, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the District approved the purchase of a bus for \$84,102 and computers of \$143,700.

Notes to the Financial Statements

(14) 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 for 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:

	Governmental Activities	Business-Type Activities
Net position - June 30, 2014, as previously reported	\$ 2,243,525	\$ 20,158
Net pension liability as of June 30, 2014.....	(2,525,108)	(65,015)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date.....	<u>276,064</u>	<u>7,108</u>
Net Position - July 1, 2014, as Restated.....	<u>\$ (5,519)</u>	<u>\$ (37,749)</u>

(15) Commitments

The Board of Education has entered into contracts for building repairs and improvements totaling \$163,847 as of June 30, 2015.

Required Supplementary Information

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

Year Ended June 30, 2015

	Actual			Budgeted Amounts	Over (Under) Budget
	Govern- mental Funds	Proprietary Funds	Total	Original and Final	
Revenue					
Local sources	\$ 4,026,621	\$ 267,128	\$ 4,293,749	\$ 4,531,982	\$ (238,233)
State sources	3,341,110	2,262	3,343,372	2,726,568	616,804
Federal sources	157,919	136,568	294,487	188,500	105,987
Total Revenue	<u>7,525,650</u>	<u>405,958</u>	<u>7,931,608</u>	<u>7,447,050</u>	<u>484,558</u>
Expenditures/Expenses					
Instruction.....	4,108,841	—	4,108,841	3,428,451	680,390
Support services	1,653,432	—	1,653,432	2,057,000	(403,568)
Noninstructional programs	—	419,332	419,332	316,219	103,113
Other expenditures.....	1,148,980	—	1,148,980	1,059,447	89,533
Total Expenditures/Expenses	<u>6,911,253</u>	<u>419,332</u>	<u>7,330,585</u>	<u>6,861,117</u>	<u>469,468</u>
Revenue Over (Under)					
Expenditures/Expenses.....	614,397	(13,374)	601,023	585,933	15,090
Other Financing Sources					
(Uses), (Net)	<u>241,298</u>	<u>—</u>	<u>241,298</u>	<u>(34,119)</u>	<u>275,417</u>
Revenue and Other Financing					
Sources Over (Under)					
Expenditures/Expenses and					
Other Financing Uses	855,695	(13,374)	842,321	551,814	290,507
Balance - Beginning of Year, as restated (Note 14)	735,205	(37,749)	697,456	(301,782)	999,238
Balance - End of Year	<u>\$ 1,590,900</u>	<u>\$ (51,123)</u>	<u>\$ 1,539,777</u>	<u>\$ 250,032</u>	<u>\$ 1,289,745</u>

Notes to Required Supplementary Information - Budgetary Reporting ————

Year Ended June 30, 2015

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2015, the District did not amend the budget.

During the year ended June 30, 2015, expenditures in the instruction, noninstructional programs and other expenditures functions exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
District's proportion of the net pension liability	0.047488%
District's proportionate share of the net pension liability	\$1,921,879
District's covered-employee payroll	\$3,171,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 294,432	\$ 283,172	\$ 256,517	\$ 229,489	\$ 236,670	\$ 203,574	\$ 184,439	\$ 141,000	\$ 145,072	\$ 144,159
Contributions in relation to the statutorily required contributions.....	<u>(294,432)</u>	<u>(283,172)</u>	<u>(256,517)</u>	<u>(229,489)</u>	<u>(236,670)</u>	<u>(203,574)</u>	<u>(184,439)</u>	<u>(141,000)</u>	<u>(145,072)</u>	<u>(144,159)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>									
District's covered-employee payroll	\$ 3,297,000	\$ 3,171,000	\$ 2,959,000	\$ 2,844,000	\$ 3,405,000	\$ 3,061,000	\$ 2,905,000	\$ 2,331,000	\$ 2,523,000	\$ 2,507,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	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	7-1-09	\$ —	\$ 166,776	\$ 166,776	0%	\$ 1,380,000	12.1%
2011	7-1-09	—	161,811	161,811	0	1,410,000	11.5
2012	7-1-09	—	147,230	147,230	0	1,150,000	12.8
2013	7-1-12	—	165,551	165,551	0	1,317,000	12.6
2014	7-1-12	—	148,339	148,339	0	1,700,000	8.7
2015	7-1-12	—	148,339	148,339	0	1,860,000	8.0

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments ..	\$ 46,698	\$ 47,318	\$ 94,016
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	1,611	—	1,611
Succeeding year	350,000	—	350,000
Accounts	—	6,967	6,967
Total Assets	<u>\$ 398,309</u>	<u>\$ 54,285</u>	<u>\$ 452,594</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ —</u>	<u>\$ 1,966</u>	<u>\$ 1,966</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax.....	<u>350,000</u>	—	<u>350,000</u>
Fund Balances			
Restricted for			
Management levy purposes	48,309	—	48,309
Student activities	—	52,319	52,319
Total Fund Balances	<u>48,309</u>	<u>52,319</u>	<u>100,628</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 398,309</u>	<u>\$ 54,285</u>	<u>\$ 452,594</u>

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

Year Ended June 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Revenue			
Local Sources			
Local tax	\$ 195,463	\$ —	\$ 195,463
Other.....	6,096	155,855	161,951
State sources	3,175	—	3,175
Total Revenue	204,734	155,855	360,589
Expenditures			
Current			
Instruction			
Regular	67,981	—	67,981
Other.....	—	148,880	148,880
Total Instruction.....	67,981	148,880	216,861
Support Services			
Administration	5,076	—	5,076
Operation and maintenance of plant.....	111,093	—	111,093
Total Support Services	116,169	—	116,169
Total Expenditures	184,150	148,880	333,030
Revenue Over Expenditures	20,584	6,975	27,559
Other Financing Uses			
Transfers out	—	(2,460)	(2,460)
Change in Fund Balances	20,584	4,515	25,099
Fund Balances - Beginning of Year	27,725	47,804	75,529
Fund Balances - End of Year	\$ 48,309	\$ 52,319	\$ 100,628

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expendi- tures and Transfers	Balance - End of Year
Benevolence fund.....	\$ 1,259	\$ —	\$ 588	\$ 671
All athletics	3,681	88,133	91,070	744
Drama	3,020	785	1,407	2,398
Musical	3,026	1,905	—	4,931
Vocal/instrumental	1,692	14,090	9,195	6,587
HS student council.....	8,509	3,256	8,368	3,397
C-N FFA	6,772	13,982	15,158	5,596
Yearbook.....	4,215	4,545	2,516	6,244
Cheerleading	1,718	2,965	3,857	826
Flag team	—	303	449	(146)
Band resale	187	9,549	7,617	2,119
Art club	734	—	—	734
MS student account/Elm student council ..	12,521	16,003	11,115	17,409
Interest	320	339	—	659
FCS project	150	—	—	150
Total	<u>\$ 47,804</u>	<u>\$ 155,855</u>	<u>\$ 151,340</u>	<u>\$ 52,319</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 230,109	\$ 41,104	\$ 271,213
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	—	3,265	3,265
Succeeding year	—	460,575	460,575
Due from other governments	79,078	—	79,078
Prepaid items	<u>—</u>	<u>11,976</u>	<u>11,976</u>
Total Assets	<u>\$ 309,187</u>	<u>\$ 516,920</u>	<u>\$ 826,107</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ —</u>	<u>\$ 12,461</u>	<u>\$ 12,461</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>460,575</u>	<u>460,575</u>
Fund Balances			
Nonspendable			
Prepaid items	—	11,976	11,976
Restricted for			
School infrastructure	309,187	—	309,187
Physical plant and equipment	<u>—</u>	<u>31,908</u>	<u>31,908</u>
Total Fund Balances	<u>309,187</u>	<u>43,884</u>	<u>353,071</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 309,187</u>	<u>\$ 516,920</u>	<u>\$ 826,107</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 433,478	\$ 433,478
Other.....	581	6,384	6,965
State sources	<u>539,451</u>	<u>6,217</u>	<u>545,668</u>
Total Revenue	<u>540,032</u>	<u>446,079</u>	<u>986,111</u>
Expenditures			
Current			
Support Services			
Instructional staff	—	27,514	27,514
Operation and maintenance of plant	—	5,744	5,744
Transportation	—	<u>121,093</u>	<u>121,093</u>
Total Support Services.....	<u>—</u>	<u>154,351</u>	<u>154,351</u>
Other Expenditures			
Facilities acquisition.....	—	<u>228,385</u>	<u>228,385</u>
Total Expenditures	<u>—</u>	<u>382,736</u>	<u>382,736</u>
Revenue Over Expenditures	<u>540,032</u>	<u>63,343</u>	<u>603,375</u>
Other Financing Sources (Uses)			
Proceeds from notes payable	—	241,298	241,298
Transfers in	—	2,460	2,460
Transfers out	<u>(425,682)</u>	<u>(222,206)</u>	<u>(647,888)</u>
Total Other Financing Sources (Uses)	<u>(425,682)</u>	<u>21,552</u>	<u>(404,130)</u>
Change in Fund Balances	114,350	84,895	199,245
Fund Balances - Beginning of Year	<u>194,837</u>	<u>(41,011)</u>	<u>153,826</u>
Fund Balances - End of Year	<u>\$ 309,187</u>	<u>\$ 43,884</u>	<u>\$ 353,071</u>

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2015

	<u>Enterprise</u>		Total
	School Nutrition	Daycare	
Assets and Deferred Outflows of Resources			
Current Assets			
Cash, cash equivalents and pooled investments ..	\$ 16,405	\$ 450	\$ 16,855
Due from other funds.....	—	53,641	53,641
Due from other governments	—	4,819	4,819
Inventories.....	<u>909</u>	<u>—</u>	<u>909</u>
Total Current Assets	<u>17,314</u>	<u>58,910</u>	<u>76,224</u>
Capital Assets, Net of Accumulated			
Depreciation.....	<u>11,611</u>	<u>—</u>	<u>11,611</u>
Total Assets.....	<u>28,925</u>	<u>58,910</u>	<u>87,835</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>12,044</u>	<u>—</u>	<u>12,044</u>
Total Assets and Deferred Outflows of Resources.....	<u>\$ 40,969</u>	<u>\$ 58,910</u>	<u>\$ 99,879</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 628	\$ 75	\$ 703
Salaries and benefits payable.....	1,545	9,128	10,673
Due to other funds.....	53,641	12,834	66,475
Unearned revenue.....	<u>5,045</u>	<u>—</u>	<u>5,045</u>
Total Current Liabilities	<u>60,859</u>	<u>22,037</u>	<u>82,896</u>
Noncurrent Liabilities			
Net pension liability.....	48,239	—	48,239
Net OPEB liability	<u>1,470</u>	<u>—</u>	<u>1,470</u>
Total Noncurrent Liabilities	<u>49,709</u>	<u>—</u>	<u>49,709</u>
Total Liabilities	<u>110,568</u>	<u>22,037</u>	<u>132,605</u>
Deferred Inflows of Resources			
Pension-related deferred inflows	<u>18,397</u>	<u>—</u>	<u>18,397</u>
Net Position			
Net investment in capital assets	11,611	—	11,611
Unrestricted.....	<u>(99,607)</u>	<u>36,873</u>	<u>(62,734)</u>
Total Net Position.....	<u>(87,996)</u>	<u>36,873</u>	<u>(51,123)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 40,969</u>	<u>\$ 58,910</u>	<u>\$ 99,879</u>

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

Year Ended June 30, 2015

	Enterprise		Total
	School Nutrition	Daycare	
Operating Revenue			
Local Sources			
Charges for service	\$ 139,757	\$ 125,539	\$ 265,296
Other receipts	1,832	—	1,832
Total Operating Revenue	141,589	125,539	267,128
Operating Expenses			
Noninstructional Programs			
Salaries and benefits.....	101,354	142,533	243,887
Purchased services and supplies	170,057	2,999	173,056
Depreciation.....	1,600	—	1,600
Other.....	570	219	789
Total Operating Expenses	273,581	145,751	419,332
Loss From Operations	(131,992)	(20,212)	(152,204)
Nonoperating Revenue			
State sources	2,262	—	2,262
Federal sources.....	136,568	—	136,568
Total Nonoperating Revenue.....	138,830	—	138,830
Change in Net Position	6,838	(20,212)	(13,374)
Net Position - Beginning of Year, as restated (Note 14).....	(94,834)	57,085	(37,749)
Net Position - End of Year.....	\$ (87,996)	\$ 36,873	\$ (51,123)

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2015

	<u>Enterprise</u>		
	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts	\$ 142,669	\$ —	\$ 142,669
Cash received from daycare services	—	125,304	125,304
Cash received from other	1,832	—	1,832
Cash paid to employees for services	(103,574)	(142,938)	(246,512)
Cash paid to suppliers for goods and services.....	<u>(144,689)</u>	<u>(4,069)</u>	<u>(148,758)</u>
Net Cash Used in Operating Activities.....	<u>(103,762)</u>	<u>(21,703)</u>	<u>(125,465)</u>
Cash Flows From Noncapital Financing Activities			
State grants received.....	4,169	—	4,169
Federal grants received.....	115,998	—	115,998
Proceeds from interfund payables	<u>—</u>	<u>12,834</u>	<u>12,834</u>
Net Cash Provided by Noncapital Financing Activities	<u>120,167</u>	<u>12,834</u>	<u>133,001</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	16,405	(8,869)	7,536
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>—</u>	<u>9,319</u>	<u>9,319</u>
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 16,405</u>	<u>\$ 450</u>	<u>\$ 16,855</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities			
Loss from operations.....	\$ (131,992)	\$ (20,212)	\$ (152,204)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used.....	24,714	—	24,714
Depreciation.....	1,600	—	1,600
Changes in Assets and Liabilities			
Increase in due from other governments .	—	(235)	(235)
Decrease in inventories	633	—	633
Increase in pension-related deferred outflows	(4,936)	—	(4,936)
Increase (decrease) in accounts payable	591	(851)	(260)
Increase (decrease) in salaries and benefits payable	1,095	(405)	690
Increase in unearned revenue	2,912	—	2,912
Decrease in net pension liability	(16,776)	—	(16,776)
Increase in pension-related deferred inflows	<u>18,397</u>	<u>—</u>	<u>18,397</u>
Net Cash Used in Operating Activities.....	<u>\$ (103,762)</u>	<u>\$ (21,703)</u>	<u>\$ (125,465)</u>

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Local Sources										
Local tax	\$ 3,656,500	\$ 3,812,515	\$ 3,514,138	\$ 3,089,266	\$ 2,447,193	\$ 2,448,691	\$ 2,248,328	\$ 2,185,659	\$ 2,367,722	\$ 2,459,777
Tuition	160,143	92,678	82,592	83,017	140,199	111,084	144,155	160,834	120,032	148,329
Other	209,978	248,344	215,582	210,747	223,332	214,103	388,711	277,042	204,272	193,172
State sources	3,341,110	2,359,714	2,267,635	2,123,855	2,263,545	1,802,742	2,407,920	2,400,234	2,419,171	2,386,039
Federal sources.....	<u>157,919</u>	<u>169,348</u>	<u>130,512</u>	<u>225,562</u>	<u>341,050</u>	<u>353,811</u>	<u>133,982</u>	<u>74,734</u>	<u>148,884</u>	<u>153,665</u>
Total	<u>\$ 7,525,650</u>	<u>\$ 6,682,599</u>	<u>\$ 6,210,459</u>	<u>\$ 5,732,447</u>	<u>\$ 5,415,319</u>	<u>\$ 4,930,431</u>	<u>\$ 5,323,096</u>	<u>\$ 5,098,503</u>	<u>\$ 5,260,081</u>	<u>\$ 5,340,982</u>
Expenditures										
Instruction										
Regular	\$ 2,785,088	\$ 2,431,974	\$ 2,318,127	\$ 2,288,157	\$ 2,588,097	\$ 2,479,799	\$ 2,329,822	\$ 3,129,147	\$ 3,024,625	\$ 2,863,768
Special	584,971	705,342	545,521	506,216	476,891	428,947	490,006	—	—	—
Other	738,782	687,604	673,603	660,781	541,517	537,881	523,564	—	—	—
Support Services										
Student	51,633	47,478	32,961	26,319	41,247	9,683	62,535	10,040	5,247	17,463
Instructional staff.....	142,980	266,752	281,628	153,527	133,203	139,049	158,661	89,851	122,933	148,152
Administration	554,824	549,317	551,044	540,233	681,153	589,889	545,791	542,669	506,452	649,627
Operation and maintenance of plant	521,184	540,801	545,670	475,532	585,562	517,834	477,215	489,383	477,426	459,601
Transportation.....	382,811	401,380	457,394	222,999	300,017	226,733	299,560	363,321	274,575	193,857
Noninstructional programs.....	—	—	—	271	40	281	164	3,000	—	3,000
Other Expenditures										
Facilities acquisition	228,385	190,997	285,291	247,776	2,964,488	1,780,713	516,400	249,426	547,481	551,161
Long-Term Debt										
Principal	556,660	278,214	249,162	—	—	—	—	—	—	—
Interest and fiscal charges.....	164,008	156,089	160,977	179,381	162,867	—	—	—	—	—
AEA flowthrough	<u>199,927</u>	<u>181,561</u>	<u>165,000</u>	<u>163,066</u>	<u>185,772</u>	<u>179,541</u>	<u>171,617</u>	<u>166,988</u>	<u>161,061</u>	<u>160,011</u>
Total	<u>\$ 6,911,253</u>	<u>\$ 6,437,509</u>	<u>\$ 6,266,378</u>	<u>\$ 5,464,258</u>	<u>\$ 8,660,854</u>	<u>\$ 6,890,350</u>	<u>\$ 5,575,335</u>	<u>\$ 5,043,825</u>	<u>\$ 5,119,800</u>	<u>\$ 5,046,640</u>

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

Board of Education
Colo-NESCO Community School District
Colo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colo-NESCO Community School District 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, as listed in the table of contents, and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colo-NESCO Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Colo-NESCO Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Colo-NESCO 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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 15-I-R-1, 15-I-R-2 and 15-I-R-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colo-NESCO 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying schedule of findings.

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

Colo-NESCO Community School District's Responses to Findings

Colo-NESCO Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

Purpose of This Report

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
June 23, 2016

Schedule of Findings

Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-I-R-1 Segregation of Duties

Prior Year and Current Year Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect is an error occurring or fraudulent activity being committed and not being detected by employees.

Auditor's Recommendation - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend management review procedures to ensure receipt, disbursements and reconciliation functions are as separate as possible.

District's Response - We are reviewing procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

15-I-R-2 Financial Statement Preparation

Prior Year and Current Year Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect is there could be material errors in the financial statements which would not be discovered by management.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2015

15-I-R-3 Cash Reconciliations

Finding - We noted bank reconciliations were not being prepared and reviewed for the accounts at Bankers Trust. The potential effect is a possible misappropriation of cash not being discovered in a timely manner.

Auditor's Recommendation - Bank reconciliations should be prepared on a monthly basis for all District accounts. We further recommend that a member of management review the bank reconciliations, bank statements and canceled checks each month.

District's Response - We are working to correct this and will reconcile all cash accounts monthly. The Board Finance Committee will continue to meet monthly and review all bank statements and bank reconciliations.

Auditor's Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

15-II-A Certified Budget

Findings - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction, noninstructional programs and other expenditures functions.

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

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

15-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-II-C 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.

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

15-II-E 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.

15-II-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

Schedule of Findings

Year Ended June 30, 2015

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

15-II-H Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

15-II-J Certified Annual Report

Finding - The certified annual report (CAR) was filed timely; however, we noted differences between the amounts reported and the District's general ledger. Prior to filing, the District also required significant accounting assistance with corrections to the general ledger, including proposing various adjustments.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed. We also recommend the District obtain additional training on CAR preparation and use of the general ledger software.

District's Response - The District will establish procedures to ensure accurate filing of the CAR and it will be reviewed by the School Board Finance Committee before it is filed.

Auditor's Conclusion - Response accepted.

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

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

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

Beginning balance.....		\$ 194,837
Revenue		
Statewide sales, services and use tax revenue...	\$ 539,451	
Other local revenue	<u>581</u>	540,032
Transfer to Debt Service Fund		<u>425,682</u>
Ending Balance		<u>\$ 309,187</u>

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

Schedule of Findings

Year Ended June 30, 2015

15-II-M Deficit Balances

Finding - The District has an \$87,996 deficit net position in the Enterprise - School Nutrition Fund.

Auditor's Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

District's Response - We are working on ways to eliminate this deficit.

Auditor's Conclusion - Response accepted.

15-II-N Reclassification of Student Activity Fund Accounts

Prior Year and Current Year Findings - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Some accounts reported in the Special Revenue Student Activity Fund do not appear to be extracurricular or co-curricular in nature. We also noted one account with a negative balance in the current year.

Auditor's Recommendation - We recommend these accounts be reviewed and transferred to the proper funds.

District's Response - We will review the accounts and make any necessary adjustments.

Auditor's Conclusion - Response accepted.

15-II-O Arbitrage Compliance

Finding - We noted that the District has not established written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Services rules.

Auditor's Recommendation - The District should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Service rules.

District's Response - We will establish a written policy.

Auditor's Conclusion - Response accepted.