

DIAGONAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Diagonal Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Amy Herr	President	2017
Jim Strange	Vice President	2015
Pam Grace	Board Member	2015
Becky Stamps	Board Member	2015
Kelly Allee	Board Member	2017

**School Officials**

Karleen Stephens	Superintendent	2015
Rhiannon Tessum	District Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Diagonal 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 Diagonal Community School District, Diagonal, 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 Diagonal 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, Diagonal 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 and the Schedule of District Contributions on pages 7 through 15 and 40 through 45 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 Diagonal 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, 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 23, 2016, on our consideration of Diagonal 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 Diagonal Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016  
Newton, Iowa

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

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Diagonal 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 decreased from \$1,868,051 in fiscal 2014 to \$1,727,309 in fiscal 2015, while General Fund expenditures decreased from \$1,694,822 in fiscal 2014 to \$1,525,433 in fiscal 2015. The District's General Fund balance increased from \$424,855 in fiscal 2014 to \$626,731 in fiscal 2015, a 47.52% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local revenue sources in fiscal 2015. The decrease in expenditures was due primarily to a decrease in regular instruction expenditures.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Diagonal 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 Diagonal 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 Diagonal Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year and the District's proportionate share of the net pension liability and related contributions.

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.

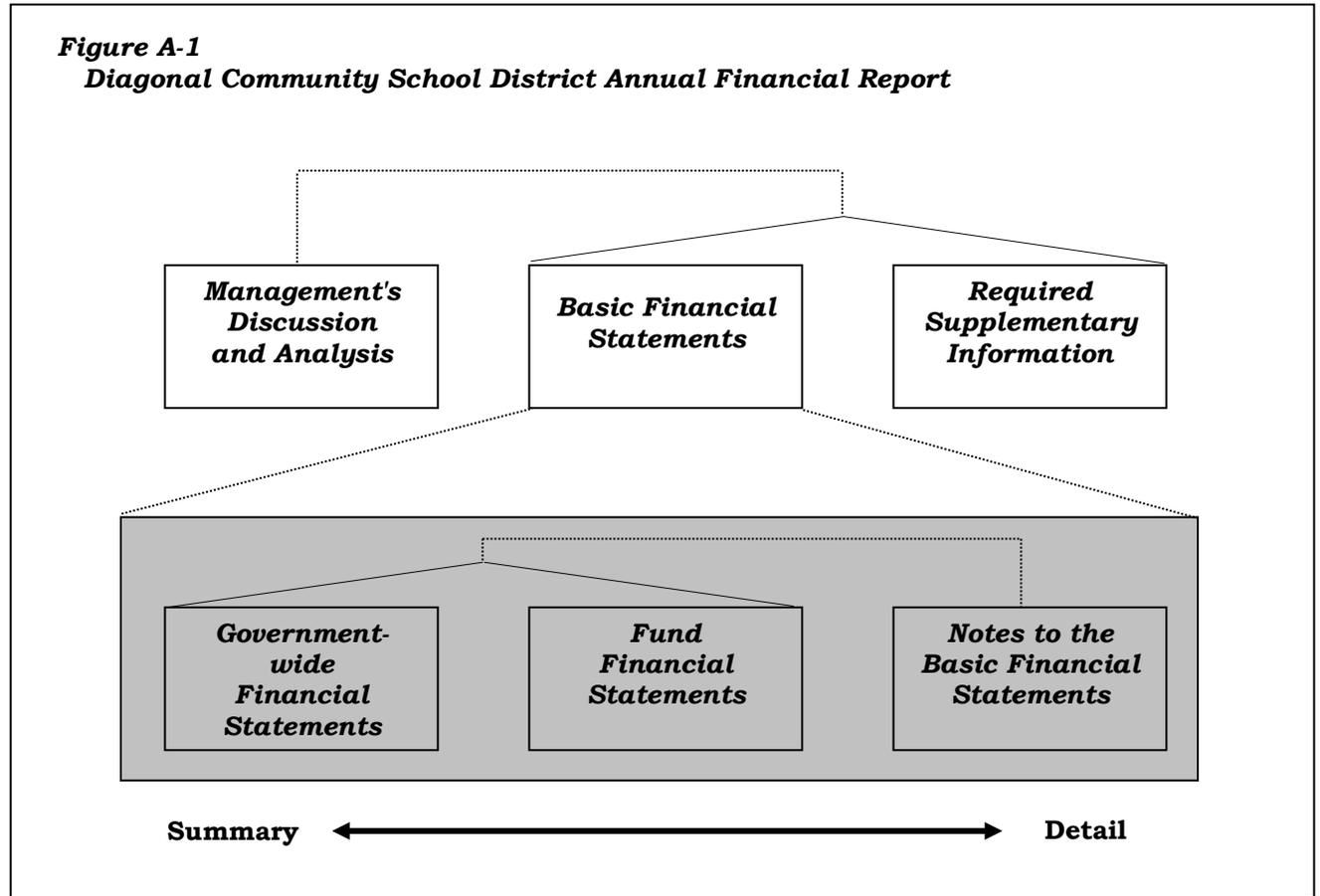


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All 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

## 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.

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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 two 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, the Debt Service Fund 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 two Enterprise Funds: the School Nutrition Fund and the Early Childhood Fund.

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

Reconciliation 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.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		2014-15
Current and other assets	\$ 1,869,160	1,393,590	15,853	15,130	1,885,013	1,408,720	33.81%
Capital assets	332,164	367,569	6,855	8,806	339,019	376,375	-9.93%
Total assets	2,201,324	1,761,159	22,708	23,936	2,224,032	1,785,095	24.59%
Deferred outflows of resources	107,570	-	18,473	-	126,043	-	100.00%
Long-term liabilities	596,960	-	83,182	-	680,142	-	100.00%
Other liabilities	72,293	66,854	15,803	17,855	88,096	84,709	4.00%
Total liabilities	669,253	66,854	98,985	17,855	768,238	84,709	806.91%
Deferred inflows of resources	969,775	586,914	43,188	-	1,012,963	586,914	72.59%
Net position:							
Net investment in capital assets	332,164	367,569	6,855	8,806	339,019	376,375	-9.93%
Restricted	576,712	377,813	-	-	576,712	377,813	52.64%
Unrestricted	(239,010)	362,009	(107,847)	(2,725)	(346,857)	359,284	-196.54%
Total net position	\$ 669,866	1,107,391	(100,992)	6,081	568,874	1,113,472	-48.91%

The District's combined net position decreased by 48.91% or \$544,598 over the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

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 \$198,899 or 52.64% from the prior year. The increase was primarily due to the increase in restricted balance of the Capital Projects Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$706,141 or 196.54%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$848,615 and \$118,248, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014

financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 303,159	424,474	176,162	150,740	479,321	575,214	-16.67%
Operating grants, contributions and restricted interest	161,697	269,887	61,402	57,829	223,099	327,716	-31.92%
General revenues:							
Property tax	613,018	560,276	-	-	613,018	560,276	9.41%
Income surtax	72,702	67,074	-	-	72,702	67,074	8.39%
Statewide sales, services and use tax	96,644	97,378	-	-	96,644	97,378	-0.75%
Unrestricted state grants	673,888	654,149	-	-	673,888	654,149	3.02%
Unrestricted investment earnings	1,847	1,166	-	-	1,847	1,166	58.40%
Other	52,950	63,553	-	-	52,950	63,553	-16.68%
Total revenues	1,975,905	2,137,957	237,564	208,569	2,213,469	2,346,526	-5.67%
Program expenses:							
Governmental activities:							
Instructional	1,061,417	1,260,032	122,485	125,394	1,183,902	1,385,426	-14.55%
Support services	511,695	602,292	2,285	-	513,980	602,292	-14.66%
Non-instructional programs	-	-	101,631	92,813	101,631	92,813	9.50%
Other expenses	70,103	71,375	-	-	70,103	71,375	-1.78%
Total expenses	1,643,215	1,933,699	226,401	218,207	1,869,616	2,151,906	-13.12%
Changes in net position before extraordinary items	332,690	204,258	11,163	(9,638)	343,853	194,620	76.68%
Extraordinary items:							
Reorganization settlement	78,400	-	12	-	78,412	-	-100.00%
Change in net position	411,090	204,258	11,175	(9,638)	422,265	194,620	116.97%
Net position beginning of year	258,776	903,133	(112,167)	15,719	146,609	918,852	-84.04%
Net position end of year	\$ 669,866	1,107,391	(100,992)	6,081	568,874	1,113,472	-48.91%

In fiscal 2015, property tax and unrestricted state grants accounted for 65.13% of the revenue from governmental activities while charges for service and sales, operating grants, contributions and restricted interest and capital grants, contributions and restricted interest accounted for all of the revenue from business type activities.

The District's total revenues were \$2,213,469, of which \$1,975,905 was for governmental activities and \$237,564 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.67% decrease in revenues and a 13.11% decrease in expenses. The decrease in revenues was primarily caused by a decrease in operating grants, contributions and restricted interest. The decrease in expenses was caused by the decrease in expenses for the support services functional area.

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## Governmental Activities

Revenues for governmental activities were \$1,975,905 and expenses were \$1,643,324 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,061,417	1,260,032	-15.76%	639,517	624,381	2.42%
Support services	511,695	602,292	-15.04%	511,695	587,811	-12.95%
Other expenses	70,103	71,375	-1.78%	27,147	27,146	0.00%
Totals	<u>\$ 1,643,215</u>	<u>1,933,699</u>	<u>-15.02%</u>	<u>1,178,359</u>	<u>1,239,338</u>	<u>-4.92%</u>

- The cost financed by users of the District's programs was \$303,159.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$161,697.
- The net cost of governmental activities was financed with \$613,018 in property tax, \$72,702 in income surtax, \$96,644 in statewide sales, services and use tax, \$673,888 in unrestricted state grants, \$1,847 in interest income and \$52,950 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$237,564 representing a 13.90% increase from the prior year, while expenses totaled \$226,401, a 3.76% increase from the prior year. The District's business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Diagonal 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 \$1,086,654, above last year's ending fund balances of \$691,760. The primary reason for the increase was the increase in the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund balance increased from \$424,855 on June 30, 2014 to \$626,731 on June 30, 2015. The District's improving General Fund financial position is the product of many factors. Decreases in state source revenues led to an overall decrease in revenues from the prior year. With a decrease in expenditures from the prior year, the General Fund balance increased 47.52% during fiscal year 2015.
- The Management Levy Fund balance increased from \$53,424 to \$84,323. The increase in fund balance resulted from the revenue received from the reorganization settlement with Clearfield Community School District.

- The Capital Projects Fund increased from a balance of \$180,719 at the beginning of fiscal year 2015 to \$337,060 at the end of fiscal year 2015. The increase in fund balance resulted in part from an increase in state revenues as compared to the previous year.

### Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from deficit \$16,535 restated at July 1, 2014 to deficit \$20,641 at June 30, 2015, representing a decrease of 24.83%.
- The Early Childhood Fund net position increased from deficit \$95,632 at July 1, 2014 to a deficit \$80,351 at June 30, 2015, representing an increase of 15.98%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$6,998 more than budgeted revenues, a variance of 0.32%. The most significant percentage variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had invested \$339,019, 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 decrease of 9.93% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$42,556.

The original cost of the District's capital assets was \$1,540,487. Governmental funds account for \$1,499,356 with the remainder of \$41,131 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, net of depreciation totaled \$28,485 at June 30, 2014, compared to \$18,276 reported at June 30, 2015. The decrease in machinery and equipment is attributable to depreciation expenditures during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	2014-15
Land	\$ 7,230	7,230	-	-	7,230	7,230	0.00%
Buildings	277,830	301,486	-	-	277,830	301,486	-7.85%
Land improvements	35,683	39,174	-	-	35,683	39,174	-8.91%
Machinery and equipment	11,421	19,679	6,855	8,806	18,276	28,485	-35.84%
Total	\$ 332,164	367,569	6,855	8,806	339,019	376,375	-9.93%

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## Long-Term Debt

At June 30, 2015, the District had \$680,142 in net pension liability outstanding. This represents an increase of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had net pension liability associated with IPERS of \$680,142 at June 30, 2015, of which \$596,960 was attributable to governmental activities and \$83,182 was attributable to business type activities.

Figure A-6							
Capital Assets, Net of Depreciation							
Governmental		Business Type		Total		Total	
Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,	
2014		2014		2014		2014	
2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15	
Net pension liability	\$ 596,960	-	83,182	-	680,142	-	100.00%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and possible enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of the District's unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which started in fiscal year 2005.

## 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 Rhiannon Tessum, District Board Secretary/Treasurer, Diagonal Community School District, 403 W 2<sup>nd</sup>, Diagonal, Iowa, 50845-0094.

*Diagonal Community School District*

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,061,760	10,205	1,071,965
Receivables:			
Property tax:			
Delinquent	9,422	-	9,422
Succeeding year	659,832	-	659,832
Income surtax	50,381	-	50,381
Accounts	2,240	451	2,691
Due from other governments	85,525	3,608	89,133
Due from other funds	-	11	11
Inventories	-	1,578	1,578
Capital assets, net of accumulated depreciation	332,164	6,855	339,019
<b>Total assets</b>	<b>2,201,324</b>	<b>22,708</b>	<b>2,224,032</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	107,570	18,473	126,043
<b>Liabilities</b>			
Due to other funds	11	-	11
Accounts payable	55,382	1,959	57,341
Salaries and benefits payable	14,111	11,484	25,595
Deposits payable	2,789	-	2,789
Unearned revenue	-	2,360	2,360
Long-term liabilities:			
Portion due after one year:			
Net pension liability	596,960	83,182	680,142
<b>Total liabilities</b>	<b>669,253</b>	<b>98,985</b>	<b>768,238</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	309,943	43,188	353,131
Unavailable property tax revenue	659,832	-	659,832
<b>Total deferred inflows of resources</b>	<b>969,775</b>	<b>43,188</b>	<b>1,012,963</b>
<b>Net Position</b>			
Net investment in capital assets	332,164	6,855	339,019
Restricted for:			
Categorical funding	116,789	-	116,789
Management levy purposes	84,323	-	84,323
Student activities	38,540	-	38,540
School infrastructure	205,276	-	205,276
Physical plant and equipment	131,784	-	131,784
Unrestricted	(239,010)	(107,847)	(346,857)
<b>Total net position</b>	<b>\$ 669,866</b>	<b>(100,992)</b>	<b>568,874</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charge for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 602,559	181,554	42,984	(378,021)	-	(378,021)
Special	252,009	61,944	4,996	(185,069)	-	(185,069)
Other	206,849	59,661	70,761	(76,427)	-	(76,427)
	<u>1,061,417</u>	<u>303,159</u>	<u>118,741</u>	<u>(639,517)</u>	<u>-</u>	<u>(639,517)</u>
Support services:						
Student support	9,808	-	-	(9,808)	-	(9,808)
Instructional staff	49,095	-	-	(49,095)	-	(49,095)
Administration	222,044	-	-	(222,044)	-	(222,044)
Operation and maintenance of plant	163,619	-	-	(163,619)	-	(163,619)
Transportation	67,129	-	-	(67,129)	-	(67,129)
	<u>511,695</u>	<u>-</u>	<u>-</u>	<u>(511,695)</u>	<u>-</u>	<u>(511,695)</u>
Other expenditures:						
AEA flowthrough	42,956	-	42,956	-	-	-
Depreciation(unallocated)*	27,147	-	-	(27,147)	-	(27,147)
	<u>70,103</u>	<u>-</u>	<u>42,956</u>	<u>(27,147)</u>	<u>-</u>	<u>(27,147)</u>
Total governmental activities	<u>1,643,215</u>	<u>303,159</u>	<u>161,697</u>	<u>(1,178,359)</u>	<u>-</u>	<u>(1,178,359)</u>
Business type activities:						
Instruction:						
Regular	122,485	137,766	-	-	15,281	15,281
Support services:						
Operation and maintenance of plant	2,285	-	-	-	(2,285)	(2,285)
Non instructional programs:						
Nutrition services	101,631	38,396	61,402	-	(1,833)	(1,833)
Total business type activities	<u>226,401</u>	<u>176,162</u>	<u>61,402</u>	<u>-</u>	<u>11,163</u>	<u>11,163</u>
Total	<u>\$ 1,869,616</u>	<u>479,321</u>	<u>223,099</u>	<u>(1,178,359)</u>	<u>11,163</u>	<u>(1,167,196)</u>
<b>General Revenues:</b>						
Local tax for:						
General purposes				\$ 555,740	-	555,740
Capital outlay				57,278	-	57,278
Income surtax				72,702	-	72,702
Statewide sales, services and use tax				96,644	-	96,644
Unrestricted state grants				673,888	-	673,888
Unrestricted investment earnings				1,847	-	1,847
Other				52,950	-	52,950
Total general revenues				<u>1,511,049</u>	<u>-</u>	<u>1,511,049</u>
Change in net position before extraordinary items				332,690	11,163	343,853
<b>Extraordinary items:</b>						
Reorganization settlement				78,400	12	78,412
Changes in net position				411,090	11,175	422,265
Net position beginning of year, as restated				258,776	(112,167)	146,609
Net position end of year				<u>\$ 669,866</u>	<u>(100,992)</u>	<u>568,874</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 622,970	75,066	324,126	39,598	1,061,760
Receivables:					
Property tax:					
Delinquent	7,848	696	878	-	9,422
Succeeding year	502,968	90,000	58,680	8,184	659,832
Income surtax	50,381	-	-	-	50,381
Accounts	481	-	-	1,759	2,240
Due from other funds	-	8,561	-	-	8,561
Due from other governments	70,669	-	14,856	-	85,525
<b>Total assets</b>	<b>\$ 1,255,317</b>	<b>174,323</b>	<b>398,540</b>	<b>49,541</b>	<b>1,877,721</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ 8,572	-	-	-	8,572
Accounts payable	50,613	-	2,800	1,969	55,382
Salaries and benefits payable	13,263	-	-	848	14,111
Deposits payable	2,789	-	-	-	2,789
Total liabilities	75,237	-	2,800	2,817	80,854
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	502,968	90,000	58,680	8,184	659,832
Income surtax	50,381	-	-	-	50,381
Total deferred inflows of resources	553,349	90,000	58,680	8,184	710,213
Fund balances:					
Restricted for:					
Categorical funding	116,789	-	-	-	116,789
Management levy purposes	-	84,323	-	-	84,323
Student activities	-	-	-	38,540	38,540
School infrastructure	-	-	205,276	-	205,276
Physical plant and equipment	-	-	131,784	-	131,784
Assigned for special purposes	10,089	-	-	-	10,089
Unassigned	499,853	-	-	-	499,853
Total fund balances	626,731	84,323	337,060	38,540	1,086,654
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,255,317</b>	<b>174,323</b>	<b>398,540</b>	<b>49,541</b>	<b>1,877,721</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	1,086,654
 <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 in the governmental funds.		332,164
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		50,381
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	\$ 107,570	
Deferred inflows of resources	<u>(309,943)</u>	(202,373)
Long-term liabilities, including net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(596,960)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>669,866</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 581,323	44,800	57,278	-	683,401
Tuition	241,855	-	-	-	241,855
Other	91,151	384	40	60,622	152,197
State sources	717,494	-	96,644	-	814,138
Federal sources	81,995	-	-	-	81,995
<b>Total revenues</b>	<b>1,713,818</b>	<b>45,184</b>	<b>153,962</b>	<b>60,622</b>	<b>1,973,586</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	603,251	3,188	1,054	-	607,493
Special	253,053	-	-	-	253,053
Other	165,206	-	-	51,968	217,174
	<b>1,021,510</b>	<b>3,188</b>	<b>1,054</b>	<b>51,968</b>	<b>1,077,720</b>
<b>Support services:</b>					
Student	10,145	-	-	-	10,145
Instructional staff	14,734	-	35,656	-	50,390
Administration	231,656	-	-	-	231,656
Operation and maintenance of plant	132,231	39,615	11,323	-	183,169
Transportation	64,376	3,162	-	2,876	70,414
	<b>453,142</b>	<b>42,777</b>	<b>46,979</b>	<b>2,876</b>	<b>545,774</b>
Capital outlay	-	-	4,133	-	4,133
<b>Other expenditures:</b>					
AEA flowthrough	42,956	-	-	-	42,956
<b>Total expenditures</b>	<b>1,517,608</b>	<b>45,965</b>	<b>52,166</b>	<b>54,844</b>	<b>1,670,583</b>
Excess(deficiency) of revenues over(under) expenditures	196,210	(781)	101,796	5,778	303,003
<b>Other financing sources(uses):</b>					
Reorganization settlement	(7,825)	31,680	54,545	-	78,400
Sale of equipment	13,491	-	-	-	13,491
<b>Total other financing sources(uses)</b>	<b>5,666</b>	<b>31,680</b>	<b>54,545</b>	<b>-</b>	<b>91,891</b>
Change in fund balances	201,876	30,899	156,341	5,778	394,894
Fund balances beginning of year	424,855	53,424	180,719	32,762	691,760
Fund balance end of year	\$ 626,731	84,323	337,060	38,540	1,086,654

SEE NOTES TO FINANCIAL STATEMENTS.

DIAGONAL 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 22)** \$ 394,894

*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 expenses in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capital outlay	\$ 5,200	
Depreciation expense	<u>(40,605)</u>	(35,405)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,319

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 74,737

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 fund.

Net pension expense		<u>(25,455)</u>
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**Change in net position of governmental activities (page 19)** \$ 411,090

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	School Nutrition	Early Childhood	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 5,698	4,507	10,205
Accounts receivable	451	-	451
Inventories	1,578	-	1,578
Due from other funds	11	-	11
Due from other governments	3,608	-	3,608
Total current assets	11,346	4,507	15,853
Noncurrent assets:			
Capital assets, net of accumulated depreciation	6,855	-	6,855
<b>Total assets</b>	18,201	4,507	22,708
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	5,630	12,843	18,473
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	1,959	-	1,959
Salaries and benefits payable	1,198	10,286	11,484
Unearned revenue	2,360	-	2,360
Total current liabilities	5,517	10,286	15,803
Noncurrent liabilities:			
Net pension liability	25,642	57,540	83,182
Total noncurrent liabilities	25,642	57,540	83,182
<b>Total liabilities</b>	31,159	67,826	98,985
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	13,313	29,875	43,188
<b>Net Position</b>			
Invested in capital assets	6,855	-	6,855
Unrestricted	(27,496)	(80,351)	(107,847)
<b>Total net position</b>	\$ (20,641)	(80,351)	(100,992)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	School Nutrition	Early Childhood	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 38,396	137,766	176,162
Operating expenses:			
Instruction:			
Regular:			
Salaries	-	110,858	110,858
Benefits	-	11,007	11,007
Supplies	-	620	620
	-	122,485	122,485
Support Services:			
Operations and maintenance of plant			
Services	429	-	429
Supplies	1,856	-	1,856
	2,285	-	2,285
Non-instructional programs:			
Food service operations:			
Salaries	47,835	-	47,835
Benefits	4,787	-	4,787
Supplies	47,058	-	47,058
Depreciation	1,951	-	1,951
	101,631	-	101,631
Total operating expenses	103,916	122,485	226,401
Operating income(loss)	(65,520)	15,281	(50,239)
Non-operating revenues:			
Reorganization settlement	12	-	12
State sources	1,121	-	1,121
Federal sources	60,281	-	60,281
Total non-operating revenues	61,414	-	61,414
Change in net position	(4,106)	15,281	11,175
Net position beginning of year, as restated	(16,535)	(95,632)	(112,167)
Net position end of year	\$ (20,641)	(80,351)	(100,992)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	School Nutrition	Early Childhood	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 38,508	-	38,508
Cash received from daycare operating activities	-	138,800	138,800
Cash payments to employees for services	(54,550)	(128,895)	(183,445)
Cash payments to suppliers for goods or services	(38,402)	(5,398)	(43,800)
Net cash provided by(used in) operating activities	(54,444)	4,507	(49,937)
Cash flows from non-capital financing activities:			
Proceeds from reorganizational settlement	12	-	12
Borrowings from General Fund	(11)	-	(11)
State grants received	1,121	-	1,121
Federal grants received	53,495	-	53,495
Net cash provided by non-capital financing activities	54,617	-	54,617
Net increase in cash and cash equivalents	173	4,507	4,680
Cash and cash equivalents beginning of year	5,525	-	5,525
Cash and cash equivalents end of year	\$ 5,698	4,507	10,205
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>			
Operating income(loss)	\$ (65,520)	15,281	(50,239)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	7,416	-	7,416
Depreciation	1,951	-	1,951
Decrease in inventories	2,694	-	2,694
Decrease(Increase) in accounts receivable	(390)	1,034	644
(Decrease)Increase in accounts payable	831	(4,778)	(3,947)
Increase in salaries and benefits payable	1,198	195	1,393
Decrease in net pension liability	(14,587)	(32,735)	(47,322)
Increase in deferred outflows of resources	(1,852)	(4,365)	(6,217)
Increase in deferred inflows of resources	13,313	29,875	43,188
Increase in unearned revenues	502	-	502
Net cash provided by(used in) operating activities	\$ (54,444)	4,507	(49,937)

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

During the year ended June 30, 2015, the District received \$7,416 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The Diagonal Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Diagonal, Iowa, and the predominate agricultural territory in Ringgold County. 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, Diagonal 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 Diagonal 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 Ringgold 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 attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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 the following major proprietary funds:

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

The District's major proprietary fund is the Enterprise, Early Childhood Fund. The Early Childhood Fund is used to account for the District's programs for two and three year old children that are not able to be funded with state categorical funding, but rather by tuition paid by parents and county empowerment grants.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All 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 three 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 expenses when consumed rather than when purchased or 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
Buildings	\$ 1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 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.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means 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 consist of property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - 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 balance are classified as follows:

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

Assigned - Amounts the Board intends to use for specific purposes such as the District's archery and preschool programs.

Unassigned - All amounts not included in other spendable 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 State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$577,342 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

**Note 3. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,230	-	-	7,230
Total capital assets not being depreciated	7,230	-	-	7,230
Capital assets being depreciated:				
Buildings	892,610	-	-	892,610
Land improvements	69,805	-	-	69,805
Machinery and equipment	524,511	5,200	-	529,711
Total capital assets being depreciated	1,486,926	5,200	-	1,492,126
Less accumulated depreciation for:				
Buildings	591,124	23,656	-	614,780
Land improvements	30,631	3,491	-	34,122
Machinery and equipment	504,832	13,458	-	518,290
Total accumulated depreciation	1,126,587	40,605	-	1,167,192
Total capital assets being depreciated, net	360,339	(35,405)	-	324,934
Governmental activities capital assets, net	\$ 367,569	(35,405)	-	332,164
<b>Business type activities:</b>				
Machinery and equipment	\$ 41,131	-	-	41,131
Less accumulated depreciation	32,325	1,951	-	34,276
Business type activities capital assets, net	\$ 8,806	(1,951)	-	6,855

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 9,757
Support services:		
Transportation		3,701
		13,458
Unallocated depreciation		27,147
Total governmental activities depreciation expense		\$ 40,605
Business type activities:		
Food services		\$ 1,951

**Note 4. Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
Management Fund	General Fund	\$ 8,561
Nutrition Fund	General Fund	11
		\$ 8,572

The General Fund is repaying the Management Fund and the Nutrition Fund as a part of the Clearfield Community School District dissolution settlement.

**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Net pension liability	\$ 936,572	-	339,612	596,960	-
<b>Business type activities:</b>					
Net pension liability	\$ 130,504	-	47,322	83,182	-

**Note 6. Pension Plan**

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 \$88,635.

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 \$680,142 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 0.016806 percent, which was an decrease of 0.002040 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$29,002. 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	\$ 7,392	\$ -
Changes of assumptions	30,016	-
Net difference between projected and actual earnings on pension plan investments	-	259,387
Changes in proportion and differences between District contributions and proportionate share of contributions	-	93,744
District contributions subsequent to the measurement date	88,635	-
<b>Total</b>	<b>\$ 126,043</b>	<b>\$ 353,131</b>

\$88,635 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	\$ (78,009)
2017	(78,009)
2018	(78,009)
2019	(78,009)
2020	(3,687)
	<u>\$ (315,723)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,285,110	\$ 680,142	\$ 169,487

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$2,277 for legally required employer contributions and \$1,517 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 7. Risk Management**

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

**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 \$42,956 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 restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
At-risk supplemental weighting	\$ 3,305
Beginning teacher mentoring and induction	86
Teacher salary supplement	16,877
Market factor	1,024
Gifted and talented	56,339
Professional development	8,663
Professional development for model core	147
Market factor incentives	986
Successful progression for early readers	23,151
Teacher leadership grants	6,211
Total	<u>\$ 116,789</u>

**Note 10. Operating Lease**

During the year ended June 30, 2014, the District entered into a 60 month operating lease with Infomax Office Systems for the use of copiers. The minimum monthly payment is \$1,139. For the year ended June 30, 2015, the District's total amount paid was \$18,719.

**Note 11. Deficit Unrestricted Net Position**

The Enterprise, Early Childhood Fund had a deficit unrestricted net position of \$80,351 at June 30, 2015. The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$27,496 and deficit total net position of \$20,641 at June 30, 2015. The District’s governmental activities had a deficit unrestricted net position of \$239,010.

**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:

	Governmental Activities	Business Type Activities		
		School Nutrition	Building Trades Class	Total
Net position June 30, 2014, as previously reported	\$ 1,107,391	\$ 19,916	(13,835)	6,081
Net pension liability at June 30, 2014	(936,572)	(40,229)	(90,275)	(130,504)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	87,957	3,778	8,478	12,256
Net position July 1, 2014, as restated	<u>\$ 258,776</u>	<u>\$ (16,535)</u>	<u>(95,632)</u>	<u>(112,167)</u>

**Note 13. Extraordinary Items/Reorganization Settlement**

On September 17, 2013 voters of the Clearfield Community School District voted to dissolve the District effective July 1, 2014. Fund balances of the District will be divided between Bedford, Diagonal, Lenox and Mount Ayr Community School Districts.

The allocation of the Clearfield Community School District’s June 30, 2014 fund balances by fund to other districts per the recommendation of the Iowa Department of Management are as follows:

School District	Percentage Allocation Per DOM	General Fund	Management Levy	Statewide Sales, Services and Use Tax	Property Plant and Equipment Levy	Nutrition Fund	Total Received
Bedford	5.00%	\$ (2,608.35)	10,559.95	15,643.40	2,538.25	3.75	26,137.00
Diagonal	15.00%	(7,825.05)	31,679.85	46,930.20	7,614.75	11.25	78,411.00
Lenox	50.00%	(26,083.50)	105,599.50	156,434.00	25,382.50	40.52	261,373.02
Mount Ayr	30.00%	(15,650.10)	63,359.70	93,860.40	15,229.50	22.50	156,822.00
Total		<u>\$ (52,167.00)</u>	<u>211,199.00</u>	<u>312,868.00</u>	<u>50,765.00</u>	<u>78.02</u>	<u>522,743.02</u>

*Diagonal Community School District*

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 1,077,453	176,162	1,253,615	1,249,943	1,249,943	3,672
State sources	814,138	1,121	815,259	799,209	799,209	16,050
Federal sources	81,995	60,281	142,276	155,000	155,000	(12,724)
Total revenues	<u>1,973,586</u>	<u>237,564</u>	<u>2,211,150</u>	<u>2,204,152</u>	<u>2,204,152</u>	<u>6,998</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,077,720	122,485	1,200,205	1,360,116	1,360,116	159,911
Support services	545,774	2,285	548,059	669,000	669,000	120,941
Non-instructional programs	-	101,631	101,631	237,500	237,500	135,869
Other expenditures	47,089	-	47,089	115,886	115,886	68,797
Total expenditures/expenses	<u>1,670,583</u>	<u>226,401</u>	<u>1,896,984</u>	<u>2,382,502</u>	<u>2,382,502</u>	<u>485,518</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	303,003	11,163	314,166	(178,350)	(178,350)	492,516
Other financing sources, net	<u>91,891</u>	<u>12</u>	<u>91,903</u>	<u>-</u>	<u>-</u>	<u>91,903</u>
Excess(deficiency) of revenues and other financing sources over(under)expenditures/expenses	394,894	11,175	406,069	(178,350)	(178,350)	584,419
Balances beginning of year, as restated	<u>691,760</u>	<u>(112,167)</u>	<u>579,593</u>	<u>300,040</u>	<u>300,040</u>	<u>279,553</u>
Balances end of year	<u>\$ 1,086,654</u>	<u>(100,992)</u>	<u>985,662</u>	<u>121,690</u>	<u>121,690</u>	<u>863,972</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DIAGONAL 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

DIAGONAL 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	0.016806%
District's proportionate share of the net pension liability	\$ 680,142
District's covered-employee payroll	\$ 992,556
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.52%
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:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**DIAGONAL 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	\$ 88,635	100,124	105,368	94,505	82,174	80,035	76,555	81,970	75,379	73,411
Contributions in relation to the statutorily required contribution	<u>(88,635)</u>	<u>(100,124)</u>	<u>(105,368)</u>	<u>(94,505)</u>	<u>(82,174)</u>	<u>(80,035)</u>	<u>(76,555)</u>	<u>(81,970)</u>	<u>(75,379)</u>	<u>(73,411)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 992,556	1,121,209	1,215,317	1,171,066	1,182,360	1,151,583	1,205,591	1,354,876	1,310,939	1,276,713
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.

DIAGONAL 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.

DIAGONAL 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.

*Diagonal Community School District*

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Student Activity	AEA Special Education Instruction	Total
<b>Assets</b>			
Cash and pooled investments	\$ 39,598	-	39,598
Receivables:			
Property tax:			
Succeeding year	-	8,184	8,184
Accounts	1,759	-	1,759
<b>Total assets</b>	<b>\$ 41,357</b>	<b>8,184</b>	<b>49,541</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,969	-	1,969
Salaries and benefits payable	848	-	848
	2,817	-	2,817
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	8,184	8,184
Fund balances:			
Restricted for:			
Student activities	38,540	-	38,540
Total fund balances	38,540	-	38,540
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 41,357</b>	<b>8,184</b>	<b>49,541</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 190,420	133,706	324,126
Recivables:			
Property tax:			
Delinquent	-	878	878
Succeeding year	-	58,680	58,680
Due from other governments	14,856	-	14,856
<b>Total assets</b>	<b>\$ 205,276</b>	<b>193,264</b>	<b>398,540</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	2,800	2,800
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	58,680	58,680
Fund balances:			
Restricted for:			
School infrastructure	205,276	-	205,276
Physical plant and equipment	-	131,784	131,784
Total fund balances	205,276	131,784	337,060
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 205,276</b>	<b>193,264</b>	<b>398,540</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DIAGONAL 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:			
Local tax	\$ -	57,278	57,278
Other	35	5	40
State sources	96,644	-	96,644
Total revenues	<u>96,679</u>	<u>57,283</u>	<u>153,962</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,054	-	1,054
Support services:			
Instructional staff	35,233	423	35,656
Operation and maintenance of plant	-	11,323	11,323
Capital outlay	-	4,133	4,133
Total expenditures	<u>36,287</u>	<u>15,879</u>	<u>52,166</u>
Excess of revenues over expenditures	60,392	41,404	101,796
Other financing sources:			
Reorganization settlement	46,930	7,615	54,545
Change in fund balances	107,322	49,019	156,341
Fund balances beginning of year	97,954	82,765	180,719
Fund balances end of year	<u>\$ 205,276</u>	<u>131,784</u>	<u>337,060</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DIAGONAL 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	Intra- fund Transfers	Balance End of Year
Athletics	\$ 4,318	19,657	20,229	-	3,746
Concessions	4,182	16,891	10,052	-	11,021
Camps	190	-	-	-	190
Class of 2010	250	-	250	-	-
Class of 2011	620	-	620	-	-
Class of 2012	501	-	501	-	-
Class of 2013	2,907	-	2,907	-	-
Class of 2015	7,018	8,623	14,009	-	1,632
Class of 2016	-	10,486	6,151	-	4,335
Class of 2017	-	300	-	-	300
Annual	4,691	3,145	2,631	-	5,205
Drama	5,175	414	1,083	-	4,506
Student Council	186	-	-	-	186
Maroon Reader	85	987	606	-	466
Memorials	1,742	25	83	-	1,684
Class Memorials	897	94	(4,278)	-	5,269
Total	\$ 32,762	60,622	54,844	-	38,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 683,401	624,526	678,952	727,655	691,808	633,804	633,420	607,635	566,458	559,857
Tuition	241,855	340,979	285,253	330,342	336,964	352,417	336,127	292,589	267,538	92,408
Other	152,197	240,388	162,482	386,555	397,434	254,785	309,506	240,060	292,187	391,741
State sources	814,138	832,444	628,374	567,841	636,723	680,763	866,197	745,083	705,559	594,677
Federal sources	81,995	96,796	106,390	122,027	126,066	177,197	117,600	565,984	597,650	513,842
Total	\$ 1,973,586	2,135,133	1,861,451	2,134,420	2,188,995	2,098,966	2,262,850	2,451,351	2,429,392	2,152,525
Expenditures:										
Current:										
Instruction:										
Regular	\$ 607,493	780,044	935,569	998,799	854,741	903,151	751,710	840,950	938,263	789,828
Special	253,053	218,581	220,163	195,244	218,295	235,604	778,592	227,815	184,185	161,538
Other	217,174	237,323	228,001	245,814	393,185	373,664	93,489	692,388	737,560	603,817
Support services:										
Student	10,145	9,570	11,214	11,121	8,602	8,579	-	4,201	-	-
Instructional staff	50,390	68,882	85,953	15,846	59,093	24,127	4,590	15,139	20,779	21,308
Administration	231,656	244,817	251,419	256,960	240,804	243,710	235,817	234,017	229,767	200,702
Operation and maintenance of plant	183,169	187,091	206,794	177,415	178,812	157,476	163,366	170,872	164,230	143,747
Transportation	70,414	81,386	74,009	60,127	55,628	43,934	75,009	61,290	108,348	56,573
Capital outlays	4,133	11,948	20,977	74,168	99,764	40,376	86,206	111,836	130,986	38,958
Other expenditures:										
AEA flow-through	42,956	44,229	39,315	37,286	42,931	42,744	38,872	37,982	37,546	35,408
Total	\$ 1,670,583	1,883,871	2,073,414	2,072,780	2,151,855	2,073,365	2,227,651	2,396,490	2,551,664	2,051,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Diagonal 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 Diagonal 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 23, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Diagonal 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.

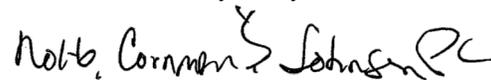
## **Diagonal Community School District's Responses to Findings**

Diagonal Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Diagonal 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 Diagonal 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 23, 2016  
Newton, Iowa

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording and depositing; journalizing, posting and reconciling.
- 4) Computer systems - performing all general accounting functions and controlling all data input and output.
- 5) School lunch program - collecting, recording and depositing; journalizing, posting, reconciling and purchase order processing.

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 District will continue to review current procedures, investigate alternative internal controls and implement if possible.

Conclusion - Response accepted.

I-B-15 Student Activity Fund Interest Allocation - We noted that the District received interest on Student Activity Funds, but that the interest was not allocated to the various Student Activity Fund accounts.

Recommendation - The interest earned each year should be allocated out on an annual basis to the individual accounts.

Response - The District will continue to review interest earned and will allocate it out on an annual basis to the individual accounts.

Conclusion - Response accepted.

I-C-15 Checks Made Payable to Cash - We noted during our audit instances of checks for start-up money for gates made payable only to “Cash”.

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the “Petty Cash - Custodian/Sponsor” of the event and the District.

Response - The District will write checks to “Cash – Custodian/Sponsor” of the event and the District.

Conclusion - Response accepted.

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

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

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

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 and no travel advances to District officials or employees were noted.

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

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board, however, we did note certain minutes which were not published within two weeks of the meeting as required by Chapter 279.35 by the Code of Iowa. We also noted that the board minutes do not list out the limits on the depositories.

Recommendation - The board secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting to be in compliance with Chapter 279.35 of the Code of Iowa. The board minutes should also include a listing of all banks and deposit limits for the depository resolution.

Response - The District will furnish a copy of the Board proceedings within two weeks of each meeting to be in compliance. Board Minutes include a listing of all banks and deposit limits for the depository resolution.

Conclusion - Response accepted.

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

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

II-I-15 Deposits and Investments - 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	97,954
Revenues:			
Sales tax revenue	\$	96,644	
Other local revenues		35	
Other		46,930	143,609
			<u>241,563</u>
Expenditures:			
Equipment	\$	11,977	
Other		24,310	36,287
			<u>36,287</u>
Ending balance		\$	<u><u>205,276</u></u>

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

II-M-15 Financial Condition - The Enterprise, Early Childhood Fund had a deficit unrestricted net position of \$80,351 at June 30, 2015. The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$27,496 and deficit total net position of \$20,641 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of \$239,010. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$596,960 at June 30, 2015.

Conclusion - Response accepted.

II-N-15 Physical Plant and Equipment Levy(PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$2,800 for preventative maintenance and repairs.

Recommendation - Expenditures for preventative maintenance are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District has reviewed Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Conclusion - Response accepted

II-O-15 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will maintain written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

II-P-15 Officiating Contracts - We noted during our audit that the Board President was not signing all Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all officiating contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.