

DELWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Delwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Sarah Tubbs	President	2017
Jody Holtz	Vice President	2017
Carmen Gerlach	Board Member	2015
Ron Filloon	Board Member	2015
Rhonda Denger	Board Member	2015
School Officials		
Sue Goodall	Superintendent	2015
Jane Goodenow	District Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Delwood Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Delwood Community School District, Delmar, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Delwood 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 12 to the financial statements, Delwood Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2014 and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2016 on our consideration of Delwood Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Delwood Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,440,334 in fiscal 2014 to \$2,534,172 in fiscal 2015, and General Fund expenditures decreased from \$2,484,465 in fiscal 2014 to \$2,448,597 in fiscal 2015. The District's General Fund balance increased from \$1,036,744 on June 30, 2014 to a balance of \$1,122,319 on June 30, 2015, an increase of 8.25% from the prior year.
- The increase in General Fund revenues during fiscal 2015 can be partly attributed to a increase in state revenue received during the year. The increase in expenditures was seen primarily in the support service functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Delwood Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Delwood Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Delwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

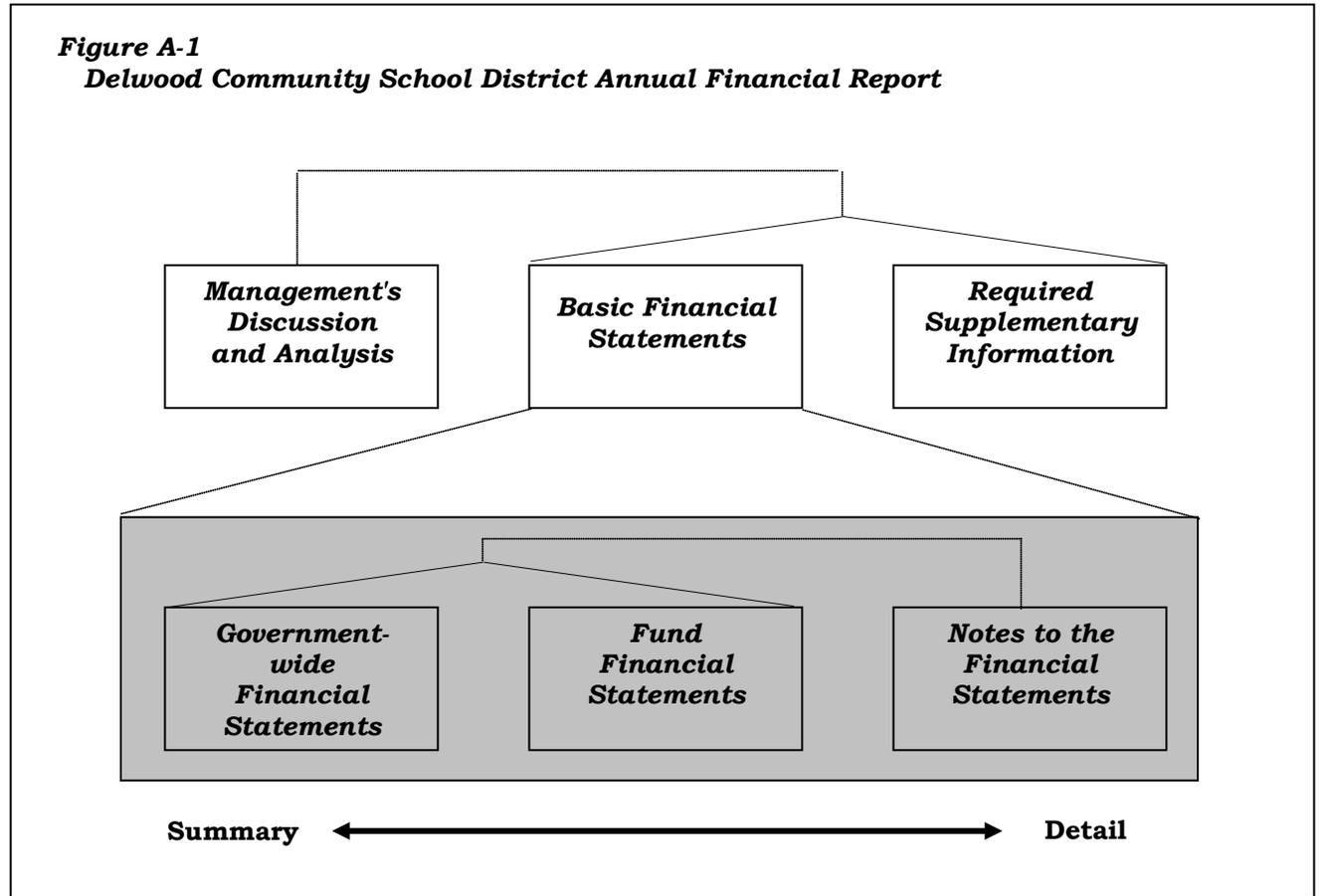


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 3,332,626	3,020,898	25,513	21,852	3,358,139	3,042,750	10.37%
Capital assets	1,238,124	1,236,423	1,974	2,971	1,240,098	1,239,394	0.06%
Total assets	4,570,750	4,257,321	27,487	24,823	4,598,237	4,282,144	7.38%
Deferred outflows of resources	148,418	-	3,206	-	151,624	-	100.00%
Long-term liabilities	765,497	27,968	13,950	-	779,447	27,968	2686.92%
Other liabilities	137,524	132,345	837	934	138,361	133,279	3.81%
Total liabilities	903,021	160,313	14,787	934	917,808	161,247	469.19%
Deferred inflows of resources	1,193,852	850,415	5,320	-	1,199,172	850,415	41.01%
Net position:							
Net investment in capital assets	1,238,124	1,236,423	1,974	2,971	1,240,098	1,239,394	0.06%
Restricted	1,060,189	989,369	-	-	1,060,189	989,369	7.16%
Unrestricted	323,982	1,020,801	8,612	20,918	332,594	1,041,719	-68.07%
Total net position	\$ 2,622,295	3,246,593	10,586	23,889	2,632,881	3,270,482	-19.50%

The District's combined net position decreased by 19.50%, or \$637,601, from the prior year. A large portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 7.16% or \$70,820 from the prior year. This increase was primarily due to the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net position - the part of net position that can be used to finance day -to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased 68.07% or \$709,125. This reduction in unrestricted net position was primarily a result of the District's net position liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No.27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$822,737 and \$17,134, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 325,634	329,945	30,650	26,856	356,284	356,801	-0.14%	
Operating grants, contributions and restricted interest	212,423	215,484	52,527	50,377	264,950	265,861	-0.34%	
Capital grants, contributions and restricted interest	500	-	-	-	500	-	100.00%	
General revenues:								
Property tax	849,183	846,816	-	-	849,183	846,816	0.28%	
Income surtax	125,440	109,713	-	-	125,440	109,713	14.33%	
Statewide sales, services and use tax	201,898	175,519	-	-	201,898	175,519	15.03%	
Unrestricted state grants	1,162,183	995,239	-	-	1,162,183	995,239	16.77%	
Unrestricted investment earnings	7,063	5,107	28	20	7,091	5,127	38.31%	
Other	16,617	6,296	242	194	16,859	6,490	159.77%	
Total revenues	<u>2,900,941</u>	<u>2,684,119</u>	<u>83,447</u>	<u>77,447</u>	<u>2,984,388</u>	<u>2,761,566</u>	<u>8.07%</u>	
Program expenses:								
Instructional	1,689,385	1,791,873	-	-	1,689,385	1,791,873	-5.72%	
Support services	773,732	687,556	-	456	773,732	688,012	12.46%	
Non-instructional programs	42,178	39,455	79,616	71,345	121,794	110,800	9.92%	
Other expenses	122,207	118,440	-	-	122,207	118,440	3.18%	
Total expenses	<u>2,627,502</u>	<u>2,637,324</u>	<u>79,616</u>	<u>71,801</u>	<u>2,707,118</u>	<u>2,709,125</u>	<u>-0.07%</u>	
Change in net position before special item	273,439	46,795	3,831	5,646	277,270	52,441	428.73%	
Special item(Note 10)	(75,000)	(52,343)	-	-	(75,000)	(52,343)	43.29%	
Change in net position	198,439	(5,548)	3,831	5,646	202,270	98	206297.96%	
Net position beginning of year, as restated	<u>2,423,856</u>	<u>3,252,141</u>	<u>6,755</u>	<u>18,243</u>	<u>2,430,611</u>	<u>3,270,384</u>	<u>-25.68%</u>	
Net position end of year	<u>\$ 2,622,295</u>	<u>3,246,593</u>	<u>10,586</u>	<u>23,889</u>	<u>2,632,881</u>	<u>3,270,482</u>	<u>-19.50%</u>	

In fiscal 2015, property tax and unrestricted state grants accounted for 69.33% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.68% of the revenue from business type activities.

The District's total revenues were approximately \$2.98 million, of which approximately \$2.90 million was for governmental activities and \$0.08 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.07% increase in revenues and a 0.07% decrease in expenses. The increase in revenues can be partially attributed to an increase unrestricted state grants. The decrease in expenses can be attributed to a decrease in instruction expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$2,900,941 and expenses were \$2,627,502 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 1,689,385	1,791,873	-5.72%	1,243,843	1,338,811	-7.09%
Support services	773,732	687,556	12.53%	772,261	684,826	12.77%
Non-instructional programs	42,178	39,455	6.90%	42,178	39,455	6.90%
Other expenses	122,207	118,440	3.18%	30,663	28,803	6.46%
Totals	<u>\$ 2,627,502</u>	<u>2,637,324</u>	<u>-0.37%</u>	<u>2,088,945</u>	<u>2,091,895</u>	<u>-0.14%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$325,634.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$212,923.
- The net cost of governmental activities was financed with \$849,183 in property tax, \$125,440 in income surtax, \$201,898 in statewide sales, services and use tax, \$1,162,183 in unrestricted state grants, \$7,063 in interest income and \$16,617 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$83,447 and expenses were \$79,616 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,146,777, above last year's ending fund balance of \$1,947,270. An increase in the fund balance of the General Fund led to the increase in total fund balances at the end of the year.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,036,744 on June 30, 2014 to \$1,122,319 on June 30, 2015. An increase in state revenues received during the year contributed to the increase in revenues. The decrease in expenditures was due to decreases in expenditures incurred in the instruction functional area.
- The Capital Projects Fund balance increased from \$859,999 at June 30, 2014 to \$889,842 at June 30, 2015. This increase was the result of the increase in Statewide Sales, Services and Use Tax revenue received as compared to the prior year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$6,755, restated at July 1, 2014 to \$10,586 at June 30, 2015, representing an increase of a 56.71%. The increase in net position is related to an increase in charge for service revenue received compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delwood Community School District amended its budget one time to reclassify expenditures between the instruction and support service functional areas.

The District's revenues were \$28,575 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures higher than expected to allow for unexpected categorical funding, substitute expenses for long term leaves, textbooks and computers. A line-item budget with prior year's comparisons, known expenditures and allowances for unexpected expenditures during the year is created before the budget is submitted in April. The line-item budget is updated several times during the year. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,240,098, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase 0.06% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$86,220.

The original cost of the District's capital assets was \$2,634,312. Governmental funds account for \$2,601,649 with the remainder of \$32,663 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$103,796 at June 30, 2015, compared to \$152,319 reported at June 30, 2014. This decrease was primarily due to depreciation expense incurred during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 600	600	-	-	600	600	0.00%
Buildings	1,110,326	1,066,925	-	-	1,110,326	1,066,925	4.07%
Land improvements	25,376	19,550	-	-	25,376	19,550	29.80%
Machinery and equipment	101,822	149,348	1,974	2,971	103,796	152,319	-31.86%
Total	\$ 1,238,124	1,236,423	1,974	2,971	1,240,098	1,239,394	0.06%

Long-Term Debt

At June 30, 2015, the District had \$779,447 in long-term debt outstanding. This represents an increase of 2468.06% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had termination benefits of \$61,213 payable from the Management Levy Fund at June 30, 2015.

The District reported total net OPEB liability of \$34,422 at June 30, 2015.

The District has outstanding Net Pension Liability at June 30, 2015 of \$683,812. The governmental Activities accounted for \$669,862 of the total while the Business Type Activities accounted for \$13,950.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Termination benefits	\$ 61,213	-	-	-	61,213	-	100.00%
Net Pension Liability	669,862	-	13,950	-	683,812	-	100.00%
Net OPEB liability	34,422	27,968	-	-	34,422	27,968	23.08%
Total	\$ 765,497	27,968	13,950	-	779,447	27,968	2686.92%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has continued to maintain a healthy fund balance in the General Fund. Projected enrollment for preschool and kindergarten levels is remaining stable.
- Open enrollment students continue to help us to maintain our classroom sizes and financial stability. We will continue to offer two full classes of preschool.

-
- The District has continued to support a quality before and after school program with the assistance of grants and parent fees. The District feels these programs offer a safe environment with additional educational opportunities.
 - The District has continued to offer a morning and afternoon preschool for multi-aged 3, 4 and 5 year olds working and playing together to prepare students for the transition into kindergarten. The District offers a quality childcare for the balance of the day, to accommodate parents work schedules and offer stability for the student. The District received 50% state costs per pupil as state aid for all of the four year olds. The District views this as another step offering educational opportunities for children, while remaining economically stable. Parents pay fees for the childcare program.
 - Since the 2006-07 school year, the District has combined the principal, superintendent and curriculum director positions, reducing administrative expenditures and allowing more funding for the education of Delwood students.
 - Insurance costs increased for workers compensation, property, casualty and transportation. Consequently, we have increased our levy for the Management Fund. Health insurance increased by 27.07% for the 2014-15 school year.
 - In April 2015, the Delwood Community School District and the Delwood Education Association settled a two year agreement for the 2015-16 and 2017-18 school years. Each of the years will be a total package increase of 3.95%.
 - The 2015-16 school year was the 27th year of a whole grade sharing agreement with Maquoketa Community School District for the 7-12 grade students.
 - The District has remained financially stable and has projected to remain independent for years to come. While the District has one of the lowest levy rates in the state, the District has the ability to levy more due to its \$4,000,000 carryover unspent authorized budget and the Educational Improvement Program adopted by voters in 1990 that can be funded through both property tax and income surtax.
 - The District continues to offer a strong education as evidenced by student achievement data.
 - The District has a very experienced teaching staff that supports student learning and very supportive non-certified staff. Delwood offers many professional development opportunities for our instructional and administrative staff. The District was chosen for round one of the Teacher Leadership Grant. Administration and staff feel this is another great opportunity for students and staff success.
 - The District maintains reliable transportation vehicles, modern equipment and technology, modern media center and retains their building in quality condition.
 - The District has also received a grant to support a summer school to maintain student learning during the summer break.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane L. Goodenow, District Secretary/Treasurer and Business Manager or Superintendent Sue Goodall, Delwood Community School District, 311 Delmar Avenue, P.O. Box 292, Delmar, Iowa 52037.

DELWOOD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,161,475	23,536	2,185,011
Receivables:			
Property tax:			
Delinquent	12,441	-	12,441
Succeeding year	938,386	-	938,386
Income surtax	108,393	-	108,393
Accounts	758	102	860
Due from other governments	103,548	-	103,548
Prepaid expenses	7,625	-	7,625
Inventories	-	1,875	1,875
Capital assets, net of accumulated depreciation	1,238,124	1,974	1,240,098
Total assets	4,570,750	27,487	4,598,237
Deferred Outflows of Resources			
Pension related deferred outflows	148,418	3,206	151,624
Liabilities			
Salaries and benefits payable	137,524	-	137,524
Unearned revenue	-	837	837
Long-term liabilities:			
Portion due within one year:			
Termination benefits	2,717	-	2,717
Portion due after one year:			
Termination benefits	58,496	-	58,496
Net Pension liability	669,862	13,950	683,812
Net OPEB liability	34,422	-	34,422
Total liabilities	903,021	14,787	917,808
Deferred Inflows of Resources			
Unavailable property tax revenues	938,386	-	938,386
Pension related deferred inflows	255,466	5,320	260,786
Total Deferred Inflows of Resources	1,193,852	5,320	1,199,172
Net Position			
Net investment in capital assets	1,238,124	1,974	1,240,098
Restricted for:			
Categorical funding	96,944	-	96,944
Management levy purposes	61,919	-	61,919
Student activities	11,484	-	11,484
School infrastructure	727,467	-	727,467
Physical plant and equipment	162,375	-	162,375
Unrestricted	323,982	8,612	332,594
Total net position	\$ 2,622,295	10,586	2,632,881

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,207,748	246,211	13,624	-	(947,913)	-	(947,913)
Special	303,241	30,397	10,383	-	(262,461)	-	(262,461)
Other	178,396	49,026	95,901	-	(33,469)	-	(33,469)
	<u>1,689,385</u>	<u>325,634</u>	<u>119,908</u>	<u>-</u>	<u>(1,243,843)</u>	<u>-</u>	<u>(1,243,843)</u>
Support services:							
Student	24,627	-	-	-	(24,627)	-	(24,627)
Instructional staff	133,532	-	971	-	(132,561)	-	(132,561)
Administration	306,662	-	-	-	(306,662)	-	(306,662)
Operation and maintenance of plant	135,296	-	-	500	(134,796)	-	(134,796)
Transportation	173,615	-	-	-	(173,615)	-	(173,615)
	<u>773,732</u>	<u>-</u>	<u>971</u>	<u>500</u>	<u>(772,261)</u>	<u>-</u>	<u>(772,261)</u>
Non-instructional programs:							
Food service operations	2,676	-	-	-	(2,676)	-	(2,676)
Community service operations	38,030	-	-	-	(38,030)	-	(38,030)
Other enterprise operations	1,472	-	-	-	(1,472)	-	(1,472)
	<u>42,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,178)</u>	<u>-</u>	<u>(42,178)</u>
Other expenditures:							
AEA flowthrough	91,544	-	91,544	-	-	-	-
Depreciation(unallocated)*	30,663	-	-	-	(30,663)	-	(30,663)
	<u>122,207</u>	<u>-</u>	<u>91,544</u>	<u>-</u>	<u>(30,663)</u>	<u>-</u>	<u>(30,663)</u>
Total governmental activities	<u>2,627,502</u>	<u>325,634</u>	<u>212,423</u>	<u>500</u>	<u>(2,088,945)</u>	<u>-</u>	<u>(2,088,945)</u>
Non-instructional programs:							
Food service operations	79,616	30,650	52,527	-	-	3,561	3,561
Total	<u>\$ 2,707,118</u>	<u>356,284</u>	<u>264,950</u>	<u>500</u>	<u>(2,088,945)</u>	<u>3,561</u>	<u>(2,085,384)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 849,183	-		849,183
Income surtax				125,440	-		125,440
Statewide sales, services and use tax				201,898	-		201,898
Unrestricted state grants				1,162,183	-		1,162,183
Unrestricted investment earnings				7,063	28		7,091
Other				16,617	242		16,859
Total general revenues				<u>2,362,384</u>	<u>270</u>		<u>2,362,654</u>
Change in net position before special item				273,439	3,831		277,270
Special item(Note 10)				(75,000)	-		(75,000)
Change in net position				198,439	3,831		202,270
Net position beginning of year, as restated				2,423,856	6,755		2,430,611
Net position end of year				<u>\$ 2,622,295</u>	<u>10,586</u>		<u>2,632,881</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,168,480	858,658	132,791	2,159,929
Receivables:				
Property tax:				
Delinquent	10,616	-	1,825	12,441
Succeeding year	848,386	-	90,000	938,386
Income surtax	108,393	-	-	108,393
Accounts	758	-	-	758
Due from other governments	72,364	31,184	-	103,548
Prepaid expenses	7,625	-	-	7,625
Total assets	\$ 2,216,622	889,842	224,616	3,331,080
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Salaries and benefits payable	\$ 137,524	-	-	137,524
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	848,386	-	90,000	938,386
Income surtax	108,393	-	-	108,393
Total deferred inflows of resources	956,779	-	90,000	1,046,779
Fund balances:				
Nonspendable	7,625	-	-	7,625
Restricted for:				
Categorical funding	96,944	-	-	96,944
Management levy purposes	-	-	123,132	123,132
Student activities	-	-	11,484	11,484
School infrastructure	-	727,467	-	727,467
Physical plant and equipment	-	162,375	-	162,375
Unassigned	1,017,750	-	-	1,017,750
Total fund balances	1,122,319	889,842	134,616	2,146,777
Total liabilities, deferred inflows of resources and fund balances	\$ 2,216,622	889,842	224,616	3,331,080

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 22)		\$ 2,146,777
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,238,124
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,546
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		108,393
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	\$ 148,418	
Deferred inflows of resources	<u>(255,466)</u>	(107,048)
Long-term liabilities, including other postemployment benefits, net pension liability, and termination benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(765,497)</u>
Net position of governmental activities(page 20)		<u><u>\$ 2,622,295</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 831,263	-	124,815	956,078
Tuition	297,255	-	-	297,255
Other	33,552	4,634	7,149	45,335
Intermediate sources	2,218	-	-	2,218
State sources	1,305,092	201,898	280	1,507,270
Federal sources	64,792	-	-	64,792
Total revenues	2,534,172	206,532	132,244	2,872,948
Expenditures:				
Current:				
Instruction:				
Regular	1,185,707	20,475	4,215	1,210,397
Special	312,576	-	-	312,576
Other	173,254	-	5,142	178,396
	1,671,537	20,475	9,357	1,701,369
Support services:				
Student	25,392	-	-	25,392
Instructional staff	123,517	1,324	-	124,841
Administration	239,937	-	7,688	247,625
Operation and maintenance of plant	121,584	-	18,263	139,847
Transportation	135,720	-	10,364	146,084
	646,150	1,324	36,315	683,789
Non-instructional programs:				
Food service operations	-	-	2,347	2,347
Community service operations	37,894	-	136	38,030
Other enterprise operations	1,472	-	-	1,472
	39,366	-	2,483	41,849
Capital outlay	-	79,890	-	79,890
Other expenditures:				
AEA flowthrough	91,544	-	-	91,544
Total expenditures	2,448,597	101,689	48,155	2,598,441
Excess of revenues over expenditures	85,575	104,843	84,089	274,507
Other financing uses:				
Special item(Note 10)	-	(75,000)	-	(75,000)
Change in fund balances	85,575	29,843	84,089	199,507
Fund balances beginning of year	1,036,744	859,999	50,527	1,947,270
Fund balances end of year	\$ 1,122,319	889,842	134,616	2,146,777

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 24) \$ 199,507

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

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

Capital outlay	\$ 88,723	
Depreciation expense	(85,223)	
Loss on disposal of assets	(1,799)	1,701

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 18,545

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 526

The current year District employer share of IPERS contribution are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 98,922

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

Termination benefits	(61,213)	
Pension expense	(53,095)	
Other postemployment benefits	(6,454)	(120,762)

Change in net position of governmental activities(page 21) \$ 198,439

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,536	1,546
Accounts receivable	102	-
Inventories	1,875	-
Total current assets	25,513	1,546
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,974	-
Total assets	27,487	1,546
Deferred Outflows of Resources		
Pension related deferred outflows	3,206	-
Liabilities:		
Current Liabilities:		
Unearned revenue	837	-
Noncurrent Liabilities:		
Net pension liability	13,950	-
TOTAL LIABILITIES	14,787	-
Deferred Inflows of Resources		
Pension related deferred inflows	5,320	-
Net Position		
Net investment in capital assets	1,974	-
Unrestricted	8,612	1,546
Total net position	\$ 10,586	1,546

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 30,650	-
Miscellaneous	242	9,448
Total operating revenues	<u>30,892</u>	<u>9,448</u>
Operating expenses:		
Support services:		
Administration:		
Services	-	8,922
Non-instructional programs:		
Food service operations:		
Salaries	26,917	-
Benefits	3,169	-
Services	4,648	-
Supplies	43,885	-
Depreciation	997	-
Total operating expenses	<u>79,616</u>	<u>8,922</u>
Operating income (loss)	<u>(48,724)</u>	<u>526</u>
Non-operating revenues:		
Interest income	28	-
State sources	750	-
Federal sources	51,777	-
Total non-operating revenues	<u>52,555</u>	<u>-</u>
Change in net position	3,831	526
Net position beginning of year, as restated	<u>6,755</u>	<u>1,020</u>
Net position end of year	<u>\$ 10,586</u>	<u>1,546</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Business Type	Governmental
	Activities:	Activities:
	Enterprise	Internal
	Fund	Service
	School	Fund
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 30,477	-
Cash received from miscellaneous	242	9,448
Cash payments to employees for services	(31,156)	-
Cash payments to suppliers for goods or services	(40,637)	(8,922)
Net cash provided (used in) operating activities	(41,074)	526
Cash flows from non-capital financing activities:		
State grants received	750	-
Federal grants received	42,939	-
Net cash provided by non-capital financing activities	43,689	-
Cash flows from investing activities:		
Interest on investments	28	-
Net increase in cash and cash equivalents	2,643	526
Cash and cash equivalents beginning of year	20,893	1,020
Cash and cash equivalents end of year	\$ 23,536	1,546
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (48,724)	526
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	8,838	-
Depreciation	997	-
Increase in inventories	(942)	-
Increase in accounts receivable	(76)	-
Decrease in net pension liability	(5,239)	-
Increase in deferred outflows of resources	(1,151)	-
Increase in deferred inflows of resources	5,320	-
Decrease in unearned revenue	(97)	-
Net cash provided by (used) in operating activities	\$ (41,074)	526

Non-cash investing, capital and other related financing activities:

During the year ended June 30, 2015, the District received \$8,838 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	<u>\$ 130,848</u>
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 130,848</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$ 749</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>804</u>
Change in net position	(55)
Net position beginning of year	<u>130,903</u>
Net position end of year	<u>\$ 130,848</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Delwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through sixth. Additionally, the District operates a before and after school program for students enrolled in the District. The geographic area served includes the Cities of Delmar and Elwood, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Delwood Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Delwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by

management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports one nonmajor proprietary fund, the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District reports one other proprietary fund, the Internal Service Fund. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide

and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit of 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$125,905 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600	-	-	600
Total capital assets not being depreciated	600	-	-	600
Capital assets being depreciated:				
Buildings	1,478,463	71,515	-	1,549,978
Land improvements	52,656	8,375	-	61,031
Machinery and equipment	1,041,073	8,833	59,866	990,040
Total capital assets being depreciated	2,572,192	88,723	59,866	2,601,049
Less accumulated depreciation for:				
Buildings	411,538	28,114	-	439,652
Land improvements	33,106	2,549	-	35,655
Machinery and equipment	891,725	54,560	58,067	888,218
Total accumulated depreciation	1,336,369	85,223	58,067	1,363,525
Total capital assets being depreciated, net	1,235,823	3,500	1,799	1,237,524
Governmental activities capital assets, net	\$ 1,236,423	3,500	1,799	1,238,124
Business type activities:				
Machinery and equipment	\$ 32,663	-	-	32,663
Less accumulated depreciation	29,692	997	-	30,689
Business type activities capital assets, net	\$ 2,971	(997)	-	1,974

Depreciation expense was charged by the District as follows:

Governmental activities:	
Regular	\$ 22,433
Support services:	
Operation and maintenance of plant	769
Transportation	31,358
	<u>54,560</u>
Unallocated depreciation	<u>30,663</u>
Total governmental activities depreciation expense	<u>\$ 85,223</u>
Business type activities:	
Food service operations	<u>\$ 997</u>

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Net OPEB liability	\$ 27,968	6,454	-	34,422	-
Net pension liability	921,436	-	251,574	669,862	-
Termination benefits	-	61,213	-	61,213	2,717
Total	<u>\$ 949,404</u>	<u>67,667</u>	<u>251,574</u>	<u>765,497</u>	<u>2,717</u>
Business Type Activities:					
Net pension liability	<u>\$ 19,189</u>	<u>-</u>	<u>5,239</u>	<u>13,950</u>	<u>-</u>

Termination Benefits

During fiscal year 2015 the district offered a voluntary early retirement plan. The plan was offered to employees for only one year. Eligible employees must have completed at least fifteen years of services to the District and have reached the age of fifty-five on or before June 30, 2015.

Early retirement benefits equal a cash incentive of 50% their current salary (Excluding substitute wages, overtime pay, extra duty pay, extra duty increments, teacher compensation payments and extended contract days). The retirement incentive will be paid in four equal installments in July and February over the 2015-2016 and 2016-2017 calendar years.

The District's Superintendent was guaranteed this early retirement package by the School Board at the end of the 2016 fiscal year. These payments are expected to begin in July of 2016.

At June 30, 2015, the District had early retirement obligations two participants for a total early retirement liability of \$61,213.

Note 5. Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$101,096.

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 \$683,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.016896 percent, which was an increase of 0.000283 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$54,199. 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	\$ 7,432	\$ -
Changes of assumptions	30,178	-
Net difference between projected and actual earnings on pension plan investments	-	260,786
Changes in proportion and differences between District contributions and proportionate share of contributions	12,918	-
District contributions subsequent to the measurement date	101,096	-
Total	\$ 151,624	\$ 260,786

\$101,096 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (53,391)
2017	(53,391)
2018	(53,391)
2019	(53,391)
2020	3,306
	<u>\$ (210,258)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the

net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,292,044	\$ 683,812	\$ 170,402

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$12,281 for legally required employer contributions and \$8,183 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit 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.

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	\$ 7,206
Interest on net OPEB obligation	731
Adjustment to annual required contribution	(1,483)
Annual OPEB cost	<u>6,454</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	6,454
Net OPEB obligation beginning of year	<u>27,968</u>
Net OPEB obligation end of year	<u><u>\$ 34,422</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between

the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 5,855	0.00%	\$ 22,094
2014	5,874	0.00%	27,968
2015	6,454	0.00%	34,422

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$48,457, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$48,457. The covered payroll (annual payroll of active employees covered by the plan) was \$335,975 and the ratio of the UAAL to covered payroll was 14.42%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the 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 health care cost trend rate is 6.00%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

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

Note 8. 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 \$91,544 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District’s ending balances for categorical funding as of June, 20, 2015, include the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 74,131
Teacher Salary Supplement	8,741
Successful Progression for Early Readers	11,167
Professional Development	2,905
Total	<u>\$ 96,944</u>

Note 10. Special Item

The District participates in a 28E sharing agreement with the Maquoketa Community School District. During the year ended June 30, 2015, Delwood Community School District paid Maquoketa Community School District \$75,000 of its statewide sales, services and use tax revenue received per provisions of the 28E sharing agreement. The agreement is supervised by a Facility Improvement Program Committee which includes Board members from each District.

Note 11. Property Lease Agreement

For the year ended June 30, 2015, the District had a rental agreement with Hanrahan Service Incorporated for the use of a building and tools for maintenance of District buses. Rental payment is \$500 per month. The rental agreement is renewed on an annual basis.

Note 12. Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 3,246,593	\$ 23,889
Net pension liability at June 30, 2014	(921,436)	(19,189)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	98,699	2,055
Net position July 1, 2014, as restated	<u>\$ 2,423,856</u>	<u>\$ 6,755</u>

Note 13. Reconciliation Note

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

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 123,132	1,017,750
Termination benefits	(61,213)	-
Nonspendable	-	7,625
Income Surtax	-	108,393
Pension Related deferred Inflows	-	(255,466)
Pension Related deferred outflows	-	148,418
Internal service	-	1,546
Net Pension Liability	-	(669,862)
Net OPEB liability	-	(34,422)
Net position (Exhibit A)	<u>\$ 61,919</u>	<u>323,982</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,298,668	30,920	1,329,588	1,505,490	1,505,490	(175,902)
Intermediate sources	2,218	-	2,218	1,000	1,000	1,218
State sources	1,507,270	750	1,508,020	1,302,502	1,302,502	205,518
Federal sources	64,792	51,777	116,569	118,828	118,828	(2,259)
Total revenues	<u>2,872,948</u>	<u>83,447</u>	<u>2,956,395</u>	<u>2,927,820</u>	<u>2,927,820</u>	<u>28,575</u>
Expenditures/Expenses:						
Instruction	1,701,369	-	1,701,369	2,098,989	1,999,999	298,630
Support services	683,789	-	683,789	774,383	850,000	166,211
Non-instructional programs	41,849	79,616	121,465	132,986	132,986	11,521
Other expenditures	171,434	-	171,434	230,228	230,228	58,794
Total expenditures/expenses	<u>2,598,441</u>	<u>79,616</u>	<u>2,678,057</u>	<u>3,236,586</u>	<u>3,213,213</u>	<u>535,156</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	274,507	3,831	278,338	(308,766)	(285,393)	563,731
Other financing uses, net	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>	<u>(139,800)</u>	<u>(139,800)</u>	<u>64,800</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	199,507	3,831	203,338	(448,566)	(425,193)	628,531
Balances beginning of year, as restated	<u>1,947,270</u>	<u>6,755</u>	<u>1,954,025</u>	<u>1,734,116</u>	<u>1,734,116</u>	<u>219,909</u>
Balances end of year	<u>\$ 2,146,777</u>	<u>10,586</u>	<u>2,157,363</u>	<u>1,285,550</u>	<u>1,308,923</u>	<u>848,440</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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, decreasing budgeted expenditures by \$23,373.

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

	2015
District's proportion of the net pension liability	0.016896%
District's proportionate share of the net pension liability	\$ 683,812
District's covered-employee payroll	\$ 1,132,097
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.40%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DELWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 101,096	100,754	93,156	84,077	69,682	65,324	58,083	53,570	47,487	47,651
Contributions in relation to the statutorily required contribution	(101,096)	(100,754)	(93,156)	(84,077)	(69,682)	(65,324)	(58,083)	(53,570)	(47,487)	(47,651)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,132,097	1,128,264	1,074,464	1,041,846	1,002,619	939,914	914,693	885,455	825,861	828,713
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

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

Ended June 30,	Valuation Date	Actuarial Assets (a)	Actuarial Accrued (AAL) (b)	Unfunded (UAAL) (b-a)	Ratio (a/b)	Payroll (c)	UAAL as a Percentage Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 49,969	49,969	0.00%	\$ 367,988	13.58%
2011	July 1, 2009	-	49,969	49,969	0.00%	374,094	13.36%
2012	July 1, 2009	-	49,969	49,969	0.00%	391,095	12.78%
2013	July 1, 2012	-	56,309	56,309	0.00%	451,101	12.48%
2014	July 1, 2012	-	53,581	53,581	0.00%	474,365	11.30%
2015	July 1, 2012	-	48,457	48,457	0.00%	335,975	14.42%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 121,307	11,484	132,791
Receivables:			
Property tax:			
Delinquent	1,825	-	1,825
Succeeding year	90,000	-	90,000
Total assets	\$ 213,132	11,484	224,616
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	90,000	-	90,000
Fund balances:			
Restricted for:			
Management levy purposes	123,132	-	123,132
Student activities	-	11,484	11,484
Total fund balances	123,132	11,484	134,616
Total liabilities, deferred inflows of resources and balances	\$ 213,132	11,484	224,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 124,815	-	124,815
Other	2,698	4,451	7,149
State sources	280	-	280
TOTAL REVENUES	127,793	4,451	132,244
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,215	-	4,215
Other	-	5,142	5,142
Support services:			
Administration	7,688	-	7,688
Operation and maintenance of plant	18,263	-	18,263
Transportation	10,364	-	10,364
Non-instructional programs:			
Food service operations	2,347	-	2,347
Community service operations	136	-	136
TOTAL EXPENDITURES	43,013	5,142	48,155
Change in fund balances	84,780	(691)	84,089
Fund balances beginning of year	38,352	12,175	50,527
Fund balances end of year	\$ 123,132	11,484	134,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 696,283	162,375	858,658
Due from other governments	31,184	-	31,184
Total assets	\$ 727,467	162,375	889,842
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	-	-	-
Deferred inflows of resources:	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	727,467	-	727,467
Physical plant and equipment	-	162,375	162,375
Total fund balances	727,467	162,375	889,842
Total liabilities, deferred inflows of resources and fund balances	\$ 727,467	162,375	889,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Other	\$ 3,072	1,562	4,634
State sources	201,898	-	201,898
Total revenues	<u>204,970</u>	<u>1,562</u>	<u>206,532</u>
Expenditures:			
Instruction:			
Regular	15,575	4,900	20,475
Support services:			
Instructional staff	1,324	-	1,324
Capital outlay	79,890	-	79,890
Total expenditures	<u>96,789</u>	<u>4,900</u>	<u>101,689</u>
Excess(Deficiency) of revenues over(under) expenditures	108,181	(3,338)	104,843
Other financing uses:			
Special item(Note 10)	<u>(75,000)</u>	-	<u>(75,000)</u>
Change in fund balances	33,181	(3,338)	29,843
Fund balances beginning of year	<u>694,286</u>	<u>165,713</u>	<u>859,999</u>
Fund balances end of year	<u>\$ 727,467</u>	<u>162,375</u>	<u>889,842</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student Council	\$ 4,393	2,384	3,242	3,535
5th/6th Grade Trip	7,782	2,067	1,900	7,949
Total	\$ 12,175	4,451	5,142	11,484

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 956,078	955,235	1,084,956	1,108,298	1,058,243	1,003,820	986,686	964,425	978,434	853,716
Tuition	297,255	274,176	300,043	225,985	253,472	175,787	163,233	110,758	109,445	85,099
Other	45,335	71,238	32,965	39,956	42,580	50,455	61,877	95,783	116,591	147,000
Intermediate sources	2,218	1,741	1,683	2,658	840	13,645	53,884	-	-	-
State sources	1,507,270	1,312,023	1,223,801	1,265,837	1,434,652	1,198,707	1,230,235	1,414,762	1,140,186	1,251,350
Federal sources	64,792	68,412	76,199	77,865	178,876	218,030	75,143	67,504	62,198	76,866
Total	\$ 2,872,948	2,682,825	2,719,647	2,720,599	2,968,663	2,660,444	2,571,058	2,653,232	2,406,854	2,414,031
Expenditures:										
Instruction:										
Regular	\$ 1,210,397	1,255,507	1,187,681	1,280,774	1,217,941	1,163,098	1,310,955	1,129,347	1,048,161	995,246
Special	312,576	358,699	320,100	372,299	469,183	457,989	505,550	365,641	448,685	427,745
Other	178,396	177,623	161,060	156,337	150,367	165,015	998	96,809	77,582	2,637
Support services:										
Student	25,392	24,964	25,232	26,277	23,927	23,644	24,427	21,463	17,766	24,034
Instructional staff	124,841	72,998	41,898	34,468	37,130	30,427	43,539	42,737	42,876	96,775
Administration	247,625	241,744	235,001	218,628	211,897	215,748	210,107	201,347	187,222	240,482
Operation and maintenance of plant	139,847	164,272	144,119	141,575	142,713	135,041	155,143	134,315	135,942	140,984
Transportation	146,084	160,201	219,396	148,955	137,581	215,020	156,910	234,964	150,036	133,769
Non-instructional programs	41,849	39,156	37,089	42,577	34,492	36,864	33,070	30,951	29,535	25,236
Capital outlay	79,890	48,173	50,477	20,292	36,485	22,807	73,334	142,429	118,679	79,766
Long-term debt:										
Principal	-	-	-	-	-	-	205,000	65,000	60,000	60,000
Interest and other charges	-	-	-	-	-	-	9,247	12,510	15,810	19,110
Other expenditures:										
AEA flow-through	91,544	89,637	88,155	89,562	100,895	95,940	89,534	89,062	80,430	79,033
Total	\$ 2,598,441	2,632,974	2,510,208	2,531,744	2,562,611	2,561,593	2,817,814	2,566,575	2,412,724	2,324,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the Delwood Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Delwood Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 1, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delwood Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delwood Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Delwood Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Delwood Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation and posting.
- 7) Financial reporting - preparing and reconciling.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation and mailing.

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

Response - The administration team including the superintendent/principal, superintendent/building secretary, business coordinator/board secretary and the Delwood School Board continue to review the accounting system procedures to reveal any discrepancies and implement changes to improve the internal control as necessary. Due to the size of the District, the District does not have enough staff to split the duties as they should be, but are comfortable assuming each other's position in their absence and feel by constantly cross-training and checking of each other's entries, it would reveal errors or omissions. We try to include others into the loop whenever possible.

Conclusion – Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amount budgeted.
- II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dean DeHaven, Bus Driver/Mechanic Owns Hanrahan Service, Inc.	Building rent	\$6,000
Kevin Flenker, Teacher Owns R&K Lawn Service	Services	\$75
Cora Roe, Teacher Husband built Custom Woodwork	Services	\$758

In accordance with Attorney General’s Opinion dated July 2, 1990, the above transactions with District employees do not appear to represent a conflict of interest.

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

- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the 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.3 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		\$ 694,286
Revenues:		
Sales tax revenues	\$ 201,898	
Other local revenues	3,072	204,970
		<u>899,256</u>
Expenditures/transfers out:		
School infrastructure	\$ 71,290	
Equipment	16,899	
28E agreement payment	75,000	
Other	8,600	171,789
		<u>171,789</u>
Ending balance		<u>\$ 727,467</u>

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