

Dike-New Hartford Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2015

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Independent Auditor's Report

To the Board of Education of
Dike-New Hartford Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dike-New Hartford Community School District's basic financial statements. I 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated February 17, 2016 on my consideration of the Dike-New Hartford Community School District's internal control over financial reporting and on my 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 my 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 the Dike-New Hartford Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

February 17, 2016

Dike-New Hartford Community School District

Management's Discussion and Analysis

Year ended June 30, 2015

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,664,879 in fiscal 2014 to \$8,986,130 in fiscal 2015, while General Fund expenditures increased from \$8,186,261 in fiscal 2014 to \$8,860,987 in fiscal 2015. The District's General Fund balance increased from \$1,691,112 in fiscal 2014 to \$1,816,255 in fiscal 2015, a 7.4% increase.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2015. The increase in expenditures was due primarily to an increase in instruction and support services.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 14.2% in 2014 to 15.1% in fiscal 2015. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Dike-New Hartford 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 Dike-New Hartford 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 Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Dike-New Hartford Community School District Annual Financial Report

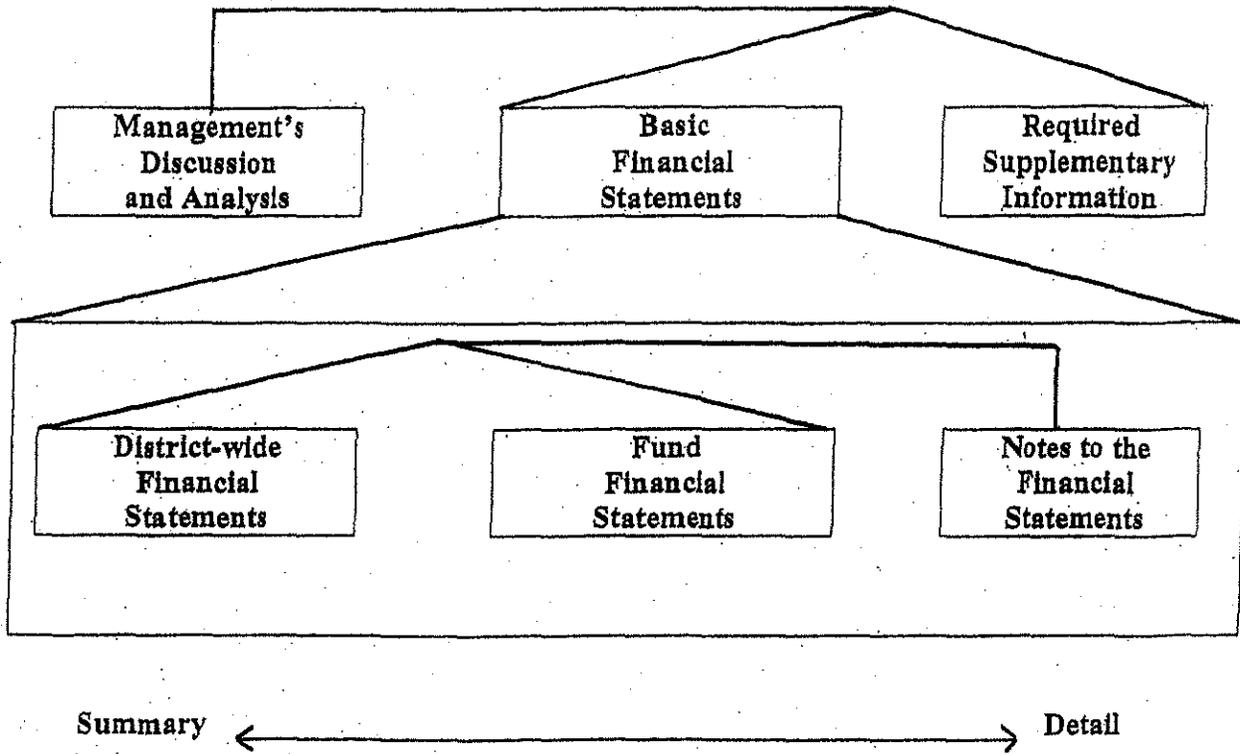


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements (continued):**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional 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 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, Debt Service Fund and Capital Projects Fund.

The required financial statements for 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, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$8,086,191	\$7,760,333	\$173,540	\$136,183	\$8,259,731	\$7,896,516	4.6%
Capital assets	7,749,949	7,850,987	79,687	77,669	7,829,636	7,928,656	-1.3%
Total assets	\$15,836,140	\$15,611,320	\$253,227	\$213,852	\$16,089,367	\$15,825,172	1.7%
Deferred outflows of resources	\$1,041,733	-	\$26,880	-	\$1,068,613	-	100%
Long-term liabilities	\$6,437,043	\$4,327,602	\$74,656	\$-	\$6,511,699	\$4,327,602	50.5%
Other liabilities	1,551,759	993,478	8,264	8,905	1,560,023	1,002,383	55.6%
Total liabilities	\$7,988,802	\$5,321,080	\$82,920	\$8,905	\$8,071,722	\$5,329,985	51.4%
Deferred inflows of resources	\$4,112,977	\$3,084,687	\$28,472	\$-	\$4,141,449	\$3,084,687	34.3%
Net position:							
Net investment in capital assets	\$4,176,797	\$3,828,792	\$79,687	\$77,669	\$4,256,484	\$3,906,461	9.0%
Restricted	2,020,756	2,001,144	-	-	2,020,756	2,001,144	1.0%
Unrestricted	-1,421,459	1,375,617	89,028	127,278	-1,332,431	1,502,895	-188.7%
Total net position	\$4,776,094	\$7,205,553	\$168,715	\$204,947	\$4,944,809	\$7,410,500	-33.3%

The District's total net position decreased by nearly 33.3%, or \$2,465,691, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructures, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$19,612, or 1.0%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,835,325 or 188.7% from last year. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

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 \$3,464,435 and \$89,393, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

**Figure A-4
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$830,801	\$828,025	\$287,474	\$284,969	\$1,118,275	\$1,112,994	0.5%
Operating grants, contributions and restricted interest	1,444,793	1,444,456	\$189,800	174,600	1,634,593	1,619,056	1.0%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	3,094,129	3,053,934	-	-	3,094,129	3,053,934	1.3%
Income surtax	366,422	421,300	-	-	366,422	421,300	-13.0%
Statewide sale, service and use tax	822,251	741,943	-	-	822,251	741,943	10.8%
Unrestricted state grants	4,181,150	3,870,126	-	-	4,181,150	3,870,126	8.0%
Unrestricted investment earnings	36,160	25,979	916	540	37,076	26,519	39.8%
Other	70,773	33,502	-	-	70,773	33,502	111.3%
Total revenues	\$10,846,479	\$10,419,265	\$478,190	\$460,109	\$11,324,669	\$10,879,374	4.1%
Program expenses:							
Governmental activities:							
Instruction	\$6,564,192	\$6,478,423	\$-	\$-	\$6,564,192	\$6,478,423	1.3%
Support services	2,616,062	2,581,155	-	-	2,616,062	2,581,155	1.3%
Non-instructional programs	15,323	11,728	425,029	431,034	440,352	442,762	-0.5%
Other expenses	615,926	632,733	-	-	615,926	632,733	-2.7%
Total expenses	\$9,811,503	\$9,704,039	\$425,029	\$431,034	\$10,236,532	\$10,135,073	1.0%
Change in net position	\$1,034,976	\$715,226	\$53,161	\$29,075	\$1,088,137	\$744,301	46.2%
Net position beginning of year, as restated	3,741,118	6,490,327	115,554	175,872	3,856,672	6,666,199	-42.2%
Net position end of year	\$4,776,094	\$7,205,553	\$168,715	\$204,947	\$4,944,809	\$7,410,500	-33.3%

In fiscal year 2015, property tax and unrestricted state grants accounted for 64.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue. The District's total revenues were approximately \$11.3 million, of which approximately \$10.8 million was for governmental activities and less than \$0.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.1% increase in revenues and a 1.0% increase in expenses. Property tax increased approximately \$40,295. The increase in expenses is related to an increase in instruction and support services.

Governmental Activities

Revenues for governmental activities were \$10,846,479 and expenses were \$9,811,503. It was a difficult budget year. The District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$6,564,192	\$6,478,423	1.3%	\$4,296,540	\$4,212,925	2.0%
Support services	2,616,062	2,581,155	1.3%	2,608,120	2,574,172	1.3%
Non-instructional programs	15,323	11,728	30.7%	15,323	11,728	30.7%
Other expenses	615,926	632,733	-2.7%	615,926	632,733	-2.7%
Totals	\$9,811,503	\$9,704,039	1.1%	\$7,535,909	\$7,431,558	1.4%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$830,801.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,444,793.
- The net cost of governmental activities was financed with \$4,282,802 in property and other taxes and \$4,181,150 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$478,190 representing a 3.9% increase over the prior year, while expenses totaled \$425,029, a 1.4% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dike-New Hartford 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 a combined fund balance of \$4,776,094, a decrease from last year's ending fund balances of \$7,205,553.

Governmental Fund Highlights

- The General Fund balance increased from \$1,691,112 to \$1,816,255, due in part to an increase in local taxes and state revenue.
- Debt Service Fund balance increased from \$289,977 to \$341,770 due in part to the increase in property taxes.
- The Capital Projects – Statewide Sales, Services and Use Tax Fund balance increased from \$704,755 in fiscal 2014 to \$957,801 in fiscal 2015 due in part to the decrease in expenditures.
- The Capital Projects – Physical Plant and Equipment Levy decreased from \$259,261 to \$11,611 due in part to the increase in expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$115,554 at June 30, 2014 to \$168,715 at June 30, 2015, representing an increase of approximately 46%. The District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$195,363 more than total budgeted revenues, a variance of 1.8%. The most significant variance resulted from the District receiving more in federal revenue than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$7.8 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$615,354.

The original cost of the District's capital assets was \$19.17 million. Governmental funds account for \$19.06 million, with the remainder of \$0.11 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$110,000	\$110,000	\$-	\$-	\$110,000	\$110,000	-
Construction in process	-	21,849	-	-	-	21,849	-100%
Buildings	6,273,883	6,238,459	-	-	6,273,883	6,238,459	0.6%
Improvements other than buildings	136,926	138,855	-	-	136,926	138,855	-1.4%
Furniture and equipment	1,229,140	1,341,824	79,687	77,669	1,308,827	1,419,493	-7.8%
Totals	\$7,749,949	\$7,850,987	\$79,687	\$77,669	\$7,829,636	\$7,928,656	-1.3%

Long-Term Debt

At June 30, 2015, the District had \$3,573,152 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$23.6 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$3,545,000	\$3,820,000	-7.2%
Capital leases	28,152	202,195	-86.1%
Totals	\$3,573,152	\$4,022,195	-11.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State and federal budget cut backs continue to be a concern for the local school districts as these cut backs often affect and flow through to the local district levels as less aid and grant funding.

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 Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

Basic Financial Statements

Dike-New Hartford Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 4,415,218	\$ 164,988	\$ 4,580,206
Receivables:			
Property tax:			
Delinquent	27,806	-	27,806
Succeeding year	3,009,565	-	3,009,565
Income surtax	371,394	-	371,394
Accounts	67,530	2,135	69,665
Due from other governments	194,678	-	194,678
Inventories	-	6,417	6,417
Capital assets, net of accumulated depreciation/amortization	7,749,949	79,687	7,829,636
Total Assets	\$ 15,836,140	\$ 253,227	\$ 16,089,367
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 1,041,733	\$ 26,880	\$ 1,068,613
Liabilities			
Accounts payable	\$ 361,536	\$ -	\$ 361,536
Salaries and benefits payable	836,019	650	836,669
Unearned revenue	-	7,614	7,614
Advances from grantors	2,710	-	2,710
Accrued interest payable	12,351	-	12,351
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	290,000	-	290,000
Capital lease	21,114	-	21,114
Early retirement	28,029	-	28,029
Portion due after one year:			
General obligation bonds	3,255,000	-	3,255,000
Capital lease	7,038	-	7,038
Early retirement	114,053	-	114,053
Net pension liability	2,893,275	74,656	2,967,931
Net OPEB liability	167,677	-	167,677
Total Liabilities	\$ 7,988,802	\$ 82,920	\$ 8,071,722
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,009,565	\$ -	\$ 3,009,565
Pension related deferred inflows	1,103,412	28,472	1,131,884
Total deferred inflows of resources	\$ 4,112,977	\$ 28,472	\$ 4,141,449

See notes to financial statements.

Dike-New Hartford Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 4,176,797	\$ 79,687	\$ 4,256,484
Restricted for:			
Categorical funding	474,126	-	474,126
Debt service	341,770	-	341,770
Capital projects	957,810	-	957,810
Management levy purposes	56,511	-	56,511
Student activities	178,928	-	178,928
Physical plant and equipment	11,611	-	11,611
Unrestricted	-1,421,459	89,028	-1,332,431
Total Net Position	\$ 4,776,094	\$ 168,715	\$ 4,944,809

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,170,731	\$ 346,071	\$ 1,197,247	\$ -
Special instruction	948,737	17,672	183,248	-
Other instruction	1,444,724	466,043	57,371	-
	<u>\$ 6,564,192</u>	<u>\$ 829,786</u>	<u>\$ 1,437,866</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 150,907	\$ -	\$ 4,245	\$ -
Instructional staff services	442,642	-	-	-
Administration services	908,596	-	-	-
Operation and maintenance of plant services	711,535	1,015	-	-
Transportation services	402,382	-	2,682	-
	<u>\$ 2,616,062</u>	<u>\$ 1,015</u>	<u>\$ 6,927</u>	<u>\$ -</u>
Non-instructional programs	\$ 15,323	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 66,690	\$ -	\$ -	\$ -
Long-term debt interest	165,387	-	-	-
AEA flow-through	383,849	-	-	-
	<u>\$ 615,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 9,811,503</u>	<u>\$ 830,801</u>	<u>\$ 1,444,793</u>	<u>\$ -</u>
Business Type Activities:				
Support Services:				
Operation and maintenance of plant	\$ 7456	\$ -	\$ -	\$ -
Non-Instructional Programs:				
Food service operations	417,573	287,474	189,800	-
Total	<u>\$ 10,236,532</u>	<u>\$ 1,118,275</u>	<u>\$ 1,634,593</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	-2,627,413	\$	-	\$ -2,627,413
	-747,817		-	-747,817
	-921,310		-	-921,310
\$	-4,296,540	\$	-	\$ -4,296,540
\$	-146,662	\$	-	\$ -146,662
	-442,642		-	-442,642
	-908,596		-	-908,596
	-710,520		-	-710,520
	-399,700		-	-399,700
\$	-2,608,120	\$	-	\$ -2,608,120
\$	-15,323	\$	-	\$ -15,323
\$	-66,690	\$	-	\$ -66,690
	-165,387		-	-165,387
	-383,849		-	-383,849
\$	-615,926	\$	-	\$ -615,926
\$	-7,535,909	\$	-	\$ -7,535,909
\$	-	\$	-7,456	\$ -7,456
	-		59,701	59,701
\$	-7,535,909	\$	52,245	\$ -7,483,664

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2015

	<u>Program Revenues</u>		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
	Interest	Interest	
<u>Expenses</u>	<u>Charges</u>		
	<u>for</u>		
	<u>Services</u>		

General Revenues:

Property Tax Levied For:

 General purposes

 Debt service

 Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,719,931	\$ -	\$ 2,719,931
167,728	-	167,728
206,470	-	206,470
366,422	-	366,422
822,251	-	822,251
4,181,150	-	4,181,150
36,160	916	37,076
70,773	-	70,773
<hr/>		
\$ 8,570,885	\$ 916	\$ 8,571,801
<hr/>		
\$ 1,034,976	\$ 53,161	\$ 1,088,137
3,741,118	115,554	3,856,672
<hr/>		
\$ 4,776,094	\$ 168,715	\$ 4,944,809
<hr/>		

Dike-New Hartford Community School District

Balance Sheet
Governmental Funds

June 30, 2015

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash, Cash Equivalents and Pooled Investments	\$ 2,776,899	\$ 340,299	\$ 914,746	\$ 383,274	\$ 4,415,218
Receivables:					
Property Tax:					
Delinquent	23,077	1,471	1,810	1,448	27,806
Succeeding year	2,408,519	219,921	211,125	170,000	3,009,565
Income surtax	371,394	-	-	-	371,394
Accounts	65,099	-	-	2,431	67,530
Due from other governments	65,162	-	129,516	-	194,678
Total Assets	\$ 5,710,150	\$ 561,691	\$ 1,257,197	\$ 557,153	\$ 8,086,191
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 275,253	\$ -	\$ 76,651	\$ 9,632	\$ 361,536
Salaries and benefits payable	836,019	-	-	-	836,019
Advances from grantors	2,710	-	-	-	2,710
Total liabilities	\$ 1,113,982	\$ -	\$ 76,651	\$ 9,632	\$ 1,200,265
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,408,519	\$ 219,921	\$ 211,125	\$ 170,000	\$ 3,009,565
Other	371,394	-	-	-	371,394
Total deferred inflows of resources	\$ 2,779,913	\$ 219,921	\$ 211,125	\$ 170,000	\$ 3,380,959
Fund Balances:					
Restricted for:					
Categorical funding	\$ 474,126	\$ -	\$ -	\$ -	\$ 474,126
Debt service	-	341,770	-	-	341,770
Management levy purposes	-	-	-	198,593	198,593
Student activities	-	-	-	178,928	178,928
School infrastructure	-	-	957,810	-	957,810
Physical plant and equipment	-	-	11,611	-	11,611
Unassigned	1,342,129	-	-	-	1,342,129
Total Fund Balances	\$ 1,816,255	\$ 341,770	\$ 969,421	\$ 377,521	\$ 3,504,967
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,710,150	\$ 561,691	\$ 1,257,197	\$ 557,153	\$ 8,086,191

See notes to financial statements.

Dike-New Hartford Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2015

Total fund balances of governmental funds (page 18)	\$	3,504,967
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,749,949
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		371,394
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		-12,351
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	1,041,733
Deferred inflows of resources		-1,103,412
		<hr style="width: 100%; border: 0.5px solid black;"/>
Long-term liabilities, including bonds and notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<hr style="width: 100%; border: 0.5px solid black;"/> -6,776,186
Net position of governmental activities (page 15)	\$	<hr style="width: 100%; border: 0.5px solid black;"/>4,776,094

Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,898,007	\$ 167,728	\$ 206,470	\$ 160,442	\$ 3,432,647
Tuition	239,409	-	-	-	239,409
Other	225,889	1,438	6,859	464,139	698,325
Intermediate sources	-	-	-	-	-
State sources	5,367,069	985	823,464	920	6,192,438
Federal sources	255,756	-	-	-	255,756
Total Revenues	\$ 8,986,130	\$ 170,151	\$ 1,036,793	\$ 625,501	\$ 10,818,575
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,911,914	\$ -	\$ -	\$ 73,067	\$ 3,984,981
Special instruction	1,005,493	-	-	-	1,005,493
Other instruction	1,076,329	-	-	441,553	1,517,882
	\$ 5,993,736	\$ -	\$ -	\$ 514,620	\$ 6,508,356
Support Services:					
Student services	\$ 166,089	\$ -	\$ -	\$ -	\$ 166,089
Instructional staff services	430,424	-	60,443	-	490,867
Administration services	912,639	570	2,288	12,700	928,197
Operation and maintenance of plant services	650,763	-	-	80,624	731,387
Transportation services	\$ 323,487	-	149,257	34,938	507,682
	\$ 2,483,402	\$ 570	\$ 211,988	\$ 128,262	\$ 2,824,222
Non-instructional programs	\$ -	\$ -	\$ -	\$ 12,174	\$ 12,174
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 321,606	\$ -	\$ 321,606
Long-Term Debt:					
Principal	-	451,330	-	-	451,330
Interest and fees	-	166,532	-	-	166,532
AEA flow-through	383,849	-	-	-	383,849
	\$ 383,849	\$ 617,862	\$ 321,606	\$ -	\$ 1,323,317
Total Expenditures	\$ 8,860,987	\$ 618,432	\$ 533,594	\$ 655,056	\$ 10,668,069
Excess (deficiency) of revenues over (under) expenditures	\$ 125,143	\$ -448,281	\$ 503,199	\$ -29,555	\$ 150,506
Other Financing Sources (Uses):					
Capital lease proceeds	\$ -	\$ -	\$ 2,287	\$ -	\$ 2,287
Operating transfers in (out)	-	500,081	-500,081	-	-
	\$ -	\$ 500,081	\$ -497,794	\$ -	\$ 2,287
Change in fund balances	\$ 125,143	\$ 51,800	\$ 5,405	\$ -29,555	\$ 152,793
Fund balances beginning of year	1,691,112	289,970	964,016	407,076	3,352,174
Fund Balances End of Year	\$ 1,816,255	\$ 341,770	\$ 969,421	\$ 377,521	\$ 3,504,967

See notes to financial statements.

Dike-New Hartford 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 20) \$ 152,793

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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditure depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 505,155	
Depreciation/amortization expense	<u>-606,193</u>	-101,038

Certain delinquent property tax (income surtax) not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 27,904

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issued	\$ -2,287	
Repaid	<u>451,330</u>	449,043

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,145

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. 465,216

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

Early retirement	\$ 46,985	
Pension expense	44,265	
Other postemployment benefits	<u>-51,337</u>	39,913

Change in Net Position of Governmental Activities (page 17) \$ 1,034,976

See notes to financial statements.

Dike-New Hartford Community School District

Statement of Net Position
Proprietary Funds

June 30, 2015

	School Nutrition	Internal Service
Assets		
Current Assets:		
Cash, cash equivalents and pooled investments	\$ 164,988	\$ 85,168
Accounts receivable	2,135	-
Inventories	6,417	-
Total current assets	<u>\$ 173,540</u>	<u>\$ 85,168</u>
Non-Current Assets:		
Capital assets, net of accumulated depreciation	\$ 79,687	\$ -
Total non-current assets	<u>\$ 79,687</u>	<u>\$ -</u>
Total Assets	<u>\$ 253,227</u>	<u>\$ 85,168</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>\$ 26,880</u>	<u>\$ -</u>
Liabilities		
Current Liabilities:		
Salaries and benefits	\$ 650	\$ -
Unearned revenue	7,614	-
Total current liabilities	<u>\$ 8,264</u>	<u>\$ -</u>
Non-current liabilities:		
Net pension liability	\$ 74,656	\$ -
Total non-current liabilities	<u>\$ 74,656</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 82,920</u>	<u>\$ -</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>\$ 28,472</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 79,687	\$ -
Unrestricted	<u>89,028</u>	<u>85,168</u>
Total Net Position	<u>\$ 168,715</u>	<u>\$ 85,168</u>

See notes to financial statements.

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year Ended June 30, 2015

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 287,474
Operating expenses:	
Support services:	
Operation and maintenance plant	\$ 7,456
Non-instructional programs:	
Food service operations:	
Salaries	\$ 128,689
Benefits	26,835
Purchased services	483
Supplies	252,318
Depreciation	9,161
Miscellaneous	87
	<u>\$ 417,573</u>
Total operating expenses	\$ 425,029
Operating loss	<u>\$ -137,555</u>
Non-operating revenues:	
State sources	\$ 3,473
Federal sources	186,327
Interest income	916
Total non-operating revenues	<u>\$ 190,716</u>
Increase in net position	\$ 53,161
Net position beginning of year, as restated	<u>115,554</u>
Net Position End of Year	<u>\$ 168,715</u>

See notes to financial statements.

Dike-New Hartford Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2015

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 288,124
Cash paid to employees for services	-168,591
Cash paid to suppliers for goods or services	-213,351
Net cash used by operating activities	<u>\$ -93,818</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,473
Federal grants received	143,030
Net cash provided by non-capital financing activities	<u>\$ 146,503</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -11,178</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 916</u>
Net increase in cash and cash equivalents	\$ 42,423
Cash and cash equivalents beginning of year	<u>122,565</u>
Cash and Cash Equivalents End of Year	<u>\$ 164,988</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -137,555
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	44,603
Depreciation	9,161
Decrease in inventories	2,960
Decrease in accounts receivable	799
(Decrease) in accounts payable	-570
(Decrease) in unearned revenue	-149
Increase in accrued salaries and benefits	78
(Decrease) in net pension liability	-25,737
Increase in deferred outflows of resources	28,472
(Increase) in deferred inflows of resources	<u>-15,880</u>
Net Cash Used by Operating Activities	<u>\$ -93,818</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$44,603 of federal commodities.

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2015

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ -
Operating expenses:	
Instruction:	
Supplies	\$ 730
Total operating expenses	\$ 730
Operating loss	\$ -730
Change in net position	\$ -730
Net position beginning of year	85,898
Net Position End of Year	\$ 85,168

Dike-New Hartford Community School District

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-4 and Grades 9-12 attend the Dike attendance centers.

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, Dike-New Hartford 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. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in the following 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 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 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 non-major governmental funds. Combing schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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 Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 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 and furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Intangibles	5 – 10 years
Furniture and equipment	5 – 15 years

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

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

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

	<u>Amortized Cost</u>
Total	<u>\$ 19,601</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated Aaam by Standard and Poor’s Financial services.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ending June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 479,464
Debt Service	Capital Projects – Physical Plant and Equipment Levy	20,617
		<u>\$ 500,081</u>

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in process	21,849	-	21,849	-
Total capital assets not being depreciated	<u>\$ 131,849</u>	<u>\$ -</u>	<u>\$ 21,849</u>	<u>\$ 110,000</u>
Capital assets being depreciated:				
Buildings	\$ 11,104,968	\$ 249,974	\$ -	\$ 11,354,942
Improvements other than buildings	793,412	7,913	-	801,325
Furniture and equipment	6,524,403	269,117	-	6,793,520
Total capital assets being depreciated	<u>\$ 18,422,783</u>	<u>\$ 527,004</u>	<u>\$ -</u>	<u>\$ 18,949,787</u>
Less accumulated depreciation for:				
Buildings	\$ 4,866,509	\$ 214,550	\$ -	\$ 5,081,059
Improvements other than buildings	654,557	9,842	-	664,399
Furniture and equipment	5,182,579	381,801	-	5,564,380
Total accumulated depreciation	<u>\$ 10,703,645</u>	<u>\$ 606,193</u>	<u>\$ -</u>	<u>\$ 11,309,838</u>
Total capital assets being depreciated, net	<u>\$ 7,719,138</u>	<u>\$ -79,189</u>	<u>\$ -</u>	<u>\$ 7,639,949</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,850,987</u>	<u>\$ -79,189</u>	<u>\$ 21,849</u>	<u>\$ 7,749,949</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 107,986	\$ 11,178	\$ 9,235	\$ 109,929
Less accumulated depreciation	30,317	9,161	9,236	30,242
Business Type Activities Capital Assets, Net	<u>\$ 77,669</u>	<u>\$ 2,017</u>	<u>\$ -1</u>	<u>\$ 79,687</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$	441,150
Other		40,129

Support services:

Instructional support		18,223
Administration		29,821
Operation and maintenance of plant		14,978
Transportation		59,717
Non-instructional		2,175

Total Depreciation Expense – Governmental Activities \$ 606,193

Business Type Activities:

Food service operations \$ 9,161

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,820,000	\$ -	\$ 275,000	\$ 3,545,000	\$ 290,000
Early retirement	189,067	-	46,985	142,082	28,029
Capital lease	202,195	2,288	176,331	28,152	21,114
Net OPEB liability	116,340	51,337	-	167,677	-
Net pension liability	3,890,733	-	997,458	2,893,275	-
Total	<u>\$ 8,218,335</u>	<u>\$ 53,625</u>	<u>\$ 1,495,774</u>	<u>\$ 6,776,186</u>	<u>\$ 339,143</u>
Business type activities:					
Net pension liability	(Restated) \$ 100,393	\$ -	\$ 25,737	\$ 74,656	\$ -
Total	<u>\$ 100,393</u>	<u>\$ -</u>	<u>\$ 25,737</u>	<u>\$ 74,656</u>	<u>\$ -</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$1,000 per year of actual service. The payout sum shall be applied to the employee's monthly single or family insurance premiums. Current year early retirement was \$10,600 to be used to pay insurance premiums or to be contributed to a 403b account in equal installments over five years. Early retirement expenditures for the year ended June 30, 2015 totaled \$46,985.

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued June 16, 2006			
	Interest Rate	Principal	Interest	Total
2016	5.000%	\$290,000	\$148,206	\$438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
Total		\$3,545,000	\$863,756	\$4,408,756

During the year ended June 30, 2015, the District made principal, interest and fee payments totaling \$437,456 under the agreements.

Capital Leases

The District entered into a sixty month copier lease on November 1, 2013, and updated it in January 2014 with monthly payments of \$1,759.51 with no interest.

(6) Pension Plan

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

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

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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 \$465,216.

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 \$2,967,931 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 0.073335 percent, which was an increase of 0.002845 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$252,559. 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	\$ 32,256	\$ -
Changes of assumptions	130,982	-
Net difference between projected and actual earnings on pension plan investments	-	1,131,884
Changes in proportion and differences between District contributions and proportionate share of contributions	130,189	-
District contributions subsequent to the measurement date	775,186	-
Total	\$ 1,068,613	\$ 1,131,884

\$465,216 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	\$ 351,529
2017	351,529
2018	351,529
2019	351,529
2020	19,196
Total	<u>\$ 1,425,312</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:

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

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	\$5,607,823	\$2,967,931	\$739,589

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 in IPERS’ website at www.ipers.org.

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

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 87 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$	81,968
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	81,968
Contributions made		-30,631
Increase in net OPEB obligation	\$	51,337
Net OPEB obligation beginning of year		116,340
Net OPEB obligation end of year	\$	167,677

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$687,722 to the medical plan. Plan members eligible for benefits contributed \$62,806, or 8.4% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$51,000	96%	\$2,000
June 30, 2011	\$51,000	104%	-
June 30, 2012	\$51,000	65%	\$18,000
June 30, 2013	\$72,891	32.6%	\$67,214
June 30, 2014	\$77,427	36.6%	\$116,340
June 30, 2015	\$81,968	37.4%	\$167,677

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$788,772, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$788,772. The covered payroll (annual payroll of active employees covered by the plan) was \$4,296,210 and the ratio of the UAAL to covered payroll was 18.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the retiree health plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$641 per month for retirees less than age 65 and \$626 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Dike-New Hartford 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.

(9) 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 \$383,849 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.

(10) Categorical Funding

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

Program	Amount
At Risk	\$ 23,440
Gifted and Talented Programs	227,269
Teacher Salary Supplement	75,296
Core Curriculum	72,193
Professional Development	9,832
Market Factor (08)	2,069
Home School	7,060
Preschool	11,477
Dropout	11,597
Early Literacy	32,357
Teacher Leadership	1,536
Total	<u>\$ 474,126</u>

(11) Subsequent Events

The District has evaluated subsequent events through February 17, 2016 which is the date that the financial statements were available to be issued.

(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
Net position June 30, 2014, as previously reported	\$ 7,205,553	\$ 204,947
Net pension liability at June 30, 2014	-3,890,733	-100,393
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	426,298	11,000
Net position July 1, 2014, as restated	\$ 3,741,118	\$ 115,554

Required Supplementary Information

Dike-New Hartford 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 Funds Actual		Proprietary Funds Actual
Revenues:			
Local sources	\$ 4,370,381	\$	288,390
Intermediate sources	-		-
State sources	6,192,438		3,473
Federal sources	255,756		186,327
Total Revenue	<u>\$ 10,818,575</u>	\$	<u>478,190</u>
Expenditures/Expenses:			
Instruction	\$ 6,508,356	\$	-
Support services	2,824,222		7,456
Non-instructional programs	12,174		417,573
Other expenditures	1,323,317		-
Total Expenditures/Expenses	<u>\$ 10,668,069</u>	\$	<u>425,029</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 150,506	\$	53,161
Other financing sources, net	<u>2,287</u>		-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ 152,793</u>	\$	<u>53,161</u>
Balances beginning of year	\$ 3,352,174	\$	204,947
Prior period adjustment	-		-89,393
Adjusted balances beginning of the year	<u>\$ 3,352,174</u>	\$	<u>115,554</u>
Balances End of Year	<u>\$ 3,504,967</u>	\$	<u>168,715</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final To Actual Variance
\$	4,658,771	\$ 5,311,658	\$ -652,887
	-	-	-
	6,195,911	5,459,744	736,167
	442,083	330,000	112,083
\$	11,296,765	\$ 11,101,402	\$ 195,363
\$	6,508,356	\$ 6,626,094	\$ 117,738
	2,831,678	3,161,000	329,322
	429,747	511,000	81,253
	1,323,317	1,264,862	-58,455
\$	11,093,098	\$ 11,562,956	\$ 469,858
\$	203,667	\$ -461,554	\$ 665,221
	2,287	-	2,287
\$	205,954	\$ -461,554	\$ 667,508
\$	3,557,121	\$ 2,742,015	\$ 815,106
	-89,393	-	-89,393
\$	3,467,728	\$ 2,742,015	\$ 725,713
\$	3,673,682	\$ 2,280,461	\$ 1,393,221

Dike-New Hartford 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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

Dike-New Hartford 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

	<u>2015</u>
District's proportion of the net pension liability	0.073335%
District's proportionate share of the net pension liability	\$ 2,967,931
District's covered-employee payroll	\$ 5,209,584
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.97%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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.

Dike-New Hartford Community School District

Schedule of District Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years**

Required Supplementary Information

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 465,216	\$ 437,289	\$ 397,030	\$ 317,475	\$ 275,976
Contributions in relation to the statutorily required contribution	-465,216	-437,289	-397,030	-317,475	-275,976
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,209,584	\$ 4,896,853	\$ 4,579,354	\$ 3,934,015	\$ 3,970,878
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006
\$	262,933	\$ 254,229	\$ 229,813	\$ 211,836	\$ 197,071
	-262,933	-254,229	-229,813	-211,836	-197,071
\$	-	\$ -	\$ -	\$ -	\$ -
\$	3,953,880	\$ 4,003,606	\$ 3,798,562	\$ 3,684,104	\$ 3,427,322
	6.65%	6.35%	6.05%	5.75%	5.75%

Dike-New Hartford Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

Dike-New Hartford Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$492	\$492	0.0%	\$3,513	14%
2011	June 1, 2009	-	\$492	\$492	0.0%	\$3,546	13.8%
2012	June 1, 2009	-	\$492	\$492	0.0%	\$4,096	12%
2013	June 1, 2012	-	\$789	\$789	0.0%	\$3,797	20.8%
2014	June 1, 2012	-	\$789	\$789	0.0%	\$3,785	20.8%
2015	June 1, 2012	-	\$789	\$789	0.0%	\$4,296	18.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Dike-New Hartford Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 185,879	\$ 197,395	\$ 383,274
Receivables:			
Property Tax:			
Delinquent	-	1,448	1,448
Succeeding year	-	170,000	170,000
Accounts	2,431	-	2,431
Total Assets	\$ 188,310	\$ 368,843	\$ 557,153
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	\$ 9,382	\$ 250	\$ 9,632
Total Liabilities	\$ 9,382	\$ 250	\$ 9,632
Deferred inflows of resources			
Unearned revenue:			
Succeeding year property tax	\$ -	\$ 170,000	\$ 170,000
Total Deferred Inflows of Resources	\$ -	\$ 170,000	\$ 170,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ -	\$ 198,593	\$ 198,593
Student activities	178,928	-	178,928
Total Fund Balance	\$ 178,928	\$ 198,593	\$ 377,521
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 188,310	\$ 368,843	\$ 557,153

Dike-New Hartford Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 160,442	\$ 160,442
Other	454,242	9,897	464,139
State sources	-	920	920
Total Revenues	\$ 454,242	\$ 171,259	\$ 625,501
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 73,067	\$ 73,067
Other instruction	441,553	-	441,553
Support services:			
Administration services	-	12,700	12,700
Operation and maintenance of plant services	-	80,624	80,624
Transportation services	-	34,938	34,938
Non-instructional programs	-	12,174	12,174
Total Expenditures	\$ 441,553	\$ 213,503	\$ 655,056
Excess (deficiency) of revenues over (under) expenditures	\$ 12,689	\$ -42,244	\$ -29,555
Fund balances beginning of year	166,239	240,837	407,076
Fund Balances End of Year	\$ 178,928	\$ 198,593	\$ 377,521

See accompanying independent auditor's report.

Dike-New Hartford Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 900,813	\$ 13,933	\$ 914,746
Receivables:			
Property Tax:			
Delinquent	-	1,810	1,810
Succeeding year	-	211,125	211,125
Due from other governments	129,516	-	129,516
Total Assets	\$ 1,030,329	\$ 226,868	\$ 1,257,197
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 72,519	\$ 4,132	\$ 76,651
Total liabilities	\$ 72,519	\$ 4,132	\$ 76,651
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 211,125	\$ 211,125
Total deferred inflows of resources	\$ -	\$ 211,125	\$ 211,125
Fund Balances:			
Restricted for:			
School infrastructure	\$ 957,810	\$ -	\$ 957,810
Physical plant and equipment	-	11,611	11,611
Total fund balances	\$ 957,810	\$ 11,611	\$ 969,421
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,030,329	\$ 226,868	\$ 1,257,197

See accompanying independent auditor's report.

Dike-New Hartford Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 206,470	\$ 206,470
Other	6,458	401	6,859
State sources	822,251	1,213	823,464
Total Revenues	\$ 828,709	\$ 208,084	\$ 1,036,793
Expenditures:			
Current:			
Support Services:			
Instructional staff services	\$ 56,099	\$ 4,344	\$ 60,443
Administration services	-	2,288	2,288
Transportation services	-	149,257	149,257
Other Expenditures:			
Facilities acquisition	40,091	281,515	321,606
Total Expenditures	\$ 96,190	\$ 437,404	\$ 533,594
Excess (deficiency) of revenues over (under) expenditures	\$ 732,519	\$ -229,320	\$ 503,199
Other Financing Sources (Uses):			
Operating transfers in (out)	\$ -479,464	\$ -20,617	\$ -500,081
Capital lease proceeds	-	2,287	2,287
	\$ -479,464	\$ -18,330	\$ -497,794
Change in Fund Balances	\$ 253,055	\$ -247,650	\$ 5,405
Fund balances beginning of year	704,755	259,261	964,016
Fund Balances End of Year	\$ 957,810	\$ 11,611	\$ 969,421

See accompanying independent auditor's report.

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 799	\$ 300	\$ 62	\$ -	\$ 1,037
Annual	150	8,436	8,490	-	96
Athletics	8,962	1,628	4,453	9,688	15,825
Band uniforms	4	536	-	-	540
Band	2,822	4,030	3,426	-	3,426
Interest income	11,942	1,372	-	-	13,314
Vocal music	3,198	4,748	6,099	-	1,847
Musical	641	-	-	-	641
Music trip	5,513	13,592	12,869	-	6,236
Cheerleaders	780	1,598	2,723	637	292
Speech	1,430	481	1,149	-	762
Drama	2,035	1,184	2,044	1,000	2,175
Cross Country	-	1,522	1,311	-211	-
Tennis	-	-	258	258	-
Golf	-	1,708	5,606	3,898	-
Boys basketball	-	7,151	3,741	-3,410	-
Football	-	16,477	12,131	-4,346	-
Baseball	-	5,014	6,619	1,605	-
Boys track	-	4,273	4,717	444	-
Wrestling	-	7,642	9,382	1,740	-
Girls basketball	-	7,272	3,826	-3,446	-
Volleyball	-	7,346	10,094	2,748	-
Softball	-	4,721	4,981	260	-
Girls track	-	4,993	2,266	-2,657	70
Student Council	2,541	2,219	2,625	-	2,135
Junior/Senior Prom	195	7,315	6,918	-	592
Concessions	885	75,724	49,945	-25,921	743
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	1,445	144	-	-	1,589
Athletic towel service	6,819	626	795	-	6,650
Dance	211	-	-	-	211
Secondary	2,987	1,963	688	-2,109	2,153
Junior High	219	9,977	8,223	90	2,063
Dike Elementary	331	11,829	14,690	2,530	-
New Hartford Elementary	86	9,474	6,215	-	3,345
Thespians	118	-	-	-	118
SADD	337	-	-	-	337
Booster Club	12,924	33,949	41,112	-1,196	4,565
Track project donations	15,400	-	-	4,000	19,400
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	6,204	31,055	29,347	-300	7,612
Volleyball Fundraisers	15,982	49,512	49,970	-150	15,374
Cheerleading Fund	3,088	15,910	12,980	-	6,018
Baseball Fund	2,523	8,006	5,499	-250	4,780
Soccer	-	-	-	-	-

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Boys bowling	\$ -	\$ -	\$ 100	\$ 100	\$ -
Junior High Athletics	-	1,147	8,869	7,772	50
Media Club	80	593	82	-	591
FCCLA	91	623	458	-	256
G Tennis Fundraiser	1,386	907	1,167	-	1,126
Outdoor Basketball	1,662	-	-	-	1,662
Girls Track Fund	1,547	2,519	3,470	-	596
Trapshooting Club	6,843	22,197	28,470	-	570
Wrestling Fund	2,054	11,901	10,535	-	3,420
Pepsi Rebate	6,978	1,000	-	-	7,978
Auditorium	6,146	-	-	-	6,146
Character Education	44	-	-	-	44
All State Music	233	500	649	-	84
Activity Tickets	-	6,820	-	-6,820	-
Bleachers	200	-	-	4,000	4,200
Cross County Fundraisers	4,828	17,277	15,235	-	6,870
Boys Track Fundraisers	853	1,689	2,426	-	116
Weight Rooms Fundraisers	1,833	757	5,352	6,346	3,584
Boys Basketball Fundraisers	4,643	2,726	5,281	-	2,088
Girls Basketball Fundraisers	970	4,918	4,652	-	1,236
Softball Fundraisers	8,858	7,153	7,317	-300	8,394
Sound system	935	-	-	-	935
JH Trip	4,715	4,239	8,687	-	267
DNH Scholars	-	3,549	3,549	-	-
Athletic Trainer	-	-	-	4,000	4,000
Total	\$ 166,239	\$ 454,242	\$ 441,553	\$ -	\$ 178,928

See accompanying independent auditor's report.

Dike-New Hartford Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Local Sources:				
Local tax	\$ 3,432,647	\$ 4,220,320	\$ 3,590,684	\$ 3,681,580
Tuition	239,409	230,922	219,160	221,331
Other	698,325	656,584	772,269	679,435
Intermediate sources	-	-	-	-
State sources	6,192,438	5,079,297	4,958,937	4,403,824
Federal sources	255,756	235,285	245,801	182,363
Total	\$ 10,818,575	\$ 10,422,408	\$ 9,786,851	\$ 9,168,533
Expenditures:				
Instruction:				
Regular instruction	\$ 3,984,981	\$ 3,750,067	\$ 4,179,485	\$ 3,364,993
Special instruction	1,005,493	909,441	984,047	866,867
Other instruction	1,517,882	1,307,228	1,248,839	1,242,644
Support services:				
Student services	166,089	167,798	160,870	151,730
Instructional staff services	490,867	388,828	465,294	347,204
Administrative services	928,197	925,117	873,985	917,118
Operation and maintenance of plant services	731,387	684,163	654,865	577,453
Transportation services	507,682	412,872	420,195	370,502
Central support services	-	-	-	-
Non-instructional programs	12,174	9,458	7,264	6,606
Other expenditures:				
Facilities acquisition	321,606	143,506	129,628	178,210
Long-term debt:				
Principal	451,330	593,088	604,100	503,815
Interest and other charges	166,532	187,556	193,546	209,914
AEA flow-through	383,849	350,104	325,297	313,697
Total	\$ 10,668,069	\$ 9,829,226	\$ 10,247,415	\$ 9,050,753

See accompanying independent auditor's report.

Modified Accrual Basis

	2011	2010	2009	2008	2007	2006
\$	3,826,533	\$ 3,212,200	\$ 3,218,098	\$ 3,084,998	\$ 2,960,196	\$ 2,722,300
	262,448	238,900	242,459	196,965	215,185	226,198
	608,310	533,074	578,150	617,231	711,373	477,631
	-	-	-	-	-	-
	4,018,813	3,489,615	4,113,819	3,891,713	3,730,342	3,505,560
	404,001	620,534	538,571	115,741	139,699	135,423
\$	9,120,105	\$ 8,094,323	\$ 8,691,097	\$ 7,906,648	\$ 7,756,795	\$ 7,067,112
\$	3,326,114	\$ 3,348,574	\$ 3,350,505	\$ 3,103,064	\$ 3,032,320	\$ 2,847,000
	815,261	852,001	895,927	758,860	780,449	716,836
	1,231,942	973,830	873,981	978,872	768,112	736,740
	138,728	145,344	129,279	131,732	141,821	135,738
	749,352	363,785	340,307	305,867	284,354	259,327
	830,871	824,292	752,606	721,716	773,832	919,135
	596,211	571,056	584,743	581,378	535,595	549,478
	305,706	321,690	504,314	278,985	355,838	345,862
	-	-	-	-	-	-
	6,565	6,385	6,525	5,188	6,485	4,246
	211,662	178,328	998,075	2,090,185	2,981,965	61,639
	300,000	375,000	205,000	90,000	85,000	80,000
	226,616	246,878	241,973	248,541	244,699	20,722
	338,101	335,508	287,737	267,309	256,112	239,746
\$	9,077,129	\$ 8,542,671	\$ 9,170,972	\$ 9,561,697	\$ 10,246,582	\$ 6,916,469

**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**

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
Dike-New Hartford Community School District:

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford 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 my report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

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

My 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, I identified deficiencies in internal control I consider to be material weaknesses 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 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 thru I-D-15 to be material weaknesses.

A significant deficiency is a deficiency or 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. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-E-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards. It is described in Part I of the accompanying Schedule of Findings as item I-F-15. I also noted certain immaterial instances of noncompliance 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 my audit of the financial statements of the District. Since my 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.

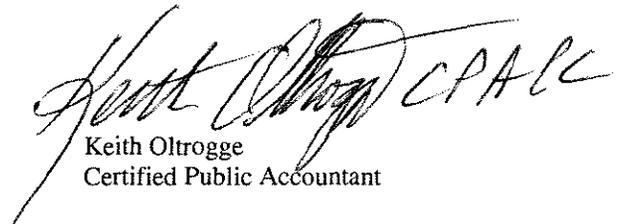
Dike-New Hartford Community School District's Responses to the Findings

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

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 17, 2016

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Employees Who Worked Athletic Events – I noted the District had payrolled employees who worked athletic events for the school. The District paid the employees with Student Activity Fund accounts payable checks instead of paying them through regular payroll where applicable taxes could be applied.

Recommendation – These payments should be paid through payroll system in order to be included in the quarterly Federal 941 reports and W-2s.

Response – We will pay district employee officials through payroll instead of accounts payable.

Conclusion – Response accepted.

I-B-15 Supporting Documentation – I noted three instances of checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response accepted.

I-C-15 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The student should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-D-15 Other Accounts – I noted during my audit, that the District’s Education Association uses the District’s Federal Identification Number. Because this Organization is using the District’s Federal Identification Number, the District should be accounting for the Organization’s within the District’s Student Activity Fund. The transactions should be included in the District’s financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation – The District should contact the Organization and request the accounts to be turned over to the District. The Organization may establish a 501 (c)(3) organization with a federal identification number separate than that of the District, however the current accounts are and should be turned over to the District for proper recording.

In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District’s Federal Identification Number. The District should research any unfamiliar accounts and make the necessary changes.

Response – The District will contact local banks and research any unfamiliar accounts and make the necessary changes.

Conclusion – Response accepted.

I-E-15 Annual Financial Statements – The ability to apply U. S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine this is a control deficiency the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INSTANCES OF NON-COMPLIANCE:

I-F-15 Nutrition Fund Excess Cash – The school food service account is required to operate as a non-profit entity and current regulations require it not exceed a three-month operating balance in its bank account. I noted the District has cash in excess of the maximum allowed.

Recommendation – The District should use the excess funds to update kitchen equipment or add additional kitchen staff.

Response – We will review needs and add or update accordingly.

Conclusion – Response accepted.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 exceed the certified budget amount in the other expenditures function.

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

Response – The budget will be reviewed monthly by the Superintendent and Business Manager. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-15 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General Fund:		
MasterCard	Retirement gifts	\$74.36
MasterCard	Retirement gifts	\$83.48
Activity Fund:		
Kwik Star	Gift cards	\$200.00
MasterCard	Funeral flowers	\$40.00
Midway USA Foundation	Donation	\$1,920.00
Employee	Teacher appreciation	\$72.39
Lunch Fund:		
Martin Brothers	Purchases for Lion’s Club	\$4,046.78

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items as retirement gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29. Although the Lion’s Club reimbursed the District, purchases for outside organizations should not be made.

Response – Beginning in fiscal 2016, the Student Activity Fund will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate. We will not make purchases for outside organizations.

Conclusion – Response acknowledged.

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

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

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 the coverage is adequate for current operations.

II-F-15 Board Approval – I noted Nutrition Fund transactions requiring Board approval which were not approved by the Board.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

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

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

II-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

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

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-L-15 Sales Tax – Sales tax was paid by the District on twenty disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.

II-M-15 Student Activity Fund Interest – I noted during my audit that the Student Activity Fund earned interest. However, this interest was not allocated to the various accounts at least once during the year.

Recommendation – Interest in the Student Activity Fund should be allocated among the various accounts at least on an annual basis. The interest should be recognized by the individual clubs that earned the interest.

Response – The District will deposit interest to the various accounts in the future.

Conclusion – Response accepted

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

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

Beginning balance		\$	704,755
Revenues/transfers in:			
Sales tax revenues	\$	822,251	
Other local revenues		6,458	828,709
		\$	<u>1,533,464</u>
Expenditures/transfers out:			
School infrastructure construction	\$	40,091	
Equipment		56,099	
Transfers to other funds:			
Debt service fund		479,464	575,654
			<u>575,654</u>
Ending balance		\$	<u>957,810</u>

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.9619	\$ 822,251
Physical plant and equipment levy (PPEL)	0.8646	125,205
Public educational and recreational levy (PERL)	-	-
Total		<u>\$ 947,456</u>