

**DECORAH COMMUNITY
SCHOOL DISTRICT**

DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2015

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DECORAH COMMUNITY SCHOOL DISTRICT
BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u>			
Ronald Fadness	President	Decorah, Iowa	September 2017
Melanie Tietz	Vice-President	Decorah, Iowa	September 2015
John Hjelle	Member	Decorah, Iowa	September 2015
Brian Petersburg	Member	Decorah, Iowa	September 2015
Cindy Schissel	Member	Decorah, Iowa	September 2017

School Officials

Michael Haluska - Superintendent
Cathy Dietzenbach – Director of Business Services/Treasurer
Darlene Woodhouse – Board Secretary

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Decorah Community School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 20 to the financial statements, Decorah Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, the schedule of the district contributions, and the schedule of funding progress for the retiree health plan on pages 4 through 4h and pages 34 through 39 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decorah Community School District's June 30, 2015 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 10 is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of Decorah Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Decorah Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 30, 2015

DECORAH COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2015

This section of the Decorah Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2015.

The intent of this discussion and analysis is to look at Decorah Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015 fiscal year include the following:

In total, net position increased by \$955,958 or 6.79% from fiscal 2014. Net position in governmental activities increased by \$1,055,941, which represented a 7.80% increase from fiscal year 2014. The District had less expenses and received more revenue from charges from services. Net position in the business-type activities, which represents the District's food service operations and Viking Café, decreased \$99,983 which represented 18.91% decrease from fiscal year 2014. The decrease is due to an increase in expenses.

General fund revenues (which include the instructional support fund) accounted for \$17,956,643 in revenue or 78.09% of all revenues. General fund expenditures (which include the instructional support fund) accounted for \$18,376,404 in expenditures or 72.64% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Decorah Community School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of Decorah Community School District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

The fund financial statements report individual parts of District operations in more detail than the government-wide statements. For governmental funds, these statements tell how educational and operational services were funded in the short-term as well as what remains for future funding. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column.

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

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan. Other supplementary information provides detailed information about the nonmajor funds.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2015 fiscal year. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These statements report the District's net position and changes in the position. This change in net position is important because it identifies whether the financial picture of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include District property tax assessed valuation, facility needs, required educational programs, and other factors.

In the statement of net position and statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities: most of the District's programs and services are reported here, including instruction, co-curricular activities, support services (nursing, guidance, media, and administration), custodial, building operations and maintenance, and pupil transportation.

Business-type activities: these services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. These types of activities are also known as enterprise funds. The school nutrition fund and the Viking Café are reported as business activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2015 are the general fund, statewide sales, services and use tax-capital project fund and debt service fund.

Governmental Funds

Most of the District's transactions are reported in governmental funds, which focus on how monies flow into and out of those funds, and the balances left at fiscal year-end that are available for spending in the future. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The difference between governmental activities reported in the statement of net position and the statement of activities is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the statement of net position of the District as a whole. The Decorah Community School District's net position at the end of fiscal year 2015 totaled \$15,028,619, an increase of 6.79% from the previous fiscal year.

	Condensed Statement of Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 15,539	\$ 16,247	\$ 118	\$ 163	\$ 15,657	\$ 16,410
Capital assets	40,702	40,406	488	577	41,190	40,983
Total assets	56,241	56,653	606	740	56,847	57,393
Deferred outflows of resources	1,516		40		1,556	
Current liabilities	4,892	2,851			4,892	2,851
Noncurrent liabilities	27,075	23,842	168	82	27,243	23,924
Total liabilities	31,967	26,693	168	82	32,135	26,775
Deferred inflows of resources	11,190	8,786	49	12	11,239	8,798
Net position						
Net investment in capital assets	18,765	17,614	488	577	19,253	18,191
Restricted	2,539	2,718			2,539	2,718
Unrestricted (deficit)	(6,704)	842	(59)	69	(6,763)	911
Total net position	\$ 14,600	\$ 21,174	\$ 429	\$ 646	\$ 15,029	\$ 21,820

*not restated

The District's total net position increased 6.79%, or approximately \$956,000, from the prior year. However due to the restatement of net position for net pension liability, the net position decreased 31.12%. 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 restricted net position decreased approximately \$179,000, or 6.59%, from the prior year. The decrease was primarily a result of a decrease in school infrastructure and categorical funding.

Unrestricted net position decreased approximately \$5,862,000 or 842.37%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during the fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by decreasing \$7,679,217 and \$116,944, 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.

The following analysis shows the change in net position for the years ending June 30, 2015 and 2014:

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Revenues:						
Program revenue						
Charges for service	\$ 4,954	\$ 4,622	\$ 650	\$ 616	\$ 5,604	\$ 5,238
Operating grants	2,010	2,135	373	343	2,383	2,478
General revenue						
Property taxes	8,946	8,725			8,946	8,725
Sales tax and surtax	1,325	1,234			1,325	1,234
Unrestricted state grants	5,703	5,608			5,703	5,608
Unrestricted investment earnings	9	18			9	18
Other revenue	47	(442)		597	47	155
Total revenues	<u>22,994</u>	<u>21,900</u>	<u>1,023</u>	<u>1,556</u>	<u>24,017</u>	<u>23,456</u>
Program expenses:						
Instruction	13,077	13,837			13,077	13,837
Student support	6,576	6,806			6,576	6,806
Non-instructional programs			1,123	1,109	1,123	1,109
Other expenses	2,285	2,449			2,285	2,449
Total expenses	<u>21,938</u>	<u>23,092</u>	<u>1,123</u>	<u>1,109</u>	<u>23,061</u>	<u>24,201</u>
 Increase (decrease) in net position	 1,056	 (1,192)	 (100)	 447	 956	 (745)
 Net position Beginning of Year, restated	 13,544	 22,366	 529	 199	 14,073	 22,565
 Net position End of Year	 <u>\$ 14,600</u>	 <u>\$ 21,174</u>	 <u>\$ 429</u>	 <u>\$ 646</u>	 <u>\$ 15,029</u>	 <u>\$ 21,820</u>

*not restated

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Decorah Community School District uses fund accounting on the modified accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

The District's governmental funds reported combined fund balances of \$4,798,393, a \$649,737 decrease from the 2014 fiscal year end balance of \$5,448,130.

- The general fund expenditures increased during fiscal year 2015 for instructional, instructional staff services and administration services while revenues increased for tuition and federal sources. The ending fund balance showed a decrease of \$522,461 from the prior year.
- The statewide sales, services and use tax-capital project fund revenue from local option sales tax increased from fiscal year 2014. Expenditures increased with purchase of computers for implementation of 1:1 program during fiscal year 2015. The ending fund balance showed a decrease of \$263,544 from the prior year.
- The debt service fund ending fund balance showed an increase of \$21,728 for fiscal year 2015. This increase is mainly due to increase in property tax revenue during the year.

Proprietary Fund Highlights

School nutrition fund net position decreased from \$436,464 at June 30, 2014 to \$351,935 at June 30, 2015, representing a decrease of approximately 19.37%. The decrease is due to depreciation expense. The District increased meal prices to help cover this expense.

BUDGETING HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year.

The District's total revenues were \$928,765 more in total budgeted revenues, a variance of 4.02%. Local revenue from tuition and federal sources increased in fiscal year 2015, which caused the total amount received to be more than originally anticipated.

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

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

BUDGETING HIGHLIGHTS (Continued)

The following chart shows the original and amended budget for fiscal 2015 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Amounts			
	Actual	Original	Final	Variance
Revenues				
Local sources	\$ 15,930	\$ 15,266	\$ 15,266	\$ 664
State sources	7,340	7,364	7,364	(24)
Federal sources	747	458	458	289
Total revenues	\$ 24,017	\$ 23,088	\$ 23,088	\$ 929
Expenditures				
Instruction	\$ 15,256	\$ 13,007	\$ 15,000	\$ (256)
Support services	6,158	7,459	7,459	1,301
Non-instructional programs	1,123	1,100	1,100	(23)
Other expenses	3,883	3,318	5,069	1,186
Total expenditures	\$ 26,420	\$ 24,884	\$ 28,628	\$ 2,208

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District's governmental activities had invested \$40,702,591 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The District had depreciation expense of \$2,246,931 for fiscal 2015 and total accumulated depreciation of \$17,081,026 as of June 30, 2015. The District's business-type activities had invested \$488,165 (net of accumulated depreciation) in capital assets of equipment. The District had depreciation expense of \$99,541 for fiscal year 2015 and total accumulated depreciation of \$490,565 as of June 30, 2015. The following chart shows the comparison in capital assets for 2015 and 2014:

	Capital Assets (net of depreciation) (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 280	\$ 280			\$ 280	\$ 280
Land improvements	887	931			887	931
Buildings	35,345	36,242			35,345	36,242
Furniture and equipment	4,190	3,002	\$ 488	\$ 577	4,678	3,579
Total	\$ 40,702	\$ 40,455	\$ 488	\$ 577	\$ 41,190	\$ 41,032

More detailed information about capital assets is available in Note 4 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of June 30, 2015 the District had \$22,746,429 in long-term debt outstanding compared to \$23,909,463 from the prior year. The following chart shows the debt comparison between 2015 and 2014:

	Long-term Debt Obligations			Balance June 30, 2015
	Balance June 30, 2014	Additions	Reductions	
Bonds/Capital Loan Notes				
General obligation	\$ 9,910,000		\$ 230,000	\$ 9,680,000
General obligation refunding	760,000		760,000	-
Local option sales and service	6,545,000		345,000	6,200,000
Capital loan notes	5,035,000		455,000	4,580,000
Total Bonds/Capital Loan Notes	22,250,000	\$ -	1,790,000	20,460,000
Other Liabilities				
Capital leases	41,768	1,652,994	468,602	1,226,160
Compensated absences	67,638	78,249	67,638	78,249
Notes payable	500,000		248,080	251,920
Early retirement	1,050,057		319,957	730,100
Total Other Liabilities	1,659,463	1,731,243	1,104,277	2,286,429
Total Long-term Debt	\$ 23,909,463	\$ 1,731,243	\$ 2,894,277	\$ 22,746,429

More detailed information about the District's long-term debt can be found in Note 5 to the financial statements.

CURRENT ISSUES

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

- The District entered into a "Lease Purchase" for MacBook Airs for grades 5 to 12 and iPads for grades Prekindergarten to 4th. The lease is for \$1,652,994.39 principal with the first payment of \$426,834.18 made in October 2014. This lease-purchase is for four years with payments of \$426,834.18 and interest to be paid in total of \$54,342.35 over the four years. The rate on the lease is 2.2%
- The Board has been looking at property in the district to purchase and construct a bus barn. The property is in a flood plain area and needs approval to build before a purchase will be made.
- The District's Teacher Leadership Compensation Plan was approved by the Department of Education for the 2015-16 school year. This plan entitled the hiring of six Teacher Leaders (Elementary Learner Advocate, Middle School Learner Advocate, Math/Science Coach, Social Studies/21st Century Coach, PLC/Data Coach and Technology Integration Coach). Along with these new positions, District staff could also apply to be Collaborative Teachers and Mentors with this funding. The District received this funding up front in July 2015 of \$436,094.80.
- In November of 2014, a study done by the Iowa Department of Education concluded that North Winneshiek School District would not be financially able to continue after the 2017 school year. The North Winneshiek Community School has announced that they would like to expand the Whole Grade Sharing Agreement with Decorah Community School to include the 7th and 8th graders. With this announcement, the parents of North Winneshiek students have open enrolled more middle school and kindergarten students at the Decorah Community School starting in 2015-16.

CURRENT ISSUES (Continued)

- The District created a Level 3 Special Education classroom at the Middle School (previously only had two programs – one at John Cline and one at the high school). This program will serve the students in grades 3-8 that are Level 3. The classroom utilized for this program was next door to the Level 2 Special Education to share resources and was a computer lab.
- The new Level 3 Special Education classroom at the Middle School had a storage closet within the room. With the needs of the students in the classroom, this storage room was converted into a handicapped accessible restroom. This will help meet the needs of the students served out of that classroom.
- In 2013-14, the District entered into two sharing agreements with neighboring school districts to be funded through the Operational Sharing Incentive. This included a 50% Curriculum Specialist from Allamakee Community School and a 20% Nurse from North Winneshiek Community School. For the 2015-16 school year, North Winneshiek did not renew the Nurse sharing agreement. The District hired a nurse one day per week to assist the School Nurse for the 2015-16 school year.
- The District implemented a new engineering course at the high school under Project Lead the Way. Principles of Engineering is the new pilot class open to sophomores through seniors. The initial cost of the program was \$38,176.09 in which the District went before the SBRC for Additional Supplemental Amount in which it was denied due to concurrent enrollment additional funding.
- Project Lead the Way was expanded in 2015-16 to include Introduction of Engineering Design. This extra course meant that a part-time math teacher's time was increased due to a current employee picking up teaching this new course.
- The District researched new math curriculum during the 2014-15 school year and chose the Carnegie Math series. An instructor was flown to Florida for training and then that teacher trained our math instructors. New math textbooks were purchased for 2015-16.
- The District changed the Transitional Kindergarten program for the 2015-16 school year. For 2014-15, we had one instructor at three days per week or .66 time. For 2015-16, there were enough students for two full-time Transitional Kindergarten classrooms plus five regular Kindergarten classrooms.
- The District's calendar was built on days versus hours for the 2014-15 school year. A district needs to have six hours per day or thirty hours per week of instruction (the school day subtracting the longest lunch period). This allowed for a one-hour late start every Wednesday morning for professional development.
- The District continues to investigate and consider elementary facilities to address the cooling issue. The Shareholders made a recommendation to the Board to build a new Pre-K – Grade 2 facility. The Board continues to research and review options.
- Due to the state reporting on permissive and nonpermissive uses of special and general education funds, the Iowa Department of Education released new guidelines as to working with private facilities. Therefore, the District and surrounding school districts that send students to the Clinicare Academy (Crossroads) entered into a 28E Consortium Agreement for the 2015-16 school year based on Model 2 as recommended by the Iowa Department of Education. Students attending that facility are considered a resident of the sending district and the expenses are that sending district's expenses. These students are not reported on the Special Education Supplement Tuition in Billing System. The Decorah Community School District is the fiscal agent as that the facility resides within Decorah's borders.

CURRENT ISSUES (Continued)

- The District's unspent authorized budget has gone down two years in a row and looks like it will go down again in 2015-16. The District is working on making cuts of \$500,000 in the next fiscal year to stop this trend.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report, or need additional financial information, please contact Ms. Cathy Dietzenbach, Director of Business Services/Treasurer, Decorah Community School District, 510 Winnebago St., Decorah, Iowa 52101.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,764,593	\$ 98,773	\$ 5,863,366
Receivables			
Property tax			
Delinquent	44,481		44,481
Succeeding year	8,762,811		8,762,811
Accounts	666,911		666,911
Due from other governments	299,181		299,181
Inventories		19,255	19,255
Capital assets, non-depreciable	280,200		280,200
Capital assets, net of accumulated depreciation	40,422,391	488,165	40,910,556
	<u>56,240,568</u>	<u>606,193</u>	<u>56,846,761</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,516,136	39,547	1,555,683
	<u>\$ 57,756,704</u>	<u>\$ 645,740</u>	<u>\$ 58,402,444</u>
LIABILITIES			
Accounts payable	\$ 132,400	\$ 150	\$ 132,550
Salaries and benefits payable	1,844,373	71,017	1,915,390
Accrued interest payable	68,155		68,155
Long-term liabilities			
Portion due within one year			
Bonds payable	1,820,000		1,820,000
Capital leases	399,859		399,859
Notes payable	251,920		251,920
Compensated absences	78,249		78,249
Early retirement	296,826		296,826
Portion due after one year			
Bonds payable	18,640,000		18,640,000
Capital leases	826,301		826,301
Early retirement	433,274		433,274
Net pension liability	6,363,270	96,904	6,460,174
Net OPEB liability	812,730		812,730
	<u>31,967,357</u>	<u>168,071</u>	<u>32,135,428</u>
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	8,762,811		8,762,811
Pension related deferred inflows	2,426,768	36,956	2,463,724
Unspent hot lunch proceeds		11,862	11,862
	<u>11,189,579</u>	<u>48,818</u>	<u>11,238,397</u>
NET POSITION			
Net investment in capital assets	18,764,510	488,165	19,252,675
Restricted for			
Debt service	15,104		15,104
School infrastructure	1,239,182		1,239,182
Management levy purposes	537,335		537,335
Student activities	162,226		162,226
Physical plant and equipment	402,592		402,592
Categorical funding	183,131		183,131
Unrestricted (deficit)	(6,704,312)	(59,314)	(6,763,626)
	<u>14,599,768</u>	<u>428,851</u>	<u>15,028,619</u>
	<u>\$ 57,756,704</u>	<u>\$ 645,740</u>	<u>\$ 58,402,444</u>

See Notes to Financial Statements.

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DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 6,401,162	\$ 2,136,247	\$ 1,188,071
Special instruction	3,855,120	1,997,831	188,518
Other instruction	2,820,505	766,531	8,775
	<u>13,076,787</u>	<u>4,900,609</u>	<u>1,385,364</u>
Support services			
Student services	385,649	39,076	
Instructional staff services	1,318,769		
Administration services	2,105,024	13,944	
Operation and maintenance plant services	1,687,322	261	
Transportation services	1,079,391		38,749
	<u>6,576,155</u>	<u>53,281</u>	<u>38,749</u>
Other			
Long-term debt interest	611,926		
Facilities acquisition	174,311		
AEA flowthrough	585,470		585,470
Depreciation (unallocated)*	913,868		
	<u>2,285,575</u>		<u>585,470</u>
Total governmental activities	<u>21,938,517</u>	<u>4,953,890</u>	<u>2,009,583</u>
Business-type activities			
Non-instructional programs			
Nutrition services	1,105,992	647,952	373,483
Viking Café	17,327	1,873	
	<u>1,123,319</u>	<u>649,825</u>	<u>373,483</u>
Total	<u>\$ 23,061,836</u>	<u>\$ 5,603,715</u>	<u>\$ 2,383,066</u>
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Debt service			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position, beginning of year, restated			
Net position, end of year			

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

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (3,076,844)		\$ (3,076,844)
(1,668,771)		(1,668,771)
(2,045,199)		(2,045,199)
<u>(6,790,814)</u>		<u>(6,790,814)</u>
(346,573)		(346,573)
(1,318,769)		(1,318,769)
(2,091,080)		(2,091,080)
(1,687,061)		(1,687,061)
(1,040,642)		(1,040,642)
<u>(6,484,125)</u>		<u>(6,484,125)</u>
(611,926)		(611,926)
(174,311)		(174,311)
-		-
<u>(913,868)</u>		<u>(913,868)</u>
<u>(1,700,105)</u>		<u>(1,700,105)</u>
<u>(14,975,044)</u>		<u>(14,975,044)</u>
	\$ (84,557)	(84,557)
	(15,454)	(15,454)
	<u>(100,011)</u>	<u>(100,011)</u>
<u>(14,975,044)</u>	<u>(100,011)</u>	<u>(15,075,055)</u>
6,026,176		6,026,176
709,813		709,813
932,377		932,377
1,278,113		1,278,113
1,325,117		1,325,117
5,703,485		5,703,485
9,166	28	9,194
46,738		46,738
<u>16,030,985</u>	<u>28</u>	<u>16,031,013</u>
1,055,941	(99,983)	955,958
<u>13,543,827</u>	<u>528,834</u>	<u>14,072,661</u>
<u>\$ 14,599,768</u>	<u>\$ 428,851</u>	<u>\$ 15,028,619</u>

DECORAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Project Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and pooled investments	\$ 3,549,535	\$ 984,143	\$ 76,426	\$ 1,154,489	\$ 5,764,593
Receivables					
Property tax					
Delinquent	28,933		6,833	8,715	44,481
Succeeding year	5,855,112		1,275,426	1,632,273	8,762,811
Accounts	666,911				666,911
Due from other governments	94,191	204,990			299,181
Total assets	\$ 10,194,682	\$ 1,189,133	\$ 1,358,685	\$ 2,795,477	\$ 15,537,977
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 121,398	\$ 10,840		\$ 162	\$ 132,400
Salaries and benefits payable	1,844,373				1,844,373
Total liabilities	1,965,771	10,840		162	1,976,773
Deferred inflows of resources					
Unavailable revenues					
Succeeding year property tax	5,855,112		\$ 1,275,426	1,632,273	8,762,811
Fund balances					
Restricted for					
Debt service			83,259		83,259
Categorical funding	183,131				183,131
Management levy purposes				537,335	537,335
Student activities				162,226	162,226
Physical plant and equipment				402,592	402,592
School infrastructure		1,178,293		60,889	1,239,182
Unassigned	2,190,668				2,190,668
Total fund balances	2,373,799	1,178,293	83,259	1,163,042	4,798,393
Total liabilities, deferred inflows of resources and fund balances	\$ 10,194,682	\$ 1,189,133	\$ 1,358,685	\$ 2,795,477	\$ 15,537,977

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$		4,798,393
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 17,081,026			40,702,591
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	\$	1,516,136	
Deferred inflows of resources		<u>(2,426,768)</u>	(910,632)
Some liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:			
Bonds payable		(20,460,000)	
Capital leases		(1,226,160)	
Notes payable		(251,920)	
Accrued interest		(68,155)	
Compensated absences		(78,249)	
Early retirement		(730,100)	
Net pension liability		(6,363,270)	
Net OPEB liability		<u>(812,730)</u>	(29,990,584)
Net position of governmental activities per Exhibit A			<u>\$ 14,599,768</u>

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Capital Project Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources					
Local property tax	\$ 6,026,176		\$ 1,278,113	\$ 1,642,190	\$ 8,946,479
Tuition	4,134,078				4,134,078
Other	101,818	\$ 1,329,271	67	768,641	2,199,797
State sources	7,314,174		17,800	697	7,332,671
Federal sources	380,397				380,397
Total revenues	17,956,643	1,329,271	1,295,980	2,411,528	22,993,422
EXPENDITURES					
Current					
Instruction					
Regular instruction	6,826,684	4,381		252,023	7,083,088
Special instruction	3,813,678			41,442	3,855,120
Other instruction	1,796,018	1,716,972		805,115	4,318,105
	12,436,380	1,721,353		1,098,580	15,256,313
Support services					
Student services	412,183				412,183
Instructional staff services	986,424	151,499		23,932	1,161,855
Administration services	1,566,000	68,632		9,704	1,644,336
Operation and maintenance plant services	1,532,405	41,700		231,263	1,805,368
Transportation services	857,542			276,790	1,134,332
	5,354,554	261,831		541,689	6,158,074
Other					
Long-term debt					
Principal			2,506,748		2,506,748
Interest and fiscal charges			600,620		600,620
Facilities acquisition		59,472		130,492	189,964
AEA flowthrough	585,470				585,470
	585,470	59,472	3,107,368	130,492	3,882,802
Total expenditures	18,376,404	2,042,656	3,107,368	1,770,761	25,297,189
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(419,761)	(713,385)	(1,811,388)	640,767	(2,303,767)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease		1,652,994			1,652,994
Operating transfers in			1,833,116	60,736	1,893,852
Operating transfers (out)	(103,736)	(1,203,153)		(586,963)	(1,893,852)
Sale of capital assets	1,036				1,036
	(102,700)	449,841	1,833,116	(526,227)	1,654,030
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	(522,461)	(263,544)	21,728	114,540	(649,737)
FUND BALANCE, beginning of year	2,896,260	1,441,837	61,531	1,048,502	5,448,130
FUND BALANCE, end of year	\$ 2,373,799	\$ 1,178,293	\$ 83,259	\$ 1,163,042	\$ 4,798,393

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	(649,737)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Depreciation	\$	(2,246,931)
Capital outlays	2,494,691	247,760
<hr style="width: 100%;"/>		
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		2,506,748
Proceeds of long-term debt issuance are included in the governmental funds but increase long-term liabilities in the statement of activities.		(1,652,994)
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, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(11,373)
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		935,502
Early retirement payments, pension, and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued.		
Compensated absences	(10,611)	
Early retirement	319,957	
Net pension liability	(530,182)	
Net OPEB liability	(99,129)	(319,965)
<hr style="width: 100%;"/>		
Change in net position of governmental activities per Exhibit B	\$	<u>1,055,941</u>

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash	\$ 97,064	\$ 1,709	\$ 98,773
Inventories	19,255		19,255
Total current assets	116,319	1,709	118,028
NONCURRENT ASSETS			
Furniture and equipment	873,442	105,289	978,731
Less accumulated depreciation	(460,484)	(30,082)	(490,566)
Total noncurrent assets	412,958	75,207	488,165
Total assets	529,277	76,916	606,193
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	39,547		39,547
Total assets and deferred outflows of resources	\$ 568,824	\$ 76,916	\$ 645,740
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 150		\$ 150
Salaries and benefits payable	71,017		71,017
Total current liabilities	71,167		71,167
NONCURRENT LIABILITIES			
Net pension liability	96,904		96,904
Total liabilities	168,071		168,071
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	36,956		36,956
Unspent hot lunch proceeds	11,862		11,862
	48,818		48,818
NET POSITION			
Net investment in capital assets	412,958	\$ 75,207	488,165
Unrestricted (deficit)	(61,023)	1,709	(59,314)
Total net position	351,935	76,916	428,851
Total liabilities, deferred inflows of resources and net position	\$ 568,824	\$ 76,916	\$ 645,740

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
OPERATING REVENUES			
Local sources			
Charges for services	\$ 647,952	\$ 1,873	\$ 649,825
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries and benefits	486,002		486,002
Purchased services	10,376	1,845	12,221
Supplies	525,394	161	525,555
Depreciation	84,220	15,321	99,541
Total operating expenses	1,105,992	17,327	1,123,319
Operating loss	(458,040)	(15,454)	(473,494)
NONOPERATING REVENUES			
Interest income	28		28
State sources	7,116		7,116
Federal sources	366,367		366,367
Total nonoperating revenues	373,511	-	373,511
Change in net position	(84,529)	(15,454)	(99,983)
Net position, beginning of year, restated	436,464	92,370	528,834
Net position, end of year	\$ 351,935	\$ 76,916	\$ 428,851

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of lunches and breakfasts	\$ 621,621		\$ 621,621
Cash received from miscellaneous operating activities	26,029	\$ 2,123	28,152
Cash payments to employees for services	(345,728)		(345,728)
Cash payments to suppliers for goods and services	(417,586)	(2,006)	(419,592)
Cash payments paid on employees' behalf	(159,464)		(159,464)
Other payments	(10,376)		(10,376)
Net cash (used in) provided by operating activities	(285,504)	117	(285,387)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State grants and federal grants received	247,088		247,088
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of equipment	(10,781)		(10,781)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	28		28
Net (decrease) increase in cash	(49,169)	117	(49,052)
CASH, beginning of year	146,233	1,592	147,825
CASH, end of year	\$ 97,064	\$ 1,709	\$ 98,773
Reconciliation of operating loss to net cash (used in) provided by operating activities			
Operating loss	\$ (458,040)	\$ (15,454)	\$ (473,494)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities			
Depreciation	84,220	15,321	99,541
Commodities used	112,475		112,475
Decrease in accounts receivable	313	250	563
(Increase) in inventories	(4,667)		(4,667)
(Decrease) in accounts payable	(615)		(615)
Increase in salaries and benefits payable	3,439		3,439
Decrease in net pension liability	(34,318)		(34,318)
(Increase) in deferred outflows of resources	(25,267)		(25,267)
Increase in deferred inflows of resources	36,956		36,956
Net cash (used in) provided by operating activities	\$ (285,504)	\$ 117	\$ (285,387)

Non-cash, noncapital financing activities:

During the year ended June 30, 2015, the District received commodities valued at \$112,475.

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Decorah Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve, including special education and pre-kindergarten. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Decorah 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units, which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust and Metronet.

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 Winneshiek County Assessor's Conference Board.

Government-wide Financial Statements

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

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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. The general fund, the statewide sales, services and use tax-capital project fund and the debt service fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Capital Projects Funds

The capital projects funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds. The major fund in this category is statewide sales, services and use tax.

Debt Service Fund

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

Proprietary Funds

Enterprise Funds

The District's proprietary funds are the school nutrition fund and Viking Café fund. These funds are used to account for the food service operations and catering program of the District.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The government-wide statements and proprietary funds financial statements are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with its activity are included on the statement of net position. In reporting the financial activity on the proprietary funds statements, the District applies all applicable GASB pronouncements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds financial statements are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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.

The District maintains its financial records on the modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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

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

Cash and Pooled Investments

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value, except for the investments in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term 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 taxes in the governmental fund are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Due from Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Buildings	\$ 2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	2,500

Property, furniture and equipment and intangibles are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 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 or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2015 was used to calculate the salaries payable.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Obligation

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. Early retirement liability has been paid primarily by the nonmajor governmental management levy fund.

Pensions

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

Deferred Inflows of Resources

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

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unspent hot lunch proceeds.

Fund Balance

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

Restricted fund balances are 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 fund balance is the remaining fund balance, which is not included in other spendable classifications.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Net Position*

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net position represent the difference between assets, liabilities and deferred outflows and inflows of resources that are not restricted and can be used for future obligations of the District.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and non-instructional functions.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified portfolio	\$ 332,670
Direct government obligations portfolio	6,790
Total	\$ 339,460

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk

The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2015:

Governmental		
General fund		
Vocational aid	\$	8,774
Title I		40,075
Non-public transportation		38,749
Other		6,593
		94,191
Capital project fund		
Statewide sales, services and use tax		204,990
		\$ 299,181

4. Capital Assets

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Land	\$ 280,200			\$ 280,200
Capital assets being depreciated:				
Land improvements	1,697,624	\$ 28,215		1,725,839
Buildings	45,866,549	15,721		45,882,270
Furniture and equipment	7,754,143	2,450,755	\$ 309,590	9,895,308
Total capital assets being depreciated	55,318,316	2,494,691	309,590	57,503,417
Less accumulated depreciation for:				
Land improvements	765,905	72,976		838,881
Buildings	9,625,305	912,146		10,537,451
Furniture and equipment	4,752,475	1,261,809	309,590	5,704,694
Total accumulated depreciation	15,143,685	2,246,931	309,590	17,081,026
Total capital assets being depreciated, net	40,174,631	247,760	None	40,422,391
Governmental activities				
Capital assets, net	\$ 40,454,831	\$ 247,760	\$ None	\$ 40,702,591
Business-type activities				
Furniture and equipment	\$ 967,949	\$ 10,781		\$ 978,730
Less accumulated depreciation	391,024	99,541		490,565
Total	\$ 576,925	\$ (88,760)	\$ None	\$ 488,165

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets (Continued)**

Depreciation expense for the year ended June 30, 2015 was charged to the governmental functions of the District as follows:

Governmental activities		
Instruction		
Regular	\$	262,789
Other		115,352
Support services		
Instructional staff		158,738
Administration		467,604
Operation and maintenance of plant		18,734
Transportation		309,846
Unallocated depreciation		913,868
	<u>\$</u>	<u>2,246,931</u>
 Business-type activities		
Food services	<u>\$</u>	<u>99,541</u>

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 9,910,000		\$ 230,000	\$ 9,680,000	\$ 1,005,000
Tax revenue bonds	6,545,000		345,000	6,200,000	355,000
General obligation refunding bond	760,000		760,000	None	
Capital loan notes	5,035,000		455,000	4,580,000	460,000
Total bonds	<u>22,250,000</u>	<u>\$ None</u>	<u>1,790,000</u>	<u>20,460,000</u>	<u>1,820,000</u>
 Other liabilities					
Capital leases	41,768	1,652,994	468,602	1,226,160	399,859
Notes payable	500,000		248,080	251,920	251,920
Compensated absences	67,638	78,249	67,638	78,249	78,249
Early retirement	1,050,057		319,957	730,100	296,826
Total other liabilities	<u>1,659,463</u>	<u>1,731,243</u>	<u>1,104,277</u>	<u>2,286,429</u>	<u>1,026,854</u>
 Governmental activities					
Long-term liabilities	<u>\$ 23,909,463</u>	<u>\$ 1,731,243</u>	<u>\$ 2,894,277</u>	<u>\$ 22,746,429</u>	<u>\$ 2,846,854</u>

5. Long-term Debt Obligations (Continued)

Early Retirement

The District had offered a voluntary early retirement plan to its classified and certified employees. Each eligible employee must be at least age fifty-five and the sum of the person's age and the total number of years of public school employment must equal at least 80 years on August 15, 2014. Each eligible employee must also complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee age 55 or over is 50% of the employee's current regular salary schedule. The District is obligated to pay between \$559 and \$625 a month of health insurance for eight years or until the employee reaches the age 65, whichever comes first. The early retirement incentive for each eligible classified employee age 55 or over is 35% of the employee's current regular salary schedule. The District is not obligated to pay for health insurance for classified employees.

Early retirement benefits will be paid in three equal installments beginning in January following the start of retirement and for the next two January's thereafter.

At June 30, 2015, the District has obligations to 31 participants with a total liability of \$730,100. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$319,957.

Bond Indebtedness

\$9,680,000 General Obligation Bond, Series 2010A, due annually in varying installments June 1, 2016 through June 1, 2025 plus interest semi-annually with interest rates of the bonds varying from 2.00% to 3.70%. Bonds maturing after June 1, 2018 are callable upon terms of par plus accrued interest to date of call. The Series 2010A bonds will be paid from annual taxes levied against all taxable property within the District and are being used for the purpose of providing funds to construct additions to, remodel, improve, furnish and equip, the current high school building and to improve the site.

\$4,580,000 2010B General Obligation School Capital Loan Notes, due annually in varying installments June 1, 2016 through June 1, 2024 plus interest semi-annually with interest rates of the bonds varying from 1.85% to 3.3%. Bonds maturing after June 1, 2019 are callable upon terms of par plus accrued interest to date of call.

\$6,200,000 2012 School Infrastructure Local Option Sales and Services Tax Revenue Bonds, with principal due June 1, 2016 through June 1, 2029 plus interest semi-annually with interest rate of the bonds varying from 2.00% to 3.40%. The local option sales and services tax revenue bonds were issued for the purpose of providing funds for the items listed within the revenue purpose statement. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call.

Notes Payable

Decorah Bank & Trust

In September 2013, the District entered into an agreement with Decorah Bank & Trust to finance the digital project in the high school. The note was for \$500,000 at 1.57% interest and matures on September 15, 2015.

Interest costs incurred and charged to expenses was \$611,992 for the year ended June 30, 2015. A summary of the bond principal and interest maturities is as follows on the following page.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

Year Ending June 30,	Governmental Activities					
	General Obligation Bond		Capital Notes		Tax Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,005,000	\$ 269,922	\$ 460,000	\$ 124,638	\$ 355,000	\$ 167,945
2017	1,025,000	249,822	470,000	116,128	360,000	160,845
2018	1,045,000	229,322	480,000	106,258	370,000	153,645
2019	1,070,000	205,288	490,000	94,978	385,000	146,245
2020	1,095,000	178,538	505,000	82,483	395,000	137,966
2021-2025	4,440,000	385,485	2,175,000	176,810	2,210,000	536,250
2026-2030					2,125,000	179,420
Total	\$ 9,680,000	\$ 1,518,377	\$ 4,580,000	\$ 701,295	\$ 6,200,000	\$ 1,482,316

Year Ending June 30,	Governmental Activities			
	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2016	\$ 251,920	\$ 3,954	\$ 2,071,920	\$ 566,459
2017			1,855,000	526,795
2018			1,895,000	489,225
2019			1,945,000	446,511
2020			1,995,000	398,987
2021-2025			8,825,000	1,098,545
2026-2030			2,125,000	179,420
Total	\$ 251,920	\$ 3,954	\$ 20,711,920	\$ 3,705,942

The District complied with all of the revenue bond provisions during the year ended June 30, 2015. The required reserve account was established by the District and no transfers were made to the sinking account.

At June 30, 2015, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$ 550,503,002</u>
Debt limit – 5% of total assessed valuation	\$ 27,525,150
Debt applicable to debt limit	
General obligation	
Notes payable	(251,920)
Capital loan notes	(4,580,000)
Bonded debt outstanding	(9,680,000)
Capital lease-teacher computers	<u>(1,226,160)</u>
Legal debt margin	<u>\$ 11,787,070</u>

5. Long-term Debt Obligations (Continued)

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the general fund. Capital assets under capital leases totaled \$1,206,818 at June 30, 2015. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2015:

Year ending June 30,		
2016	\$	426,834
2017		426,834
2018		426,834
		1,280,502
Less imputed interest		(54,342)
Present value of minimum lease payments	\$	1,226,160

6. Pension Plan

Plan Description

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

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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.

6 Pension Plan (Continued)

Disability and Death Benefits

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

Contributions

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% 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 \$966,202.

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

At June 30, 2015, the District reported a liability of \$6,460,174 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.159625%, which was an increase of 0.005121 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$538,257. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,210	
Changes of assumptions	285,102	
Net difference between projected and actual earnings on pension plan investments		\$ 2,463,724
Changes in proportion and differences between District contributions and proportionate share of contributions	234,169	
District contributions subsequent to the measurement date	966,202	
Total	\$ 1,555,683	\$ 2,463,724

6. Pension Plan (Continued)

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

\$966,202 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (478,203)
2017	(478,203)
2018	(478,203)
2019	(478,203)
2020	38,569
Total	\$ (1,874,243)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

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

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

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

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

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

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

6. **Pension Plan (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District’s proportionate share of the net pension liability	\$ 12,206,317	\$ 6,460,174	\$ 1,609,834

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2015, the District had no payables to report for the defined benefit pension plan for legally required employer contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description

As explained in Note 8, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for employees, retirees and their spouses. Decorah Community School District has 225 active and 24 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

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

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.

NOTES TO FINANCIAL STATEMENTS

7. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$	175,531
Interest on net OPEB obligation		17,840
Adjustment to annual required contribution		(60,258)
Annual OPEB cost		133,113
Contributions made		(33,984)
Increase in net OPEB obligation		99,129
Net OPEB liability beginning of year		713,601
Net OPEB liability end of year	\$	812,730

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$33,984 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 279,030	11.74%	\$ 616,047
June 30, 2014	125,794	22.45%	713,601
June 30, 2015	133,113	25.53%	812,730

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$991,858, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$991,858. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11.024 million, and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress 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.

7. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

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 July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$559 to \$762, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage,
- Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage,
- Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2015, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2015 was unavailable as of December 30, 2015. The District contributions to the trust for the years ended June 30, 2015, 2014, and 2013 were \$1,957,827, \$1,857,830, and \$1,917,273, respectively, which equaled the required contributions each year. The employees paid \$28,400 in dental insurance for the year ended June 30, 2015.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the District's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage.

9. Risk Management

Decorah 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.

NOTES TO FINANCIAL STATEMENTS

10. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		\$ 103,736
Debt service fund	\$ 1,833,116	
Capital project fund		
Statewide sales, services and use tax fund		1,203,153
Nonmajor governmental-capital projects funds		
High school capital project fund	60,736	
Physical plant and equipment levy fund		586,963
	\$ 1,893,852	\$ 1,893,852

Transfers from the general fund, statewide sales, services and use tax fund, and physical plant and equipment levy-capital projects funds to the debt service fund were to move resources to help pay bond expenses. Transfers into the high school capital project fund were to pay for the high school renovation project.

11. Leases

The District has entered into various rental agreements with the following under the terms as described below.

- Bruening Rock Products, Inc. for the present bus garage facility for \$3,475 per month for the year ending June 30, 2015. The agreement expires June 2016 with payments of \$3,530 per month for the year ended June 30, 2016.
- Performance Edge for installation of energy efficient lights throughout the various buildings in the District. The agreement requires monthly payments of \$2,252. The lease expires January 2018.
- CSI Leasing for computer equipment with monthly payments of \$785. The agreement expires May 2017.
- Delage Landen for a copier with monthly rental payments of \$204. The lease expires June 2017.

Future minimum lease payments required under the operating leases are as follows:

Year ended June 30,		
2016	\$	81,254
2017		38,108
2018		15,762
	\$	135,124

Total lease expense for the year ended June 30, 2015 was \$80,594.

12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$585,470 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.

NOTES TO FINANCIAL STATEMENTS

13. **Flexible Fringe Benefit Plan**

The District sponsors a flexible fringe benefit plan as a part of its contractual obligation with its employees. The benefit available under the plan is insurance. Each participating employee can choose among medical, life, and dental insurance. The District contributes \$613 per month for full time staff and \$1,535 for administration staff. The difference between the District's contribution and the amount of programs selected by the employee is added or subtracted from the employee's salary. There were 33 participants in the plan for the year ended June 30, 2015.

14. **Joint Venture**

The District participates in the Metronet, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The District appoints a member to the Metronet board and has access to the broadband service provided by Metronet. Metronet's audited financial statements are included in the City of Decorah financial statements and are available from the City of Decorah at City Hall, Decorah, IA 52101.

15. **Contingencies**

a. **Grant Funding**

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. **Insurance Plan**

As discussed in Note 8, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

16. **Commitments**

There were no outstanding construction and other commitments of the District at June 30, 2015.

17. **Related Party Transaction**

During the year ended June 30, 2015, the District entered into business transactions with a District official, Board member Brian Petersburg. The transactions consisted of insurance policies with total payments to A&J Petersburg Insurance Agency of \$325,288. Mr. Petersburg is a principal of A&J Petersburg Insurance Agency and handles the District's insurance policy with Specialty Underwriters.

18. **Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2015 are as follows:

Project	Amount
Four-year old Preschool State Aid	\$ 22,715
Teacher Salary Supplement	72,284
Home School Assistance Program	56,247
Professional Development for Model Core Curriculum	252
Market Factor Incentive	4,067
Empowerment Professional Development	4,800
Successful Progression for Early Readers	22,766
	\$ 183,131

NOTES TO FINANCIAL STATEMENTS

19. Net Position Deficits

The governmental activities and school nutrition proprietary fund each have a deficit net position as of June 30, 2015. Both deficits were incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. The District will try to eliminate the deficits through watching other costs.

20. 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	\$ 21,223,044	\$ 645,778
Net pension liability at June 30, 2014	(8,616,788)	(131,222)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	937,571	14,278
Net position July 1, 2014, as restated	\$ 13,543,827	\$ 528,834

Net assets invested in capital assets, net of related debt was restated due to corrections in recording accumulated depreciation in the amount of \$48,867.

21. Subsequent Events

Management has evaluated subsequent events through December 30, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Local sources	\$ 15,280,354	\$ 649,853	\$ 15,930,207
State sources	7,332,671	7,116	7,339,787
Federal sources	380,397	366,367	746,764
Total revenues	22,993,422	1,023,336	24,016,758
EXPENDITURES/EXPENSES			
Instruction	15,256,313		15,256,313
Support services	6,158,074		6,158,074
Non-instructional		1,123,319	1,123,319
Other	3,882,802		3,882,802
Total expenditures/expenses	25,297,189	1,123,319	26,420,508
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES/EXPENSES	(2,303,767)	(99,983)	(2,403,750)
OTHER FINANCING SOURCES, NET	1,654,030	-	1,654,030
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(649,737)	(99,983)	(749,720)
FUND BALANCE, beginning of year	5,448,130	528,834	5,976,964
FUND BALANCE (deficit), end of year	\$ 4,798,393	\$ 428,851	\$ 5,227,244

See Notes to Required Budgetary Information and Independent Auditor's Report.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 15,266,402	\$ 15,266,402	\$ 663,805
7,363,616	7,363,616	(23,829)
457,975	457,975	288,789
23,087,993	23,087,993	928,765
13,006,767	15,000,000	(256,313)
7,458,889	7,458,889	1,300,815
1,100,000	1,100,000	(23,319)
3,318,454	5,069,244	1,186,442
24,884,110	28,628,133	2,207,625
(1,796,117)	(5,540,140)	3,136,390
		1,654,030
(1,796,117)	(5,540,140)	4,790,420
4,787,458	4,787,458	1,189,506
\$ 2,991,341	\$ (752,682)	\$ 5,979,926

DECORAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2015

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. Encumbrances are not recognized on the budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,744,023.

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

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Fiscal Year*
 (In Thousands)

	2015
District's proportion of the net pension liability	0.159625%
District's proportionate share of the net pension liability	\$ 6,460
District's covered-employee payroll	\$ 10,659
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 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

Required Supplementary Information

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last 10 Fiscal Years
 (In Thousands)

	2015	2014	2013	2012
Statutorily required contribution	\$ 966	\$ 952	\$ 866	\$ 789
Contributions in relation to the statutorily required contribution	(966)	(952)	(866)	(789)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,820	\$ 10,659	\$ 9,988	\$ 9,789
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 643	\$ 658	\$ 618	\$ 551	\$ 498	\$ 482
<u>(643)</u>	<u>(658)</u>	<u>(618)</u>	<u>(551)</u>	<u>(498)</u>	<u>(482)</u>
<u>\$ -</u>					
\$ 9,251	\$ 9,895	\$ 9,732	\$ 9,107	\$ 8,661	\$ 8,383
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

DECORAH COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% 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.

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.

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 896	\$ 896	0.0%	\$ 7,853	11.4%
2010	July 1, 2008	-	\$ 896	\$ 896	0.0%	\$ 8,905	10.1%
2011	July 1, 2010	-	\$ 965	\$ 965	0.0%	\$ 8,606	11.2%
2012	July 1, 2010	-	\$ 965	\$ 965	0.0%	\$ 8,808	11.0%
2013	July 1, 2012	-	\$ 813	\$ 813	0.0%	\$ 9,024	9.0%
2014	July 1, 2012	-	\$ 813	\$ 813	0.0%	\$ 9,712	8.4%
2015	July 1, 2014	-	\$ 938	\$ 938	0.0%	\$ 11,024	8.5%

See Note 7 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Independent Auditor's Report.

Other Supplementary Information

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Special Revenue	Capital Projects	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 695,926	\$ 458,563	\$ 1,154,489
Receivables			
Property tax			
Delinquent	3,797	4,918	8,715
Succeeding year	700,002	932,271	1,632,273
Total assets	<u>\$ 1,399,725</u>	<u>\$ 1,395,752</u>	<u>\$ 2,795,477</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	<u>\$ 162</u>		<u>\$ 162</u>
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	<u>700,002</u>	<u>\$ 932,271</u>	<u>1,632,273</u>
Fund balances			
Restricted for			
Management levy	537,335		537,335
Student activities	162,226		162,226
Physical plant and equipment		402,592	402,592
School infrastructure		<u>60,889</u>	<u>60,889</u>
Total fund balances	<u>699,561</u>	<u>463,481</u>	<u>1,163,042</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,399,725</u>	<u>\$ 1,395,752</u>	<u>\$ 2,795,477</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Special Revenue	Capital Projects	Total Nonmajor Funds
REVENUES			
Local sources			
Property taxes	\$ 709,813	\$ 932,377	\$ 1,642,190
Other	766,440	2,201	768,641
State sources	304	393	697
	<u>1,476,557</u>	<u>934,971</u>	<u>2,411,528</u>
EXPENDITURES			
Current			
Instruction			
Regular instruction	252,023		252,023
Special instruction	41,442		41,442
Other instruction	805,115		805,115
Support services			
Instructional staff services	23,932		23,932
Administration services	9,633	71	9,704
Operation and maintenance plant services	231,263		231,263
Transportation services	61,116	215,674	276,790
Other			
Facilities acquisition		130,492	130,492
	<u>1,424,524</u>	<u>346,237</u>	<u>1,770,761</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>52,033</u>	<u>588,734</u>	<u>640,767</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in		60,736	60,736
Operating transfers out		(586,963)	(586,963)
	<u>-</u>	<u>(526,227)</u>	<u>(526,227)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	<u>52,033</u>	<u>62,507</u>	<u>114,540</u>
FUND BALANCE, beginning of year	<u>647,528</u>	<u>400,974</u>	<u>1,048,502</u>
FUND BALANCE, end of year	<u>\$ 699,561</u>	<u>\$ 463,481</u>	<u>\$ 1,163,042</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2015

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 533,538	\$ 162,388	\$ 695,926
Receivables			
Property tax			
Delinquent	3,797		3,797
Succeeding year	700,002		700,002
Total assets	<u>\$ 1,237,337</u>	<u>\$ 162,388</u>	<u>\$ 1,399,725</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable		\$ 162	\$ 162
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	\$ 700,002		700,002
Fund balances			
Restricted	537,335	162,226	699,561
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,237,337</u>	<u>\$ 162,388</u>	<u>\$ 1,399,725</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax	\$ 709,813		\$ 709,813
Other	19,762	\$ 746,678	766,440
State sources	304		304
Total revenues	729,879	746,678	1,476,557
EXPENDITURES			
Current			
Instruction			
Regular instruction	252,023		252,023
Special instruction	41,442		41,442
Other instruction	42,237	762,878	805,115
Support services			
Instructional staff services	23,932		23,932
Administration services	9,633		9,633
Operation and maintenance plant services	231,263		231,263
Transportation services	61,116		61,116
Total expenditures	661,646	762,878	1,424,524
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,233	(16,200)	52,033
FUND BALANCE, beginning of year	469,102	178,426	647,528
FUND BALANCE, end of year	\$ 537,335	\$ 162,226	\$ 699,561

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2015

	Balance June 30, 2014	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2015
High School Football	\$ 35,786	\$ 38,033	\$ 27,596	\$ 46,223
High School Basketball	7,054	35,275	33,295	9,034
High School Wrestling	762	12,274	11,048	1,988
High School Baseball	1,716	9,180	16,317	(5,421)
High School Golf	659	4,753	8,559	(3,147)
High School Track	(3,192)	12,789	18,631	(9,034)
High School Softball	735	5,892	8,952	(2,325)
High School Volleyball	2,580	12,082	12,007	2,655
High School Tennis	2,087	3,228	4,225	1,090
High School Cross Country	(280)	19,580	19,079	221
High School Student Council	1,793			1,793
High School Community Club	40	326	218	148
High School Swimming	2,762	16,692	20,277	(823)
High School Choir			355	(355)
High School Soccer	673	22,459	22,407	725
SADD Chapter	200			200
"D" Club	2,701	7,504	5,939	4,266
Art Club	5,412	758	614	5,556
Culture Club	89			89
Science Club	56			56
Future Farmers of America	29,625	78,958	87,610	20,973
Horticulture Club	164	2,261	1,785	640
Student Assistance	4,442	724	1,031	4,135
High School Music	(5,706)	14,026	19,249	(10,929)
High School Instrumental Music	(327)	9,047	9,047	(327)
High School Yearbook	7,951	39,329	35,309	11,971
High School Speech	(4,204)	28,376	26,905	(2,733)
High School Dramatics	9,168	10,040	4,800	14,408
High School Madrigal	5,828	6,575	5,149	7,254
Subtotals	108,574	390,161	400,404	98,331

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2015

	Balance June 30, 2014	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2015
Subtotals	\$ 108,574	\$ 390,161	\$ 400,404	\$ 98,331
High School Fire Squad	2,675	32,587	38,230	(2,968)
High School Cheerleading Class 2014	1,829 (884)	12,712	12,757	1,784 (884)
Class 2015	117	1,400	1,517	-
Class 2016	14,114	1,493	696	14,911
High School General	(1,315)	182,119	172,704	8,100
Middle School Football	(189)	1,824	3,468	(1,833)
Middle School Cross Country	(2,247)	930	686	(2,003)
Middle School Basketball	(516)	970	3,238	(2,784)
Middle School Wrestling	(1,314)	265	767	(1,816)
Middle School Track	(1,467)	680	1,954	(2,741)
Middle School Volleyball	108	1,164	1,768	(496)
Middle School Cheerleading	6			6
Middle School Library Club	12,755			12,755
Middle School Yearbook	6,475	5,720	4,413	7,782
Scholarships	61	5,750	6,475	(664)
Middle School General	2,200		195	2,005
Middle School Fundraising	387	42,078	45,205	(2,740)
Middle School Student Council	4,035	605	792	3,848
Middle School Summer Tag	184	570	252	502
Investments	234	143		377
Vocational Ag	3			3
Vocational	1,791	783	907	1,667
A/P Exam Testing	24	12,723	13,475	(728)
West Side Yearbook	(257)			(257)
DVABC	4,105	41,146	41,146	4,105
Decorah Craft Show	2,354	4,479	3,184	3,649
Elementary Playground	731		755	(24)
Wellness	2,080	960	150	2,890
Youth Marketplace	21,773			21,773
W/S Elementary General		5,416	7,740	(2,324)
	<u>\$ 178,426</u>	<u>\$ 746,678</u>	<u>\$ 762,878</u>	<u>\$ 162,226</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2015

	Physical Plant and Equipment Levy	Thomas Roberts High School	Total Nonmajor Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 397,674	\$ 60,889	\$ 458,563
Receivables			
Property tax			
Delinquent	4,918		4,918
Succeeding year	932,271		932,271
	<u>932,271</u>		<u>932,271</u>
Total assets	<u>\$ 1,334,863</u>	<u>\$ 60,889</u>	<u>\$ 1,395,752</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	\$ 932,271		\$ 932,271
	<u>932,271</u>		<u>932,271</u>
Fund balances			
Restricted	402,592	\$ 60,889	463,481
	<u>402,592</u>	<u>\$ 60,889</u>	<u>463,481</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,334,863</u>	<u>\$ 60,889</u>	<u>\$ 1,395,752</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Year Ended June 30, 2015

	Physical Plant and Equipment Levy	Thomas Roberts High School	Total Nonmajor Capital Projects Funds
REVENUES			
Local sources			
Local property tax	\$ 932,377		\$ 932,377
Other	1,557	\$ 644	2,201
State sources	393		393
Total revenues	934,327	644	934,971
EXPENDITURES			
Current			
Support services			
Administration services		71	71
Transportation services	215,674		215,674
Other			
Facilities acquisition	55,191	75,301	130,492
Total expenditures	270,865	75,372	346,237
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	663,462	(74,728)	588,734
OTHER FINANCING SOURCES (USES)			
Operating transfers in		60,736	60,736
Operating transfers out	(586,963)		(586,963)
Total other financing sources (uses)	(586,963)	60,736	(526,227)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	76,499	(13,992)	62,507
FUND BALANCE, beginning of year	326,093	74,881	400,974
FUND BALANCE, end of year	\$ 402,592	\$ 60,889	\$ 463,481

See Independent Auditor's Report.

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DECORAH COMMUNITY SCHOOL DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Years Ended June 30,

	Modified Accrual		
	2015	2014	2013
REVENUES			
Local sources			
Local tax	\$ 8,946,479	\$ 8,726,444	\$ 8,523,329
Tuition	4,134,078	3,715,454	3,686,152
Other	2,199,797	2,337,001	2,377,254
State sources	7,332,671	7,382,057	7,015,237
Federal sources	380,397	360,434	347,073
	<hr/>		
Total revenues	\$ 22,993,422	\$ 22,521,390	\$ 21,949,045
<hr/>			
EXPENDITURES			
Current			
Instruction			
Regular instruction	\$ 7,083,088	\$ 7,217,349	\$ 6,586,488
Special instruction	3,855,120	3,561,556	3,035,877
Other instruction	4,318,105	2,549,363	2,974,756
Support services			
Student services	412,183	321,967	306,552
Instructional staff services	1,161,855	1,701,384	900,925
Administration services	1,644,336	1,624,619	1,623,014
Operation and maintenance plant services	1,805,368	1,941,077	1,815,292
Transportation services	1,134,332	920,802	926,702
Non-instructional			
Other			
Facilities acquisition	189,964	1,896,764	7,458,652
Long-term debt			
Principal	2,506,748	1,805,572	2,122,169
Interest and fiscal charges	600,620	616,265	644,378
Bond issuance cost			
AEA flowthrough	585,470	573,136	547,753
	<hr/>		
Total expenditures	\$ 25,297,189	\$ 24,729,854	\$ 28,942,558
<hr/>			

See Independent Auditor's Report.

Modified Accrual													
2012	2011	2010	2009	2008	2007	2006							
\$	8,468,392	\$	7,791,079	\$	7,146,214	\$	6,786,725	\$	6,282,222	\$	6,341,796	\$	5,998,168
	3,545,106		3,545,106		3,161,819		2,990,001		2,553,688		2,624,750		2,533,470
	2,300,578		2,955,063		2,130,378		2,151,066		2,432,286		2,339,895		2,703,281
	7,239,453		6,622,061		5,837,879		6,725,885		6,466,649		6,176,068		5,783,248
	715,798		734,645		1,141,076		540,139		285,112		245,963		240,641
\$	22,269,327	\$	21,647,954	\$	19,417,366	\$	19,193,816	\$	18,019,957	\$	17,728,472	\$	17,258,808
\$	7,390,715	\$	6,738,275	\$	7,066,295	\$	6,101,214	\$	5,976,750	\$	6,195,772	\$	6,131,923
	3,281,703		3,548,393		2,740,264		3,348,391		2,931,951		2,782,024		2,841,924
	1,650,531		1,708,797		1,725,872		2,068,116		1,777,746		1,063,206		1,067,063
	349,583		382,149		323,043		336,897		327,704		311,136		288,598
	897,355		1,092,846		905,746		725,990		604,581		673,653		540,396
	1,555,170		1,345,680		1,436,927		1,423,288		1,439,698		1,254,791		1,093,675
	1,517,329		1,354,401		1,325,807		1,351,740		1,306,620		1,143,162		1,161,498
	813,401		860,500		797,190		748,872		740,015		702,556		660,791
			38,160				10,234		15,926		37,663		36,350
	12,197,328		1,851,684		355,424		1,468,459		984,630		4,110,541		4,930,220
	1,855,257		6,329,990		1,515,000		1,465,000		1,415,000		1,375,000		1,319,958
	691,199		645,418		256,139		297,372		334,139		363,645		397,332
	3,000		92,048										
	548,284		596,148		591,775		530,159		496,088		476,764		453,211
\$	32,750,855	\$	26,584,489	\$	19,039,482	\$	19,875,732	\$	18,350,848	\$	20,489,913	\$	20,922,939

DECORAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs
 - CFDA Number 10.553-School Breakfast Program
 - CFDA Number 10.555-National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Decorah Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

2015-001 Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional procedures where possible.

Conclusion

Response acknowledged.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Department of Agriculture
Passed through the Iowa Department of Education
CFDA Number 10.553-School Breakfast Program
CFDA Number 10.555-National School Lunch Program
Federal Award Year: 2015
See 2015-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated December 30, 2015

Part V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
2014-001	Overlapping duties	Not corrected	The District has limited staff and segregates duties to the best of their abilities.
2014-002	Nutrition Fund Reimbursement	Corrected	Management has implemented controls to avoid the situation in the future.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Indirect			
Department of Agriculture			
Passed through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY15	\$ 29,032
National School Lunch Program	10.555	FY15	337,335
			<u>366,367</u>
Department of Education			
Passed through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY15	150,455
Special Education Grants to States	84.027	FY15	68,132
Career and Technical Education-Basic Grants to States	84.048	FY15	4,094
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	FY15	465
Improving Teacher Quality State Grants	84.367	FY15	41,424
Grants for State Assessments and Related Activities	84.369	FY15	8,300
Passed through University of Northern Iowa			
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund Recovery Act	84.396	FY15	1,430
Total Department of Education			<u>274,300</u>
			<u>\$ 640,667</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Decorah Community School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Decorah Community School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Decorah Community School District.

Note 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$6,580 in inventory.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Decorah Community School District
Decorah, Iowa

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

Internal Control over Financial Reporting

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

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decorah Community School District's financial statements are free from 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*.

Decorah Community School District's Response to Finding

Decorah Community School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decorah Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 30, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Decorah Community School District
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Decorah Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decorah Community School District's major federal programs for the year ended June 30, 2015. Decorah Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decorah Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decorah Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Decorah Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Decorah Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Decorah Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decorah Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Decorah Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decorah Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 30, 2015

MANAGEMENT LETTER

To the Board of Education
Decorah Community School District
Decorah, Iowa

In planning and performing our audit of the financial statements of Decorah Community School District for the year ended June 30, 2015, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 30, 2015 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated December 30, 2015, on the financial statements of the Decorah Community School District. Comment numbers 1, 4, 7, and 13 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts in the instruction and non-instructional functions.

Recommendation

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

Response and Corrective Action Planned

The budget for non-instructional function was exceeded due to increase in depreciation of the new assets put in service at the high school. We will increase the depreciation budget. The instruction function budget was exceeded due to the implementation of 1:1 exceeding estimated costs.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

3. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions

No business transactions between the District and District officials or employees were noted, except for the following:

During the year ended June 30, 2015, the District entered into business transactions with a District official. Details are as follows:

Name, Title and Business Connection: Brian Petersburg, Board Member, Principal of A&J Petersburg Insurance Agency.

Transaction Description: Insurance policies.

Amount: \$325,228

The School District participates in the Iowa Association of School Boards Safety Group Insurance Program. This is a statewide group in which substantially all school districts participate. The advantage of this group is that the insurance cost and the coverage is negotiated by the group's managing agent. The commission received by the local insurance agency who services the account is set by the safety group. Chapter 279.7A of the Code of Iowa states that a transaction with a Board Member needs to meet certain requirements. The School District's legal counsel advises the above participation falls within the exception requirements of Chapter 279.7A of the Code of Iowa.

5. 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.

6. Board Minutes

We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment

There were five students reported incorrectly on the certified enrollment for the year ending June 30, 2015.

Recommendation

The District should notify the Iowa Department of Education of the error to get the proper count.

Response and Corrective Action Planned

The District will contact Iowa Department of Education.

Conclusion

Response accepted.

8. Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

9. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

10. Certified Annual Report

The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

11. Categorical Funding

No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax

No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	1,441,837
Statewide sales, services and use tax	\$	1,329,271	
Proceeds from capital lease		<u>1,652,994</u>	2,982,265
Expenditures/transfers out:			
School infrastructure:			
Equipment and architect		2,042,656	
Debt service for school infrastructure:			
General obligation debt		<u>1,203,153</u>	<u>3,245,809</u>
Ending balance			<u>\$ 1,178,293</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 2.32	\$ 1,203,153
PPEL levy	1.67	<u>126,118</u>
		<u>\$ 1,329,271</u>

13. Student Activity Fund Deficits

As of June 30, 2015, twenty-three individual student activity accounts have a negative account balance. The District is reporting that for the Class of 2014 the student activity account is inactive.

Recommendation

The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition. The District should reallocate funds to help fund the activity. The District should review the list of student activity accounts for inactive accounts.

Response and Corrective Action Planned

The sponsors, principals, and Board will actively review the deficit amounts and try to bring them to a positive balance.

Conclusion

Response accepted.

14. Outstanding Checks

During our audit, we noted the nutrition fund cashbook reconciliation included outstanding checks over two years old.

Recommendation

Checks outstanding for two or more years should be filed with the State Treasurer's office. See http://www.greatiowatreasurehunt.com/compliance_reporting/pdffiles/2007_holder_manual.pdf for instructions.

Response and Corrective Action Planned

We will work on contacting these individual vendors and reissue checks to them.

Conclusion

Response accepted.

15. Capital Assets

During our audit, we noted assets were being sold for cash without Board approval, which is Board policy. We also could not locate many assets during our walk through at the Thomas Roberts High School.

Recommendation

The District needs to update the fixed asset listing to accurately reflect the assets on the District's records and determine which items are no longer in possession of the District and in need of disposition from the depreciation schedule. All staff in position of being able to dispose of assets should be reminded of Board policy that is in place and remind them not to transact with cash.

Response and Corrective Action Planned

We have implemented steps to prevent this from occurring in the future.

Conclusion

Response accepted.

16. Nutrition Accounts

During our audit, we noted numerous student and staff nutrition accounts that had negative balances at year-end. There is no Board policy in place to handle and to collect the money.

Recommendation

We recommend the Board adopt a policy to prevent and/or to minimize the students and staff from having negative nutrition account balances. The Board should also adopt a policy that states the steps the District will take to collect the balances.

Response and Corrective Action Planned

We have implemented steps to resolve these issues.

Conclusion

Response accepted.

17. Disbursements

During our review of P-card transactions, we noted one transaction did not have a purchase order attached and another one did not have a detailed receipt for a meal attached. The Board policy requires a purchase order needs to be completed for all purchases made outside the District's borders and all meal reimbursements need to have a detailed receipt.

Recommendation

We recommend the District to review all transactions to verify all proper documentation is attached and if not to request the documentation from the staff.

Response and Corrective Action Planned

We have implemented steps to avoid this situation in the future.

Conclusion

Response accepted.

18. Free and Reduced Reimbursement

The District discovered they had classified some students in the nutrition program as full price students and instead of free or reduced for March and May. Once a month has been closed, the program does not allow the District to change the student's classification. Therefore, the District manually adjusted the reports to claim the students. However, the District miscalculated the adjustments that were reported to the Department of Education.

Recommendation

We recommend all reports be reviewed for accuracy and filed on a timely basis. The District should also amend the reports and pay back the extra funds due to the federal and state governments.

Response and Corrective Action Planned

We had incurred staff turnover and issues with the new software. Both items have been resolved and this should not be a problem in the future.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

Other procedural matters were discussed with management and documented in a letter to them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Decorah Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hacher, Nelson & Co., P.C.