

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Hubbard-Radcliffe Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Education</u></b>		
Bob Westendorf	President	2015
Keith England	Vice President	2017
Marland Winter	Board Member	2015
Leon Schwartz	Board Member	2015
Susan Brinkmeyer	Board Member	2017

**School Officials**

Patricia Heinz	Superintendent	2015
Debra England	District Secretary	2015
Linda Imsland	District Treasurer	2015
Rick Engel	Attorney	2015

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

**Independent Auditor's Report**

**To the Board of Education of the Hubbard-Radcliffe Community School District:**

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Hubbard-Radcliffe Community School District at 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

### **Emphasis of Matter**

As discussed in Note 16 to the financial statements, Hubbard-Radcliffe Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information.*

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard-Radcliffe Community School District's basic financial statements. We have audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2016 on our consideration of the Hubbard-Radcliffe Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hubbard-Radcliffe Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2016  
Newton, Iowa

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

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Hubbard-Radcliffe 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 \$5,327,406 in fiscal year 2014 to \$5,869,705 in fiscal year 2015, while General Fund expenditures increased from \$5,617,635 in fiscal year 2014 to \$5,737,226 in fiscal year 2015. The District's General Fund balance increased from \$740,038 at June 30, 2014 to \$872,517 at June 30, 2015, representing an increase of 17.90%.
- The increase in General Fund revenues was attributable to an increase in state sources as compared to the previous year. The increase in expenditures was due to the increase in instructional expenditures due to the District increasing the number of teachers on staff and the increase in negotiated salaries and benefits for the certified staff.

### **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 Hubbard-Radcliffe 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 Hubbard-Radcliffe 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 Hubbard-Radcliffe Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

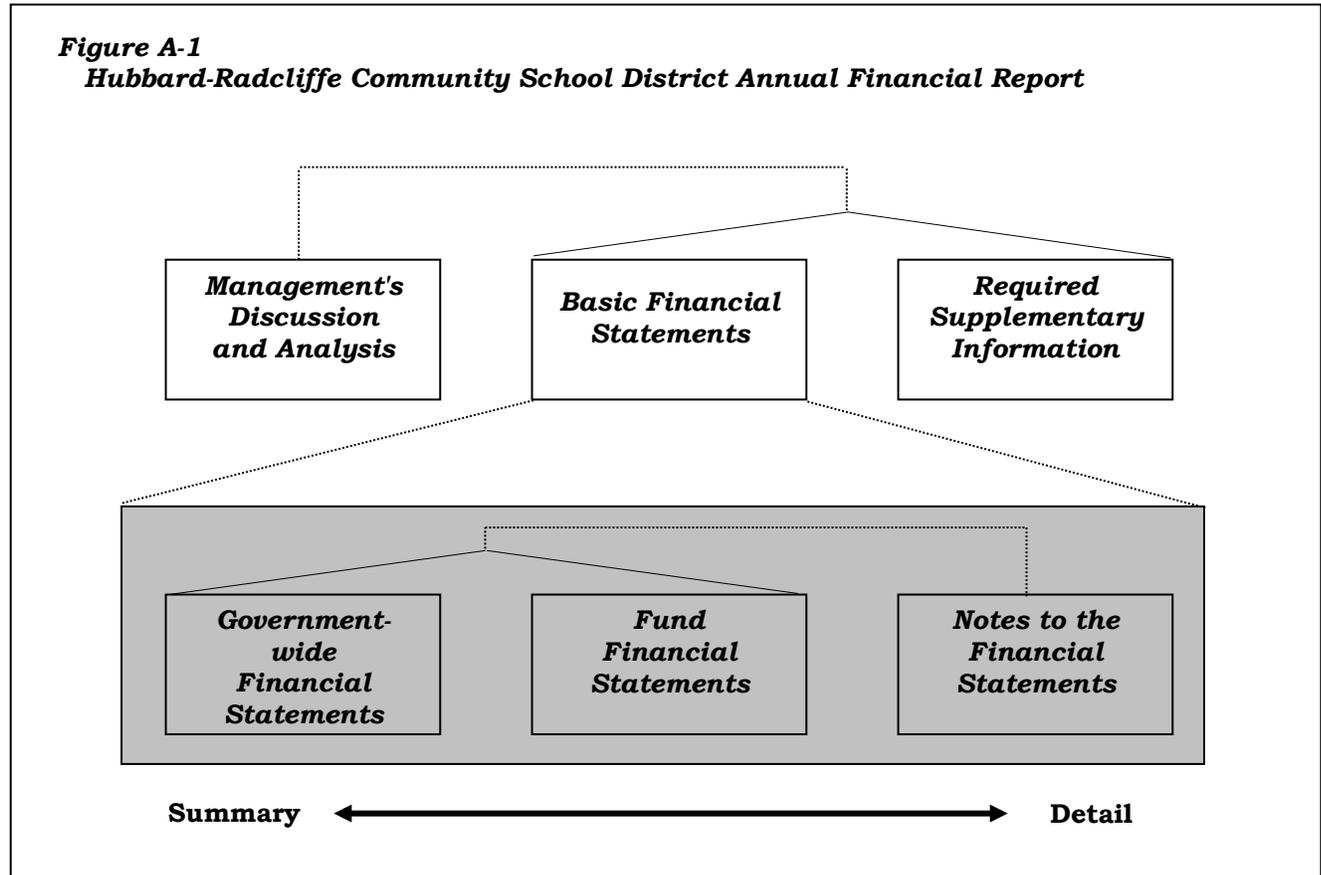


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 and preschool programs are included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 9,617,982	13,091,817	70,138	63,098	9,688,120	13,154,915	-26.35%
Capital assets	10,917,625	6,672,469	70,430	80,102	10,988,055	6,752,571	62.72%
Total assets	20,535,607	19,764,286	140,568	143,200	20,676,175	19,907,486	3.86%
Deferred outflows of resources	322,743	-	11,523	-	334,266	-	100.00%
Long-term liabilities	11,428,791	10,640,831	55,771	5,034	11,484,562	10,645,865	7.88%
Other liabilities	2,571,209	1,484,535	4,229	6,455	2,575,438	1,490,990	72.73%
Total liabilities	14,000,000	12,125,366	60,000	11,489	14,060,000	12,136,855	15.85%
Deferred inflows of resources	3,811,374	3,130,812	18,942	-	3,830,316	3,130,812	22.34%
Net position:							
Net investment in capital assets	2,618,359	2,542,887	70,430	80,102	2,688,789	2,622,989	2.51%
Restricted	1,572,076	1,484,034	-	-	1,572,076	1,484,034	5.93%
Unrestricted	(1,143,459)	481,187	2,719	51,609	(1,140,740)	532,796	-314.10%
Total net position	\$ 3,046,976	4,508,108	73,149	131,711	3,120,125	4,639,819	-32.75%

The District's combined net position decreased by 32.75%, or \$1,519,694, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent 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 \$88,042 or 5.93% from the prior year. This was primarily the result of an increase in the restricted net position for school infrastructure.

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 \$1,673,536 or 314.10%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,748,559 and \$60,420, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2014	2014	2014	2014	2014	2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,347,402	1,206,941	143,304	124,288	1,490,706	1,331,229	11.98%
Operating grants, contributions and restricted interest	430,691	375,877	135,370	138,760	566,061	514,637	9.99%
General revenues:							
Property tax	3,133,062	3,012,997	-	-	3,133,062	3,012,997	3.98%
Statewide sales, services and use tax	414,087	372,813	-	-	414,087	372,813	11.07%
Unrestricted state grants	1,874,103	1,662,874	-	-	1,874,103	1,662,874	12.70%
Unrestricted investment earnings	20,909	29,875	326	264	21,235	30,139	-29.54%
Other	76,340	89,944	12,009	9,846	88,349	99,790	-11.47%
Transfers	-	(26,788)	-	26,788	-	-	0.00%
Total revenues and transfers	7,296,594	6,724,533	291,009	299,946	7,587,603	7,024,479	8.02%
Program expenses:							
Instruction	4,701,278	4,370,584	48,729	46,811	4,750,007	4,417,395	7.53%
Support services	1,717,513	1,624,979	-	-	1,717,513	1,624,979	5.69%
Non-instructional programs	-	-	240,422	222,021	240,422	222,021	8.29%
Other expenses	590,376	562,175	-	-	590,376	562,175	5.02%
Total expenses	7,009,167	6,557,738	289,151	268,832	7,298,318	6,826,570	6.91%
Increase in net position	287,427	166,795	1,858	31,114	289,285	197,909	46.17%
Net position beginning of year, as restated	2,759,549	4,341,313	71,291	100,597	2,830,840	4,441,910	-36.27%
Net position end of year	\$ 3,046,976	4,508,108	73,149	131,711	3,120,125	4,639,819	-32.75%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 74.30% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 95.76% of the revenue from business type activities.

The District's total revenues were approximately \$7.59 million of which approximately \$7.30 million was for governmental activities and approximately \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.02% increase in revenues and a 6.91% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits payable.

### Governmental Activities

Revenues for governmental activities were \$7,296,594 and expenses were \$7,009,167 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 4,701,278	4,370,584	7.57%	3,137,089	2,988,884	4.96%
Support services	1,717,513	1,624,979	5.69%	1,686,395	1,592,426	5.90%
Other expenses	590,376	562,175	5.02%	407,590	393,610	3.55%
Totals	\$ 7,009,167	6,557,738	6.88%	5,231,074	4,974,920	5.15%

- The cost financed by users of the District's programs was \$1,347,402.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$430,691.
- The net cost of governmental activities was financed with \$3,133,062 in property tax, \$414,087 in statewide sales, services and use tax, \$1,874,103 in unrestricted state grants, \$20,909 in interest income, and \$76,340 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$291,009 and expenses were \$289,151. The District's business type activities include the School Nutrition Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,843,651, which is less than last year's ending fund balances of \$8,539,016. This decrease is primarily a result of the District's decreasing Capital Projects Fund balance during fiscal year 2015.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$740,038 to \$872,517, due in part to the increase in state source revenues.
- The Capital Projects Fund balance decreased from \$7,124,615 to \$2,418,166. This decrease is primarily due to the increased expenses relating to the building improvements construction.
- The District's Debt Service Fund balance increased from \$204,323 to \$211,756 which was primarily due to the increase in state revenues.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$92,520 restated at July 1, 2014 to \$94,252 at June 30, 2015, representing an increase of 1.87%.

The Preschool Fund net position increased from deficit \$21,229 restated at July 1, 2014 to deficit \$21,103 at June 30, 2015, representing an increase of 0.59%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$268,031 more than budgeted revenues, a variance of 3.66%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested approximately \$10.99 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, technology equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 62.72% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$279,475.

The original cost of the District's capital assets was approximately \$15.78 million. Governmental funds account for approximately \$15.58 million with the remainder of approximately \$0.20 million in the Proprietary-School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$4,943,055 at June 30, 2015, compared to \$1,680,665 reported at June 30, 2014. This significant increase resulted from expenses incurred on District construction projects including the Hubbard Gym and Elementary and Middle School HVAC projects.

Figure A-6  
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
	Land	\$ 8,500	8,500	-	-	8,500	8,500
Construction in progress	4,943,055	1,680,665	-	-	4,943,055	1,680,665	194.11%
Intangible assets	3,600	4,200	-	-	3,600	4,200	-14.29%
Buildings	5,569,163	4,586,329	-	-	5,569,163	4,586,329	21.43%
Land improvements	24,681	26,417	-	-	24,681	26,417	-6.57%
Machinery and equipment	368,626	366,358	70,430	80,102	439,056	446,460	-1.66%
Total	\$ 10,917,625	6,672,469	70,430	80,102	10,988,055	6,752,571	62.72%

### Long-Term Debt

At June 30, 2015, the District had \$11,484,562 in general obligation and other long-term debt outstanding. This represents an increase of 7.88% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bond indebtedness at June 30, 2015 of \$7,675,000.

The District had total outstanding revenue bond indebtedness at June 30, 2015 of \$1,435,000 payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had total capital loan note indebtedness at June 30, 2015 of \$655,000 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total bus lease indebtedness at June 30, 2015 of \$78,217 payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had total outstanding compensated absences payable of \$28,464 at June 30, 2015.

The District had total outstanding net pension liability at June 30, 2015 of \$1,487,028. The governmental activities accounted for \$1,437,361 of this total while business type activities accounted for \$49,667.

The District had total outstanding net OPEB liability at June 30, 2015 of \$125,853. The governmental activities accounted for \$119,749 of this total while business type activities accounted for \$6,104.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
General obligation bonds	\$ 7,675,000	8,040,000	-	-	7,675,000	8,040,000	-4.54%
Revenue bonds	1,435,000	1,600,000	-	-	1,435,000	1,600,000	-10.31%
Capital loan notes	655,000	870,000	-	-	655,000	870,000	-24.71%
Bus lease	78,217	-	-	-	78,217	-	100.00%
Compensated absences	28,464	32,059	-	-	28,464	32,059	-11.21%
Net pension liability	1,437,361	-	49,667	-	1,487,028	-	100.00%
Net OPEB liability	119,749	98,772	6,104	5,034	125,853	103,806	21.24%
Totals	\$ 11,428,791	10,640,831	55,771	5,034	11,484,562	10,645,865	7.88%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School Finance is highly dependent upon student enrollment. The District's October 2015 student enrollment increased by 24.1 students. The biggest gain was in students attending our school district. This will have a positive impact on the District's funding for the 2017 fiscal year. Our enrollment continues to fluctuate from year to year but over the past 4 years we averaged an increase of 11.6 students. Only 1 of the 4 years did we experience a decrease in student enrollment.
- The District will negotiate a new agreement during fiscal 2016. Settlements in excess of "new money" or supplemental State aide will have an adverse effect on the District's General Fund budget and related fund balance. It is also challenging to negotiate with the uncertainty. Since the state legislature did not set the supplemental state aid last year, it may be decided after negotiations are completed. We could budget with my certainty if the legislature would set the supplemental state aide 2 years out.

## **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 Debra England, District Secretary, Hubbard-Radcliffe Community School District, 200 E. Chestnut, PO Box 129, Hubbard, IA 50122.

## **Basic Financial Statements**

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,044,162	66,883	5,111,045
Receivables:			
Property tax:			
Delinquent	23,491	-	23,491
Succeeding year	3,263,206	-	3,263,206
Accounts	2,250	-	2,250
Due from other governments	1,284,873	-	1,284,873
Inventories	-	3,255	3,255
Capital assets, net of accumulated depreciation	10,917,625	70,430	10,988,055
<b>TOTAL ASSETS</b>	<b>20,535,607</b>	<b>140,568</b>	<b>20,676,175</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	322,743	11,523	334,266
<b>LIABILITIES</b>			
Accounts payable	2,118,583	179	2,118,762
Salaries and benefits payable	377,135	435	377,570
Accrued interest payable	60,431	-	60,431
Advances from grantors	15,060	-	15,060
Unearned revenue	-	3,615	3,615
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	170,000	-	170,000
General obligation bonds payable	375,000	-	375,000
Capital loan note payable	215,000	-	215,000
Bus lease payable	11,985	-	11,985
Compensated absences	28,464	-	28,464
Portion due after one year:			
Revenue bonds payable	1,265,000	-	1,265,000
General obligation bonds payable	7,300,000	-	7,300,000
Capital loan note payable	440,000	-	440,000
Bus lease payable	66,232	-	66,232
Net pension liability	1,437,361	49,667	1,487,028
Net OPEB liability	119,749	6,104	125,853
<b>TOTAL LIABILITIES</b>	<b>14,000,000</b>	<b>60,000</b>	<b>14,060,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	548,168	18,942	567,110
Unavailable property tax revenue	3,263,206	-	3,263,206
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,811,374</b>	<b>18,942</b>	<b>3,830,316</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,618,359	70,430	2,688,789
Restricted for:			
Categorical funding	198,879	-	198,879
School infrastructure	487,719	-	487,719
Physical plant and equipment	167,996	-	167,996
Management levy purposes	325,700	-	325,700
Student activities	21,957	-	21,957
Debt service	369,825	-	369,825
Unrestricted	(1,143,459)	2,719	(1,140,740)
<b>TOTAL NET POSITION</b>	<b>\$ 3,046,976</b>	<b>73,149</b>	<b>3,120,125</b>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,213,290	755,266	51,959	(2,406,065)	-	(2,406,065)
Special	1,068,905	526,177	33,046	(509,682)	-	(509,682)
Other	419,083	42,227	155,514	(221,342)	-	(221,342)
	<u>4,701,278</u>	<u>1,323,670</u>	<u>240,519</u>	<u>(3,137,089)</u>	<u>-</u>	<u>(3,137,089)</u>
Support services:						
Student	72,520	-	-	(72,520)	-	(72,520)
Instructional staff	125,166	-	7,386	(117,780)	-	(117,780)
Adminstration	576,645	-	-	(576,645)	-	(576,645)
Operation and maintenance of plant	494,555	-	-	(494,555)	-	(494,555)
Transportation	448,627	23,732	-	(424,895)	-	(424,895)
	<u>1,717,513</u>	<u>23,732</u>	<u>7,386</u>	<u>(1,686,395)</u>	<u>-</u>	<u>(1,686,395)</u>
Long-term debt interest	252,770	-	-	(252,770)	-	(252,770)
Other expenditures:						
AEA flowthrough	182,786	-	182,786	-	-	-
Depreciation(unallocated)*	154,820	-	-	(154,820)	-	(154,820)
	<u>337,606</u>	<u>-</u>	<u>182,786</u>	<u>(154,820)</u>	<u>-</u>	<u>(154,820)</u>
Total governmental activities	<u>7,009,167</u>	<u>1,347,402</u>	<u>430,691</u>	<u>(5,231,074)</u>	<u>-</u>	<u>(5,231,074)</u>
Business type activities:						
Instruction:						
Other	48,729	-	-	-	(48,729)	(48,729)
Non-instructional programs:						
Food service operations	240,123	106,144	135,370	-	1,391	1,391
Other enterprise operations	299	37,160	-	-	36,861	36,861
Total business type activities	<u>289,151</u>	<u>143,304</u>	<u>135,370</u>	<u>-</u>	<u>(10,477)</u>	<u>(10,477)</u>
Total	<u>\$ 7,298,318</u>	<u>1,490,706</u>	<u>566,061</u>	<u>(5,231,074)</u>	<u>(10,477)</u>	<u>(5,241,551)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,187,888	-	2,187,888
Debt service				553,953	-	553,953
Capital outlay				391,221	-	391,221
Statewide sales, services and use tax				414,087	-	414,087
Unrestricted state grants				1,874,103	-	1,874,103
Unrestricted investment earnings				20,909	326	21,235
Other general revenues				76,340	12,009	88,349
Total general revenues				<u>5,518,501</u>	<u>12,335</u>	<u>5,530,836</u>
Change in net position				287,427	1,858	289,285
Net position beginning of year, as restated				<u>2,759,549</u>	<u>71,291</u>	<u>2,830,840</u>
Net position end of year				<u>\$ 3,046,976</u>	<u>73,149</u>	<u>3,120,125</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments:	\$ 893,692	3,593,185	207,793	349,145	5,043,815
Receivables:					
Property tax					
Delinquent	16,729	2,799	3,963	-	23,491
Succeeding year	2,272,397	409,270	556,539	25,000	3,263,206
Due from other funds	7,282	-	-	-	7,282
Due from other governments	1,220,622	64,251	-	-	1,284,873
<b>TOTAL ASSETS</b>	<b>\$ 4,410,722</b>	<b>4,069,505</b>	<b>768,295</b>	<b>374,145</b>	<b>9,622,667</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	-	-	7,282	7,282
Accounts payable	873,613	1,242,069	-	651	2,116,333
Salaries and benefits payable	377,135	-	-	-	377,135
Advances from grantors	15,060	-	-	-	15,060
Total liabilities	1,265,808	1,242,069	-	7,933	2,515,810
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,272,397	409,270	556,539	25,000	3,263,206
Fund balances:					
Restricted for:					
Categorical funding	198,879	-	-	-	198,879
School infrastructure	-	2,031,670	-	-	2,031,670
Physical plant and equipment	-	167,996	-	-	167,996
Management levy purposes	-	-	-	325,700	325,700
Student activities	-	-	-	21,957	21,957
Debt service	-	218,500	211,756	-	430,256
Unassigned:					
General	673,638	-	-	-	673,638
Student activities	-	-	-	(6,445)	(6,445)
Total fund balances	872,517	2,418,166	211,756	341,212	3,843,651
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,410,722</b>	<b>4,069,505</b>	<b>768,295</b>	<b>374,145</b>	<b>9,622,667</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	3,843,651
<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.		10,917,625
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.		(60,431)
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		347
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	\$ 322,743	
Deferred inflows of resources	<u>(548,168)</u>	(225,425)
Long-term liabilities, including bonds payable, capital loan note payable, bus lease, compensated absences payable, net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(11,428,791)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>3,046,976</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,187,888	391,221	553,953	-	3,133,062
Tuition	1,214,701	-	-	-	1,214,701
Other	186,272	12,378	4,899	43,261	246,810
State sources	2,151,955	417,295	4,543	-	2,573,793
Federal sources	128,228	-	-	-	128,228
<b>TOTAL REVENUES</b>	<b>5,869,044</b>	<b>820,894</b>	<b>563,395</b>	<b>43,261</b>	<b>7,296,594</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,874,048	-	-	38,610	2,912,658
Special	980,978	-	-	-	980,978
Other	347,707	-	-	44,151	391,858
	<b>4,202,733</b>	<b>-</b>	<b>-</b>	<b>82,761</b>	<b>4,285,494</b>
Support services:					
Student	67,407	-	-	-	67,407
Instructional staff	80,446	36,153	-	-	116,599
Administration	501,013	1,500	-	36,042	538,555
Operation and maintenance of plant	438,078	7,781	-	39,576	485,435
Transportation	264,763	176,839	-	13,710	455,312
	<b>1,351,707</b>	<b>222,273</b>	<b>-</b>	<b>89,328</b>	<b>1,663,308</b>
Capital outlay	-	4,940,643	-	-	4,940,643
Long-term debt:					
Principal	-	-	745,000	-	745,000
Interest and fiscal charges	-	-	255,218	-	255,218
	<b>-</b>	<b>-</b>	<b>1,000,218</b>	<b>-</b>	<b>1,000,218</b>
Other expenditures:					
AEA flowthrough	182,786	-	-	-	182,786
<b>TOTAL EXPENDITURES</b>	<b>5,737,226</b>	<b>5,162,916</b>	<b>1,000,218</b>	<b>172,089</b>	<b>12,072,449</b>
Excess(Deficiency) of revenues over(under) expenditures	131,818	(4,342,022)	(436,823)	(128,828)	(4,775,855)
Other financing sources(uses):					
Sale of equipment	135	-	-	-	135
Compensation for loss of capital assets	526	1,612	-	-	2,138
Transfer in	-	-	444,256	-	444,256
Transfer out	-	(444,256)	-	-	(444,256)
Proceeds from issuance of bus lease	-	78,217	-	-	78,217
<b>Total other financing sources(uses)</b>	<b>661</b>	<b>(364,427)</b>	<b>444,256</b>	<b>-</b>	<b>80,490</b>
Change in fund balances	132,479	(4,706,449)	7,433	(128,828)	(4,695,365)
Fund balances beginning of year	740,038	7,124,615	204,323	470,040	8,539,016
Fund balances end of year	<b>\$ 872,517</b>	<b>2,418,166</b>	<b>211,756</b>	<b>341,212</b>	<b>3,843,651</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds (page 22)** \$ (4,695,365)

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

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

Capital outlay	\$ 4,514,959	
Depreciation expense	(269,803)	4,245,156

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

Issued	(78,217)	
Repaid	745,000	666,783

Net change in Internal Service Fund charged back against expenditures made for the flex benefit program on an entity-wide basis. 14

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. 2,448

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. 202,888

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.

Pension expense	(117,115)	
Compensated absences	3,595	
Other postemployment benefits	(20,977)	(134,497)

**Change in net position of governmental activities (page 19)** \$ 287,427

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Preschool	Total	
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 66,090	793	66,883	347
Accounts receivable	-	-	-	2,250
Inventories	3,255	-	3,255	-
Total current assets	<u>69,345</u>	<u>793</u>	<u>70,138</u>	<u>2,597</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	68,336	2,094	70,430	-
<b>TOTAL ASSETS</b>	<u>137,681</u>	<u>2,887</u>	<u>140,568</u>	<u>2,597</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	8,046	3,477	11,523	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	179	-	179	2,250
Salaries and benefits payable	435	-	435	-
Unearned revenue	3,615	-	3,615	-
Total current liabilities	<u>4,229</u>	<u>-</u>	<u>4,229</u>	<u>2,250</u>
Noncurrent liabilities:				
Net pension liability	34,202	15,465	49,667	-
Net OPEB liability	-	6,104	6,104	-
Total noncurrent liabilities	<u>34,202</u>	<u>21,569</u>	<u>55,771</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>38,431</u>	<u>21,569</u>	<u>60,000</u>	<u>2,250</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows	13,044	5,898	18,942	-
<b>NET POSITION</b>				
Net investment in capital assets	68,336	2,094	70,430	-
Unrestricted	25,916	(23,197)	2,719	347
<b>TOTAL NET POSITION</b>	<u>\$ 94,252</u>	<u>(21,103)</u>	<u>73,149</u>	<u>347</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Nonmajor Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Preschool	Total	
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for service	\$ 106,144	37,160	143,304	-
Miscellaneous	30	11,979	12,009	13,500
<b>TOTAL OPERATING REVENUES</b>	<b>106,174</b>	<b>49,139</b>	<b>155,313</b>	<b>13,500</b>
<b>OPERATING EXPENSES:</b>				
Instruction:				
Other:				
Salaries	-	36,803	36,803	-
Benefits	-	11,369	11,369	-
Supplies	-	557	557	-
	-	48,729	48,729	-
Support services:				
Administration:				
Benefits	-	-	-	13,486
Non-instructional programs:				
Food service operations:				
Salaries	65,027	-	65,027	-
Benefits	8,325	-	8,325	-
Services	22,393	-	22,393	-
Supplies	134,209	-	134,209	-
Depreciation	9,373	-	9,373	-
Other	796	-	796	-
	240,123	-	240,123	-
Other enterprise operations:				
Depreciation	-	299	299	-
<b>TOTAL OPERATING EXPENSES</b>	<b>240,123</b>	<b>49,028</b>	<b>289,151</b>	<b>13,486</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(133,949)</b>	<b>111</b>	<b>(133,838)</b>	<b>14</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	2,201	-	2,201	-
Federal sources	133,169	-	133,169	-
Interest on investments	311	15	326	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>135,681</b>	<b>15</b>	<b>135,696</b>	<b>-</b>
Changes in net position	1,732	126	1,858	14
Net position beginning of year, as restated	92,520	(21,229)	71,291	333
Net position end of year	\$ 94,252	(21,103)	73,149	347

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities : Nonmajor Enterprise Funds			Governmental Activities:
	School	Preschool	Total	Internal Service Fund
	Nutrition			
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 106,819	-	106,819	-
Cash received from preschool services	-	37,385	37,385	-
Cash received from miscellaneous	30	11,979	12,009	13,500
Cash payments to employees for services	(76,486)	(50,382)	(126,868)	(13,486)
Cash payments to suppliers for goods or services	(146,812)	(557)	(147,369)	-
Net cash used in operating activities	(116,449)	(1,575)	(118,024)	14
Cash flows from non-capital financing activities:				
State grants received	2,201	-	2,201	-
Federal grants received	123,154	-	123,154	-
Net cash provided by non-capital financing activities	125,355	-	125,355	-
Cash flows from investing activities:				
Interest on investments	311	15	326	-
Net increase(decrease) in cash and pooled investments	9,217	(1,560)	7,657	14
Cash and pooled investments at beginning of year	56,873	2,353	59,226	333
Cash and pooled investments at end of year	\$ 66,090	793	66,883	347
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating income(loss)	\$ (133,949)	111	(133,838)	14
Adjustments to reconcile operating income(loss) to net cash used in operating activities:				
Commodities consumed	10,015	-	10,015	-
Depreciation	9,373	299	9,672	-
Decrease in inventories	392	-	392	-
Decrease in accounts receivable	-	225	225	-
Increase in accounts payable	179	-	179	-
Decrease in salary and benefits payable	(727)	(2,353)	(3,080)	-
Increase in other postemployment benefits	-	1,070	1,070	-
Decrease in net pension liability	(12,444)	(5,627)	(18,071)	-
Increase in deferred outflows of resources	(3,007)	(1,198)	(4,205)	-
Increase in deferred inflows of resources	13,044	5,898	18,942	-
Increase in unearned revenue	675	-	675	-
Net cash used in operating activities	\$ (116,449)	(1,575)	(118,024)	14

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$10,015.

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSTION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$                  2,867</u>
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u><u>\$                  2,867</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 9
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	100
Change in net position	(91)
Net position beginning of year	2,958
Net position end of year	\$ 2,867

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The Hubbard-Radcliffe Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Hubbard and Radcliffe, Iowa, and the predominate agricultural territory in a portion of Hardin and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin and Hamilton 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 activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

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

The District non-major proprietary funds include the Enterprise: School Nutrition Fund and the Enterprise: Preschool Fund. These funds are used to account for the food service operations and the preschool operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit program.

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

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

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax 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 receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. 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 primarily paid by the General Fund and Enterprise, School Nutrition Fund.

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

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

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

Unassigned - All amounts not included in preceding classifications.

## **E. Budgets and Budgetary Accounting**

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

### **Note 2. Cash and Pooled Investments**

The District's deposits 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, which are valued at an amortized cost of \$3,765,591 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 223,806
Debt Service	Capital Projects: Physical, Plant and Equipment Levy	220,450
Total		<u>\$ 444,256</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bonded indebtedness.

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Student Activity	<u>\$ 7,282</u>

The Student Activity Fund is repaying the General Fund for an unallowable transfer.

**Note 5. Capital Assets**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 200,621	-	-	200,621
Less accumulated depreciation	120,519	9,672	-	130,191
Business type activities capital assets, net	<u>\$ 80,102</u>	<u>(9,672)</u>	<u>-</u>	<u>70,430</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,500	-	-	8,500
Construction in progress	1,680,665	4,398,308	1,135,918	4,943,055
Total capital assets not being depreciated/amortized	1,689,165	4,398,308	1,135,918	4,951,555
Capital assets being depreciated/amortized:				
Buildings	7,628,330	1,135,918	-	8,764,248
Land improvements	97,095	-	-	97,095
Machinery and equipment	1,696,538	116,651	55,000	1,758,189
Intangible assets	6,000	-	-	6,000
Total capital assets being depreciated	9,427,963	1,252,569	55,000	10,625,532
Less accumulated depreciation/amortization for:				
Buildings	3,042,001	153,084	-	3,195,085
Land improvements	70,678	1,736	-	72,414
Machinery and equipment	1,330,180	114,383	55,000	1,389,563
Intangible assets	1,800	600	-	2,400
Total accumulated depreciation/amortization	4,444,659	269,803	55,000	4,659,462
Total capital assets being depreciated/amortized, net	4,983,304	982,766	-	5,966,070
Governmental activities capital assets, net	\$ 6,672,469	5,381,074	1,135,918	10,917,625

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 56,829
Other		1,048
Support services:		
Operation and maintenance of plant		6,149
Transportation		50,957
		114,983
Unallocated depreciation		154,820
Total governmental activities depreciation expense		\$ 269,803
Business type activities:		
Food service operations		\$ 9,373
Other enterprise operations		299
Total business type activities activities depreciation expense		\$ 9,672

## **Note 6. Long-Term Debt**

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 8,040,000	-	365,000	7,675,000	375,000
Revenue bonds	1,600,000	-	165,000	1,435,000	170,000
Capital loan notes	870,000	-	215,000	655,000	215,000
Bus lease	-	78,217	-	78,217	11,985
Compensated absences	32,059	28,464	32,059	28,464	28,464
Net pension liability	1,960,341	-	522,980	1,437,361	-
Net OPEB liability	98,772	20,977	-	119,749	-
Total	\$ 12,601,172	127,658	1,300,039	11,428,791	800,449
<b>Business Type Activities:</b>					
Net pension liability	67,738	-	18,071	49,667	-
Net OPEB liability	5,034	1,070	-	6,104	-
Total	\$ 72,772	1,070	18,071	55,771	-

General Obligation Bonds

Details of the Districts June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2013				
	Rate	Principal	Interest	Total	
2016	2.00	% \$ 375,000	181,038	556,038	
2017	2.00	380,000	173,537	553,537	
2018	2.00	390,000	165,938	555,938	
2019	2.00	375,000	158,137	533,137	
2020	2.00	380,000	150,638	530,638	
2021-2025	2.00	2,020,000	635,887	2,655,887	
2026-2030	2.25-2.75	2,255,000	406,338	2,661,338	
2031-2033	3.00	1,500,000	90,900	1,590,900	
Total		\$ 7,675,000	1,962,413	9,637,413	

Revenues Bonds

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

Year Ended June 30,	Bond Issue July 1, 2009				
	Rate	Principal	Interest	Total	
2016	3.40	% \$ 170,000	53,900	223,900	
2017	3.60	170,000	47,950	217,950	
2018	3.75	175,000	41,609	216,609	
2019	3.90	175,000	34,915	209,915	
2020	4.00	180,000	27,902	207,902	
2021-2023	4.15-4.45	565,000	37,232	602,232	
Total		\$ 1,435,000	243,508	1,678,508	

The District has pledged futures statewide sales, services and use tax revenues to repay the \$2,185,000 bonds issued on July 1, 2009. The bonds were issued for purpose of financing the elementary school remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on bonds are expected to require nearly 54% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,678,508. For the current year, principal and interest of \$224,430 were paid on the bonds and total statewide sales, services and use tax revenues were \$414,087.

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

- a) \$218,500 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. The reserve account is part of the District's Capital Projects Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## Capital Loan Notes

Details of the District's June 30, 2015 capital loan note indebtedness that will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ended June 30,	Capital Loan Note Refunding Issue May 15, 2013				
	Rate		Principal	Interest	Total
2016	0.55	%	\$ 215,000	4,483	219,483
2017	0.65		220,000	3,300	223,300
2018	0.85		220,000	1,870	221,870
Total			<u>\$ 655,000</u>	<u>9,653</u>	<u>664,653</u>

## Bus Lease

Details of the District's June 30, 2015 bus lease indebtedness that will be paid from the Capital Projects: Statewide Sales, Services and Use Fund are as follows:

Year Ended June 30,	Bus Lease Issue October 1, 2014				
	Rate		Principal	Interest	Total
2016	2.54	%	\$ 11,985	1,987	13,972
2017	2.54		12,289	1,682	13,971
2018	2.54		53,943	1,370	55,313
Total			<u>\$ 78,217</u>	<u>5,039</u>	<u>83,256</u>

## **Note 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 30 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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 that, 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	\$ 36,149
Interest on net OPEB obligation	2,595
Adjustment to annual required contribution	<u>(7,800)</u>
Annual OPEB cost	30,944
Contributions made	<u>(8,897)</u>
Increase in net OPEB obligation	22,047
Net OPEB obligation beginning of year	103,806
Net OPEB obligation end of year	<u>\$ 125,853</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$8,897 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 43,006	35.53 %	\$ 75,590
2014	41,822	32.53	103,806
2015	30,944	28.75	125,853

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 \$214,902 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$214,902. The covered payroll (annual payroll of active employees covered by the plan) was \$1,742,866 and the ratio of the UAAL to covered payroll was 12.3%. 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$709 a month for the Classic 750 Single Plan, and \$1,821 for a Family Plan. The Select 2000 plan has a cost of \$584 per month for a Single Plan and \$501 a month for a Family Plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 8. Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$210,269.

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 \$1,487,028 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 0.036743 percent, which was an increase of 0.000924 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$121,162. 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	\$ 16,161	\$ -
Changes of assumptions	65,626	-
Net difference between projected and actual earnings on pension plan investments	-	567,110
Changes in proportion and differences between District contributions and proportionate share of contributions	42,210	-
District contributions subsequent to the measurement date	210,269	-
<b>Total</b>	<b>\$ 334,266</b>	<b>\$ 567,110</b>

\$210,269 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	\$ (112,806)
2017	(112,806)
2018	(112,806)
2019	(112,806)
2020	8,111
	<u>\$ (443,113)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 2,809,699	\$ 1,487,028	\$ 370,558

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$33,717 for legally required employer contributions and \$22,465 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 9. Risk Management**

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

**Note 10. 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 \$182,786 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Operating Lease Commitment**

The District entered into contracts to lease copy machines. The remaining payments the District will make over the next four years are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 5,928
2017	2,334
Total	<u>\$ 8,262</u>

**Note 12. Categorical Funding**

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

Program	Amount
Limited english proficient	\$ 8,462
Home school assistance program	85,130
Gifted and talented programs	59,546
Returning dropouts and dropout prevention programs	6,393
Beginning teacher mentoring and induction program	1,791
Teacher salary supplement	347
Four year old preschool state aid	26,019
Professional development for model core curriculum	1,360
Professional development	4,224
Market factor incentives	519
Teacher leadership grants	5,088
Total	<u>\$ 198,879</u>

**Note 13. Construction Commitment**

The District had entered into various contracts for building improvements totaling \$6,694,573. As of June 30, 2015 costs of \$4,943,055 had been incurred against these contracts. The remaining balance of \$1,751,518 will be paid out as work on the project progresses.

**Note 14. Deficit Fund Balance/Net Position**

At June 30, 2015, the Preschool Fund had deficit unrestricted net position of \$23,197 and deficit total net position of \$21,103. The District had deficit unrestricted net position of \$1,143,459 in the governmental activities. The District had one account in the Student Activity Fund with a deficit balance of \$6,445 at June 30, 2015.

**Note 15. Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	Net investment in Capital Assets	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,031,670	430,256	673,638
Capital assets, net of accumulated depreciation	10,917,625	-	-	-
General obligation bond capitalized indebtedness	(6,131,049)	-	-	-
Unspent general obligation bond proceeds	-	(1,543,951)	-	-
Revenue bond capitalized indebtedness	(1,435,000)	-	-	-
Capital loan note capitalized indebtedness	(655,000)	-	-	-
Bus lease capitalized indebtedness	(78,217)	-	-	-
Accrued interest payable	-	-	(60,431)	-
Unassigned student activity balances	-	-	-	(6,445)
Internal service fund	-	-	-	347
Compensated absences	-	-	-	(28,464)
Net pension liability	-	-	-	(1,437,361)
Pension related deferred outflows of resources	-	-	-	322,743
Pension related deferred inflows of resources	-	-	-	(548,168)
Net OPEB liability	-	-	-	(119,749)
Net position (Exhibit A)	\$ 2,618,359	487,719	369,825	(1,143,459)

**Note 16. Accounting Change/Restatement**

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,508,108	\$ 131,711
Net pension liability at June 30, 2014	(1,960,341)	(67,738)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	211,782	7,318
Net position July 1, 2014, as restated	<u>\$ 2,759,549</u>	<u>\$ 71,291</u>

	<u>Business Type Activities</u>		
	School		
	Nutrition	Preschool	Total
Net position June 30, 2014, as previously reported	\$ 134,127	(2,416)	131,711
Net pension liability at June 30, 2014	(46,646)	(21,092)	(67,738)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	5,039	2,279	7,318
Net position July 1, 2014, as restated	<u>\$ 92,520</u>	<u>(21,229)</u>	<u>71,291</u>

## **Required Supplementary Information**

HUBBARD-RADCLIFFE 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	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,594,573	155,639	4,750,212	4,877,056	4,877,056	(126,844)
State sources	2,573,793	2,201	2,575,994	2,208,516	2,208,516	367,478
Federal sources	128,228	133,169	261,397	234,000	234,000	27,397
Total revenues	<u>7,296,594</u>	<u>291,009</u>	<u>7,587,603</u>	<u>7,319,572</u>	<u>7,319,572</u>	<u>268,031</u>
Expenditures/Expenses:						
Instruction	4,285,494	48,729	4,334,223	4,335,000	4,335,000	777
Support services	1,663,308	-	1,663,308	1,762,710	1,762,710	99,402
Non-instructional programs	-	240,422	240,422	341,220	341,220	100,798
Other expenditures	6,123,647	-	6,123,647	8,587,314	8,587,314	2,463,667
Total expenditures/expenses	<u>12,072,449</u>	<u>289,151</u>	<u>12,361,600</u>	<u>15,026,244</u>	<u>15,026,244</u>	<u>2,664,644</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,775,855)	1,858	(4,773,997)	(7,706,672)	(7,706,672)	2,932,675
Other financing sources, net	<u>80,490</u>	<u>-</u>	<u>80,490</u>	<u>-</u>	<u>-</u>	<u>80,490</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(4,695,365)	1,858	(4,693,507)	(7,706,672)	(7,706,672)	3,013,165
Balances beginning of year, as restated	<u>8,539,016</u>	<u>71,291</u>	<u>8,610,307</u>	<u>9,407,239</u>	<u>9,407,239</u>	<u>(796,932)</u>
Balances end of year	<u>\$ 3,843,651</u>	<u>73,149</u>	<u>3,916,800</u>	<u>1,700,567</u>	<u>1,700,567</u>	<u>2,216,233</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE 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 Government 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 the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
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	July 1, 2009	\$ -	\$ 112,814	\$ 112,814	0.0 %	1,036,000	10.9 %
2011	July 1, 2009	-	106,322	106,322	0.0	1,270,000	8.4
2012	July 1, 2009	-	96,125	96,125	0.0	1,260,000	7.6
2013	July 1, 2012	-	236,650	236,650	0.0	1,389,551	17.0
2014	July 1, 2012	-	214,902	214,902	0.0	1,440,917	14.9
2015	July 1, 2012	-	214,902	214,902	0.0	1,742,866	12.3

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015
District's proportion of the net pension liability	0.036743%
District's proportionate share of the net pension liability	\$ 1,487,028
District's covered-employee payroll	\$ 2,354,637
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.15%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 210,269	219,100	200,854	176,115	146,745	143,349	135,382	119,793	118,310	125,176
Contributions in relation to the statutorily required contribution	(210,269)	(219,100)	(200,854)	(176,115)	(146,745)	(143,349)	(135,382)	(119,793)	(118,310)	(125,176)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,354,637	2,453,527	2,316,655	2,182,342	2,111,439	2,062,576	2,132,000	1,980,050	2,057,565	2,176,974
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE 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.

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

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

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

## **Supplementary Information**

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 325,700	23,445	349,145
Receivables:			
Property tax:			
Succeeding year	25,000	-	25,000
<b>TOTAL ASSETS</b>	<b>\$ 350,700</b>	<b>23,445</b>	<b>374,145</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	651	651
Due to other funds	-	7,282	7,282
Total liabilities	-	7,933	7,933
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	25,000	-	25,000
Fund balances:			
Restricted for:			
Management levy purposes	325,700	-	325,700
Student activities	-	21,957	21,957
Unassigned:			
Student activities	-	(6,445)	(6,445)
Total fund balances	325,700	15,512	341,212
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 350,700</b>	<b>23,445</b>	<b>374,145</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Other	\$ 6,762	36,499	43,261
EXPENDITURES:			
Current:			
Instruction:			
Regular	38,610	-	38,610
Other	-	44,151	44,151
Support services:			
Administration	36,042	-	36,042
Operation and maintenance of plant	39,576	-	39,576
Transportation	13,710	-	13,710
TOTAL EXPENDITURES	127,938	44,151	172,089
Change in fund balances	(121,176)	(7,652)	(128,828)
Fund balances beginning of year	446,876	23,164	470,040
Fund balances end of year	\$ 325,700	15,512	341,212

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			Total
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,748,505	679,276	165,404	3,593,185
Receivables:				
Property tax:				
Delinquent	-	-	2,799	2,799
Succeeding year	-	-	409,270	409,270
Due from other governments	-	64,251	-	64,251
<b>TOTAL ASSETS</b>	<b>\$ 2,748,505</b>	<b>743,527</b>	<b>577,473</b>	<b>4,069,505</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,204,554	37,308	207	1,242,069
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	409,270	409,270
Fund balances:				
Restricted for:				
School infrastructure	1,543,951	487,719	-	2,031,670
Physical plant and equipment	-	-	167,996	167,996
Debt service	-	218,500	-	218,500
Total fund balances	1,543,951	706,219	167,996	2,418,166
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,748,505</b>	<b>743,527</b>	<b>577,473</b>	<b>4,069,505</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	391,221	391,221
Other	6,313	4,671	1,394	12,378
State sources	-	414,087	3,208	417,295
<b>TOTAL REVENUES</b>	<b>6,313</b>	<b>418,758</b>	<b>395,823</b>	<b>820,894</b>
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	36,153	-	36,153
Administration	-	-	1,500	1,500
Operation and maintenance of plant	-	1,968	5,813	7,781
Transportation	-	92,188	84,651	176,839
Capital outlay	4,842,780	54,622	43,241	4,940,643
<b>TOTAL EXPENDITURES</b>	<b>4,842,780</b>	<b>184,931</b>	<b>135,205</b>	<b>5,162,916</b>
Excesss(Deficiency) of revenues over(under) expenditures	(4,836,467)	233,827	260,618	(4,342,022)
Other financing sources(uses):				
Compensation for loss of capital assets	-	-	1,612	1,612
Transfer out	-	(223,806)	(220,450)	(444,256)
Proceeds from issuance of bus lease	-	78,217	-	78,217
<b>Total other financing (sources)uses</b>	<b>-</b>	<b>(145,589)</b>	<b>(218,838)</b>	<b>(364,427)</b>
Change in fund balances	(4,836,467)	88,238	41,780	(4,706,449)
Fund balances beginning of year	6,380,418	617,981	126,216	7,124,615
Fund balances end of year	\$ 1,543,951	706,219	167,996	2,418,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
ATHLETICS	\$ 1,391	4,581	12,253	(164)	(6,445)
CONCESSIONS	5,312	7,134	6,445	57	6,058
INTEREST	38	143	166	-	15
INSTRUMENTAL MUSIC	908	4,326	3,527	16	1,723
VOCAL/INSTURMENTAL MUSIC	5,061	1,834	915	57	6,037
DC TRIP	5,604	9,435	10,286	-	4,753
YEARBOOK	-	1,325	1,227	-	98
STUDENT COUNCIL MS	3,028	7,379	7,665	29	2,771
ELEMENTARY COUNCIL	1,822	342	1,667	5	502
TOTALS	\$ 23,164	36,499	44,151	-	15,512

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,133,062	3,012,997	2,819,204	3,154,679	3,018,393	2,933,033	2,715,816	2,513,423	2,528,008	2,253,036
Tuition	1,214,701	1,079,500	1,072,105	896,249	956,233	974,668	1,020,659	1,136,748	29,586	84,864
Other	246,810	247,320	202,833	201,226	233,569	257,689	222,608	180,198	226,845	157,339
State sources	2,573,793	2,289,892	1,695,281	1,650,040	1,639,519	1,462,811	1,899,262	1,818,506	1,831,432	1,807,043
Federal sources	128,228	121,612	105,631	182,177	216,044	346,574	155,420	155,491	144,144	125,405
<b>Total</b>	<b>\$ 7,296,594</b>	<b>6,751,321</b>	<b>5,895,054</b>	<b>6,084,371</b>	<b>6,063,758</b>	<b>5,974,775</b>	<b>6,013,765</b>	<b>5,804,366</b>	<b>4,760,015</b>	<b>4,427,687</b>
Expenditures:										
Instruction:										
Regular	\$ 2,912,658	2,838,040	2,695,453	2,413,679	2,319,924	2,499,108	2,682,730	2,636,782	2,055,842	1,916,754
Special	980,978	943,329	872,721	846,458	763,729	853,260	815,785	772,538	411,256	361,299
Other	391,858	381,155	329,499	354,102	310,733	311,321	278,669	174,720	247,180	465,147
Support services:										
Student	67,407	61,857	60,498	62,706	58,665	49,960	48,732	74,462	87,798	91,791
Instructional staff	116,599	139,081	154,004	227,455	139,770	87,913	97,204	178,271	86,143	161,187
Administration	538,555	514,428	505,545	481,171	447,262	458,426	517,309	404,632	457,328	471,691
Operation and maintenance of plant	485,435	521,148	479,177	468,866	498,748	510,552	527,977	508,840	516,341	436,886
Transportation	455,312	363,090	280,143	279,835	350,865	266,193	335,715	269,133	200,653	287,920
Non-instructional programs	-	-	-	1,341	795	-	127	1,192	531	131
Capital outlay	4,940,643	2,104,590	450,147	288,175	657,774	2,161,090	1,863,800	362,267	105,716	288,708
Long-term debt:										
Principal	745,000	740,000	1,395,000	325,000	310,000	170,000	185,000	21,237	19,507	-
Interest and fiscal charges	255,218	268,508	117,658	129,180	137,231	105,680	53,816	1,530	3,260	-
Other expenditures:										
AEA flow-through	182,786	168,565	158,295	162,786	182,816	181,512	162,072	152,748	148,045	142,709
<b>Total</b>	<b>\$ 12,072,449</b>	<b>9,043,791</b>	<b>7,498,140</b>	<b>6,040,754</b>	<b>6,178,312</b>	<b>7,655,015</b>	<b>7,568,936</b>	<b>5,558,352</b>	<b>4,339,600</b>	<b>4,624,223</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Hubbard-Radcliffe Community School District:

We 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 Hubbard-Radcliffe Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hubbard-Radcliffe Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Hubbard-Radcliffe Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2016  
Newton, Iowa

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

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

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Supporting Documentation - During our audit we noted an instance of a purchase that lacked an invoice or detailed receipt to be used as supporting documentation.

Recommendation - The District should review their procedures in place 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 - We will be more diligent in obtaining detailed receipts for all expenditures.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased iTunes gift cards. Purchasing gift cards to be given to students does not allow the Board to audit and allow the final purchase as required by Chapter 279.29 of the Code of Iowa and does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District purchases iTunes gift cards so they could purchase apps for the iPads at the elementary building to limit the amount of apps purchased each year. We will find a different method to limit the amount of apps purchase and another method to purchase the apps with.

Conclusion - Response accepted.

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

II-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keith England, Board Member Spouse is Business Manager	Business Manager	\$52,747
Leon Schwartz, Board Member Spouse is Teacher	Teacher	\$56,858

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of Board Members do not appear to represent a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No 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 filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 617,981
Revenues:		
Sales tax revenues	\$ 414,087	
Other local revenues	4,671	
Bus lease proceeds	78,217	496,975
Total revenues		1,114,956
Expenditures:		
Equipment	131,838	
Other	53,093	
Transfers to other funds:		
Debt service fund	223,806	408,737
Ending balance		\$ 706,219

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

II-M-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

**PBIS Expenses:** We noted during our audit that the District purchased snacks and food for PBIS. These expenditures do not appear to relate to a student organization or athletic program, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the expenditures that are approved in the Student Activity Fund. The expenditures relating to PBIS would be more appropriate from the General Fund.

Response - All future PBIS expenditures will be paid from of the General Fund.

Conclusion - Response accepted.

II-R-15 Financial Condition - At June 30, 2015, the Preschool Fund had deficit unrestricted net position of \$23,197 and deficit total net position of \$21,103. The District had deficit unrestricted net position of \$1,143,459 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District also had one account in the Student Activity Fund with a deficit balance of \$6,445 at June 30, 2015.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$1,437,361 at June 30, 2015.

Conclusion - Response accepted