

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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## North Tama County Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Trisha Kennedy	President	2017
Tiffany Feisel	Vice President	2015
Robert Young	Board Member	2017
Gretchen Pargeon	Board Member	2015
Doug Dvorak	Board Member	2015
Cheryl Popelka	Board Member	2017
Rod Zobel	Board Member	2017
<b>School Officials</b>		
Robert Cue	Superintendent	2015
Terrill Karr	Board Secretary/ Business Manager	2015
Gruhn Law Firm	Attorney	2015
Bauch Law Firm	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 North Tama County Community School District:**

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

Members American Institute & Iowa Society of Certified Public Accountants

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, North Tama County Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016, on our consideration of North Tama County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Tama County Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016  
Newton, Iowa

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

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North Tama County 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 \$5,194,616 in fiscal year 2014 to \$5,204,306 in fiscal year 2015. This increase can be attributed to an increase in local and federal source revenues. General Fund expenditures increased from \$4,994,923 in fiscal year 2014 to \$5,320,481 in fiscal year 2015 due in part to an increase in expenditures in the instruction functional area. The District's fund balance decreased from \$1,326,004 at June 30, 2014 to \$1,209,829 at June 30, 2015, which was a 8.76% decrease from the prior year.

### **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 North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County 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 North Tama County 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.

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.

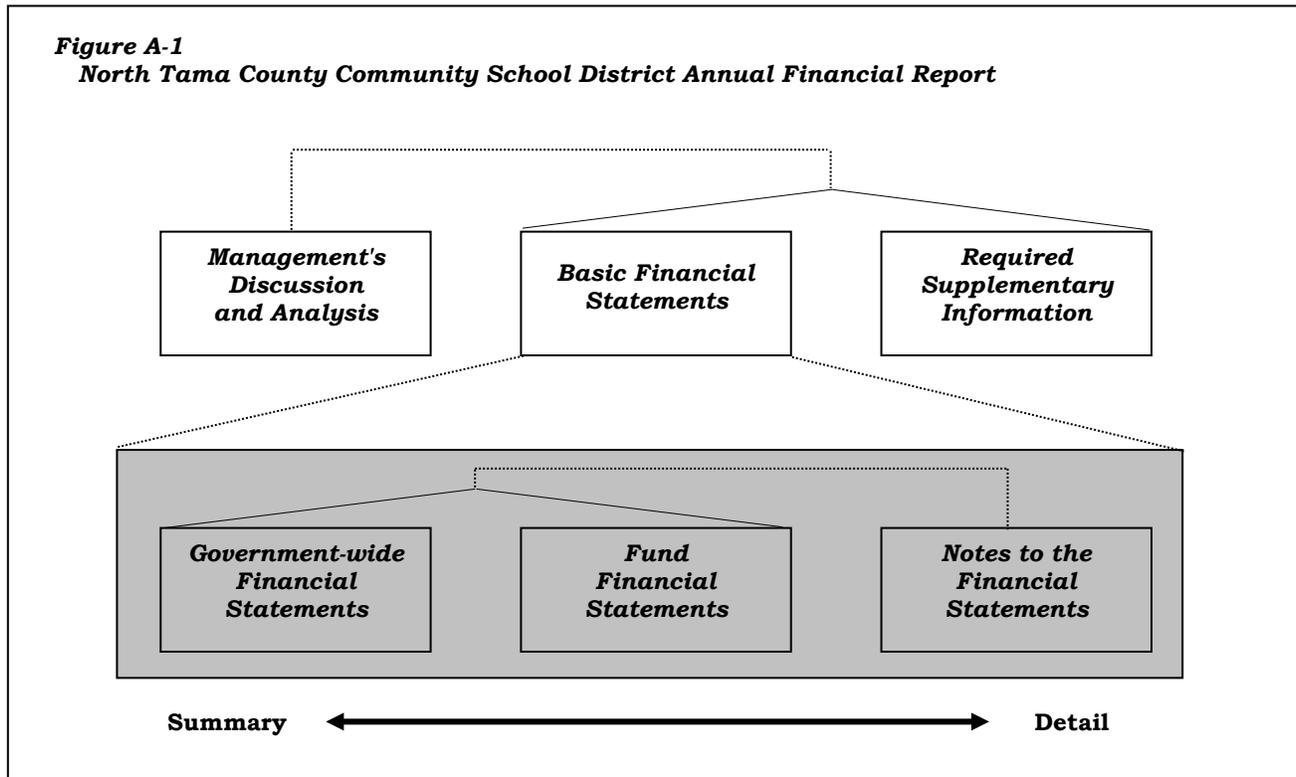


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 adult education	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.

The two Government-wide 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

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position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide 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 Other Enterprise Fund, which includes the Book Fair, JET, NT & S and Concessions accounts.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 5,710,144	6,026,741	73,090	86,659	5,783,234	6,113,400	-5.40%
Capital assets	5,152,026	4,939,632	11,255	14,610	5,163,281	4,954,242	4.22%
Total assets	10,862,170	10,966,373	84,345	101,269	10,946,515	11,067,642	-1.09%
Deferred outflows of resources	413,442	-	9,502	-	422,944	-	100.00%
Long-term liabilities	5,012,669	3,212,264	48,790	4,522	5,061,459	3,216,786	57.35%
Other liabilities	641,821	589,543	4,521	3,936	646,342	593,479	8.91%
Total liabilities	5,654,490	3,801,807	53,311	8,458	5,707,801	3,810,265	49.80%
Deferred inflows of resources	2,437,014	1,859,610	16,883	-	2,453,897	1,859,610	31.96%
Net position:							
Net investment in capital assets	2,267,026	1,904,632	11,255	14,610	2,278,281	1,919,242	18.71%
Restricted	1,985,301	2,232,494	-	-	1,985,301	2,232,494	-11.07%
Unrestricted	(1,068,219)	1,167,830	12,398	78,201	(1,055,821)	1,246,031	-184.73%
Total net position	\$ 3,184,108	5,304,956	23,653	92,811	3,207,761	5,397,767	-40.57%

The District's total net position decreased by 40.57% or \$2,190,006 compared to the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$247,193 or 11.07% from the prior year. The primary reason for the decrease in restricted net position was the decrease in the amount restricted for management levy purposes.

Unrestricted net position-the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased approximately \$2,301,852 or 184.73% from the prior year. 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 \$2,226,997 and \$53,593, 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 District		Total Change	
	2014		2014		2014		2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)		
Revenues:								
Program revenues:								
Charges for service	\$ 445,494	417,319	163,917	169,103	609,411	586,422	3.92%	
Operating grants, contributions and restricted interest	472,294	389,100	102,566	115,658	574,860	504,758	13.89%	
Capital grants, contributions and restricted interest	31,807	55,333	-	-	31,807	55,333	100.00%	
General revenues:								
Property tax	1,870,482	2,097,431	-	-	1,870,482	2,097,431	-10.82%	
Income surtax	276,921	260,932	-	-	276,921	260,932	6.13%	
Statewide sales, service and use tax	461,420	459,163	-	-	461,420	459,163	0.49%	
Unrestricted state grants	2,393,572	2,454,875	-	-	2,393,572	2,454,875	-2.50%	
Unrestricted investment earnings	3,244	2,539	48	56	3,292	2,595	26.86%	
Other revenue	12,662	168,611	1,035	2,987	13,697	171,598	-92.02%	
Total revenues	<u>5,967,896</u>	<u>6,305,303</u>	<u>267,566</u>	<u>287,804</u>	<u>6,235,462</u>	<u>6,593,107</u>	<u>-5.42%</u>	
Program expenses:								
Instruction	3,863,222	3,677,385	-	-	3,863,222	3,677,385	5.05%	
Support services	1,512,441	1,521,602	30,124	26,740	1,542,565	1,548,342	-0.37%	
Non-instructional programs	250	250	253,007	261,110	253,257	261,360	-3.10%	
Other expenses	485,834	486,674	-	-	485,834	486,674	-0.17%	
Total expenses	<u>5,861,747</u>	<u>5,685,911</u>	<u>283,131</u>	<u>287,850</u>	<u>6,144,878</u>	<u>5,973,761</u>	<u>2.86%</u>	
Change in net position	106,149	619,392	(15,565)	(46)	90,584	619,346	85.37%	
Net position beginning of year, as restated	<u>3,077,959</u>	<u>4,685,564</u>	<u>39,218</u>	<u>92,857</u>	<u>3,117,177</u>	<u>4,778,421</u>	<u>-34.77%</u>	
Net position end of year	<u>\$ 3,184,108</u>	<u>5,304,956</u>	<u>23,653</u>	<u>92,811</u>	<u>3,207,761</u>	<u>5,397,767</u>	<u>-40.57%</u>	

In fiscal year 2015, property tax, income surtax and unrestricted state grants accounted for 76.09% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.60% of the revenue from business type activities.

The District's total revenues were approximately \$6.24 million, of which approximately \$5.97 million was for governmental activities and slightly less than \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 5.42% in revenues and a 2.86% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$5,967,896 and expenses were \$5,861,747 for the fiscal year ending June 30, 2015. In a difficult budget year, the District was able to balance the budget by limiting expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,863,222	3,677,385	5.05%	3,161,101	3,090,672	2.28%
Support services	1,512,441	1,521,602	-0.60%	1,477,853	1,460,685	1.18%
Non-instructional programs	250	250	0.00%	250	250	0.00%
Other expenses	485,834	486,674	-0.17%	272,948	272,552	0.15%
Totals	<u>\$ 5,861,747</u>	<u>5,685,911</u>	<u>3.09%</u>	<u>4,912,152</u>	<u>4,824,159</u>	<u>1.82%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$445,494.
- The federal and state government subsidized certain programs with operating and capital grants and contributions totaling \$504,101.
- The net cost of governmental activities was financed with \$1,870,482 in property tax, \$276,921 in income surtax, \$461,420 in statewide sales, service and use tax, \$2,393,572 in unrestricted state grants, \$3,244 in unrestricted investment earnings and \$12,662 in other general revenues.

### Business Type Activities

The District's business type activities are the School Nutrition Fund and Other Enterprise Fund. Revenues of the District's business type activities totaled \$267,566 in fiscal year 2015, which is a 7.03% decrease from the prior year. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues. Expenses for business type activities decreased 1.64% to \$283,131 in fiscal year 2015.

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## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,080,864; a decrease of \$269,150 from last year's ending fund balances of \$3,350,014. The primary reason for the decrease in combined fund balances is the decrease in fund balance of the General Fund.

### **Governmental Fund Highlights**

- The District's decrease in the General Fund financial position is the result of many factors. The General Fund balance decreased from \$1,326,004 at June 30, 2014 to \$1,209,829 at June 30, 2015. General Fund revenues increased slightly due in part to increases in local tax and federal source revenues. Expenditures outpaced revenues mainly due to an increase in expenditures in the instruction functional area.
- The Management Levy Fund decreased from \$800,180 at June 30, 2014 to \$711,898 at June 30, 2015. The decrease in fund balance can be attributed to an decrease in property tax revenues.
- The Capital Projects Fund balance decreased from \$807,845 at June 30, 2014 to \$760,736 at June 30, 2015. During the year ended June 30, 2015, the Capital Projects: Statewide Sales, Services and Use Tax Fund decreased from \$684,131 at June 30, 2014 to \$603,528 at June 30, 2015. The decrease in fund balance can be attributed to the District purchasing land for parking lot during fiscal year 2015. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$123,714 at June 30, 2014 to \$157,208 at June 30, 2015.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from restated net position of \$24,567 at July 1, 2014 to \$1,325 at June 30, 2015, representing a decrease of approximately 94.61%. The Other Enterprise Fund net position increased from \$14,651 restated as of July 1, 2014 to \$22,328 at June 30, 2015, representing an increase of approximately 52.40%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$294,683 less than total budgeted revenues, a variance of 4.53%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$5,163,281, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$243,396.

The original cost of the District's capital assets was \$9,056,343. Governmental funds account for \$8,968,103, with the remainder of \$88,240 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was \$52,377 at June 30, 2015. The increase is the result of the District starting construction on athletic complex projects.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 162,844	116,414	-	-	162,844	116,414	39.88%
Construction in progress	52,377	-	-	-	52,377	-	100.00%
Buildings	4,365,967	4,356,104	-	-	4,365,967	4,356,104	0.23%
Improvements other than buildings	201,400	193,315	-	-	201,400	193,315	4.18%
Machinery and equipment	369,438	273,799	11,255	14,610	380,693	288,409	32.00%
Total	\$ 5,152,026	4,939,632	11,255	14,610	5,163,281	4,954,242	4.22%

### Long-Term Debt

At June 30, 2015, the District had \$5,061,459 in total long-term debt outstanding. This represents a 57.35% increase from the previous year. (See figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

- The District had outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$2,885,000 at June 30, 2015.
- The District had outstanding termination benefits of \$162,000 at June 30, 2015 payable from the Management Levy Fund.
- The District had a net OPEB liability of \$130,700 at June 30, 2015, \$126,178 is attributed to governmental activities and \$4,522 is attributed to business type activities.
- The District had net pension liability of \$1,883,759 at June 30, 2015. Governmental activities accounted for \$1,839,491 while business type activities accounted for \$44,268.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
Revenue bonds	\$ 2,885,000	3,035,000	-	-	2,885,000	3,035,000	-4.94%
Termination benefits	162,000	-	-	-	162,000	-	100.00%
Net OPEB liability	126,178	126,178	4,522	4,522	130,700	130,700	0.00%
Net pension liability	1,839,491	-	44,268	-	1,883,759	-	100.00%
Net supplemental pension liability	-	51,086	-	-	-	51,086	-100.00%
Total	\$ 5,012,669	3,212,264	48,790	4,522	5,061,459	3,216,786	57.35%

## 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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs - especially in the area of health insurance - must be continued and expanded.

## 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 Terrill Karr, Board Secretary/Business Manager, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

## **BASIC FINANCIAL STATEMENTS**

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,540,429	65,699	3,606,128
Receivables:			
Property tax:			
Delinquent	22,650	-	22,650
Succeeding year	1,735,486	-	1,735,486
Income surtax	251,973	-	251,973
Accounts	2,820	70	2,890
Due from other governments	156,786	-	156,786
Inventories	-	7,321	7,321
Capital assets, net of accumulated depreciation	5,152,026	11,255	5,163,281
<b>Total assets</b>	<b>10,862,170</b>	<b>84,345</b>	<b>10,946,515</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	413,442	9,502	422,944
<b>Liabilities</b>			
Accounts payable	145,782	1,994	147,776
Salaries and benefits payable	493,595	-	493,595
Advances from grantors	2,444	-	2,444
Unearned revenue	-	2,527	2,527
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	160,000	-	160,000
Termination benefits	72,000	-	72,000
Portion due after one year:			
Revenue bonds payable	2,725,000	-	2,725,000
Termination benefits	90,000	-	90,000
Net pension liability	1,839,491	44,268	1,883,759
Net OPEB liability	126,178	4,522	130,700
<b>Total liabilities</b>	<b>5,654,490</b>	<b>53,311</b>	<b>5,707,801</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,735,486		1,735,486
Pension related deferred inflows	701,528	16,883	718,411
<b>Total deferred inflows of resources</b>	<b>2,437,014</b>	<b>16,883</b>	<b>2,453,897</b>
<b>Net Position</b>			
Net investment in capital assets	2,267,026	11,255	2,278,281
Restricted for:			
Categorical funding	276,266	-	276,266
Debt service	289,289	-	289,289
Management levy purposes	549,898	-	549,898
Student activities	109,112	-	109,112
School infrastructure	603,528	-	603,528
Physical plant and equipment	157,208	-	157,208
Unrestricted	(1,068,219)	12,398	(1,055,821)
<b>Total net position</b>	<b>\$ 3,184,108</b>	<b>23,653</b>	<b>3,207,761</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,560,037	165,003	139,410	-	(2,255,624)	-	(2,255,624)
Special	653,648	51,076	49,804	-	(552,768)	-	(552,768)
Other	649,537	227,041	69,787	-	(352,709)	-	(352,709)
	<u>3,863,222</u>	<u>443,120</u>	<u>259,001</u>	<u>-</u>	<u>(3,161,101)</u>	<u>-</u>	<u>(3,161,101)</u>
Support services:							
Student	57,904	-	-	-	(57,904)	-	(57,904)
Instructional staff	95,104	-	-	-	(95,104)	-	(95,104)
Administration	694,164	-	-	-	(694,164)	-	(694,164)
Operation and maintenance of plant	391,805	-	-	31,807	(359,998)	-	(359,998)
Transportation	273,464	2,374	407	-	(270,683)	-	(270,683)
	<u>1,512,441</u>	<u>2,374</u>	<u>407</u>	<u>31,807</u>	<u>(1,477,853)</u>	<u>-</u>	<u>(1,477,853)</u>
Non-instructional programs:							
Food service operations	250	-	-	-	(250)	-	(250)
Long-term debt interest	135,965	-	-	-	(135,965)	-	(135,965)
Other expenditures:							
AEA flowthrough	212,886	-	212,886	-	-	-	-
Depreciation(unallocated)*	136,983	-	-	-	(136,983)	-	(136,983)
	<u>349,869</u>	<u>-</u>	<u>212,886</u>	<u>-</u>	<u>(136,983)</u>	<u>-</u>	<u>(136,983)</u>
Total governmental activities	<u>5,861,747</u>	<u>445,494</u>	<u>472,294</u>	<u>31,807</u>	<u>(4,912,152)</u>	<u>-</u>	<u>(4,912,152)</u>
Business type activities:							
Support services:							
Administration	15,914	-	-	-	-	(15,914)	(15,914)
Operation and maintenance of plant	14,210	-	-	-	-	(14,210)	(14,210)
	<u>30,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,124)</u>	<u>(30,124)</u>
Non-instructional programs:							
Food service operations	222,650	125,909	102,566	-	-	5,825	5,825
Other enterprise operations	30,357	38,008	-	-	-	7,651	7,651
	<u>253,007</u>	<u>163,917</u>	<u>102,566</u>	<u>-</u>	<u>-</u>	<u>13,476</u>	<u>13,476</u>
Total business type activities	<u>283,131</u>	<u>163,917</u>	<u>102,566</u>	<u>-</u>	<u>-</u>	<u>(16,648)</u>	<u>(16,648)</u>
Total	<u>\$ 6,144,878</u>	<u>609,411</u>	<u>574,860</u>	<u>31,807</u>	<u>(4,912,152)</u>	<u>(16,648)</u>	<u>(4,928,800)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,808,580	-		1,808,580
Capital outlay				61,902	-		61,902
Income surtax				276,921	-		276,921
Statewide sales, services and use tax				461,420	-		461,420
Unrestricted state grants				2,393,572	-		2,393,572
Unrestricted investment earnings				3,244	48		3,292
Other general revenues				12,662	1,035		13,697
Total general revenues				<u>5,018,301</u>	<u>1,083</u>		<u>5,019,384</u>
Change in net position				106,149	(15,565)		90,584
Net position beginning of year, as restated				3,077,959	39,218		3,117,177
Net position end of year				<u>\$ 3,184,108</u>	<u>23,653</u>		<u>3,207,761</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,722,509	711,898	700,397	405,625	3,540,429
Receivables:					
Property tax:					
Delinquent	21,900	-	750	-	22,650
Succeeding year	1,672,602	-	62,884	-	1,735,486
Income surtax	251,973	-	-	-	251,973
Accounts	2,820	-	-	-	2,820
Due from other governments	84,430	-	72,356	-	156,786
<b>Total assets</b>	<b>\$ 3,756,234</b>	<b>711,898</b>	<b>836,387</b>	<b>405,625</b>	<b>5,710,144</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
Liabilities:					
Accounts payable	\$ 125,791	-	12,767	7,224	145,782
Salaries and benefits payable	493,595	-	-	-	493,595
Advances from grantors	2,444	-	-	-	2,444
<b>Total liabilities</b>	<b>621,830</b>	<b>-</b>	<b>12,767</b>	<b>7,224</b>	<b>641,821</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,672,602	-	62,884	-	1,735,486
Income surtax	251,973	-	-	-	251,973
<b>Total deferred inflows of resources</b>	<b>1,924,575</b>	<b>-</b>	<b>62,884</b>	<b>-</b>	<b>1,987,459</b>
Fund balances:					
Restricted for:					
Categorical funding	276,266	-	-	-	276,266
Debt service	-	-	-	289,289	289,289
Management levy purposes	-	711,898	-	-	711,898
Student activities	-	-	-	109,112	109,112
School infrastructure	-	-	603,528	-	603,528
Physical plant and equipment	-	-	157,208	-	157,208
Unassigned	933,563	-	-	-	933,563
<b>Total fund balances</b>	<b>1,209,829</b>	<b>711,898</b>	<b>760,736</b>	<b>398,401</b>	<b>3,080,864</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,756,234</b>	<b>711,898</b>	<b>836,387</b>	<b>405,625</b>	<b>5,710,144</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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>	\$	3,080,864
 <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.		5,152,026
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		251,973
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	\$ 413,442	
Deferred inflows of resources	<u>(701,528)</u>	(288,086)
Long-term liabilities, including revenue bonds payable, termination benefits, other postemployment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(5,012,669)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>3,184,108</u></b>

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,061,102	-	61,902	-	2,123,004
Tuition	199,434	-	-	-	199,434
Other	91,704	6,145	22,156	191,788	311,793
State sources	2,613,183	-	461,459	-	3,074,642
Federal sources	223,282	-	11,342	-	234,624
Total revenues	<u>5,188,705</u>	<u>6,145</u>	<u>556,859</u>	<u>191,788</u>	<u>5,943,497</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,570,226	18,000	-	-	2,588,226
Special	652,370	-	-	-	652,370
Other	447,088	-	-	207,001	654,089
	<u>3,669,684</u>	<u>18,000</u>	<u>-</u>	<u>207,001</u>	<u>3,894,685</u>
Support services:					
Student	191,418	-	-	-	191,418
Instructional staff	53,612	-	15,501	-	69,113
Administration	615,269	38,481	17,881	-	671,631
Operation and maintenance of plant	342,154	30,102	5,374	2,347	379,977
Transportation	235,458	7,594	50,915	-	293,967
	<u>1,437,911</u>	<u>76,177</u>	<u>89,671</u>	<u>2,347</u>	<u>1,606,106</u>
Non-instructional programs:					
Food service operations	-	250	-	-	250
Capital outlay	-	-	279,089	-	279,089
Long-term debt:					
Principal	-	-	-	150,000	150,000
Interest and fiscal charges	-	-	-	135,965	135,965
	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,965</u>	<u>285,965</u>
Other expenditures:					
AEA flowthrough	212,886	-	-	-	212,886
Total expenditures	<u>5,320,481</u>	<u>94,427</u>	<u>368,760</u>	<u>495,313</u>	<u>6,278,981</u>
Excess(Deficiency) of revenues over(under)expenditures	(131,776)	(88,282)	188,099	(303,525)	(335,484)
Other financing sources(uses):					
Transfer in	-	-	10,000	285,941	295,941
Transfer out	-	-	(295,941)	-	(295,941)
Proceeds from sale of equipment	3,585	-	-	-	3,585
Insurance proceeds	12,016	-	50,733	-	62,749
Total other financing sources(uses)	<u>15,601</u>	<u>-</u>	<u>(235,208)</u>	<u>285,941</u>	<u>66,334</u>
Change in fund balances	(116,175)	(88,282)	(47,109)	(17,584)	(269,150)
Fund balances beginning of year	<u>1,326,004</u>	<u>800,180</u>	<u>807,845</u>	<u>415,985</u>	<u>3,350,014</u>
Fund balances end of year	<u>\$ 1,209,829</u>	<u>711,898</u>	<u>760,736</u>	<u>398,401</u>	<u>3,080,864</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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)** \$ (269,150)

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

Capital outlay 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. The amounts for capital outlay, depreciation expense and loss on disposal during the year are as follows:

Capital outlay	\$ 455,135	
Depreciation expense	(240,041)	
Loss on disposal of equipment	<u>(2,700)</u>	212,394

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. 150,000

The current year District employee share of IPERS contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 251,335

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 24,399

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

Supplemental pension benefits	51,086	
Termination benefits	(162,000)	
Pension expense	<u>(151,915)</u>	<u>(262,829)</u>

**Change in net position of governmental activities (page 19)** \$ 106,149

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Other Enterprise	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 36,377	29,322	65,699
Accounts receivable	70	-	70
Inventories	7,321	-	7,321
<b>Total current assets</b>	<b>43,768</b>	<b>29,322</b>	<b>73,090</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	11,255	-	11,255
<b>Total assets</b>	<b>55,023</b>	<b>29,322</b>	<b>84,345</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	8,777	725	9,502
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	1,994	1,994
Unearned revenue	2,527	-	2,527
<b>Total current liabilities</b>	<b>2,527</b>	<b>1,994</b>	<b>4,521</b>
Noncurrent liabilities:			
Net pension liability	40,124	4,144	44,268
Net OPEB liability	4,522	-	4,522
<b>Total noncurrent liabilities</b>	<b>44,646</b>	<b>4,144</b>	<b>48,790</b>
<b>Total liabilities</b>	<b>47,173</b>	<b>6,138</b>	<b>53,311</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	15,302	1,581	16,883
<b>Net Position</b>			
Net investment in capital assets	11,255	-	11,255
Unrestricted	(9,930)	22,328	12,398
<b>Total net position</b>	<b>\$ 1,325</b>	<b>22,328</b>	<b>23,653</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds		
	School Nutrition	Other Enterprise	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 125,909	38,008	163,917
Miscellaneous	1,035	-	1,035
Total operating revenues	<u>126,944</u>	<u>38,008</u>	<u>164,952</u>
Operating expenses:			
Support services:			
Administration:			
Salaries	10,189	-	10,189
Benefits	1,678	-	1,678
Services	345	-	345
Supplies	1,376	-	1,376
Other	2,326	-	2,326
	<u>15,914</u>	<u>-</u>	<u>15,914</u>
Operation and maintenance of plant:			
Salaries	4,768	-	4,768
Benefits	2,318	-	2,318
Services	4,422	-	4,422
Supplies	2,702	-	2,702
	<u>14,210</u>	<u>-</u>	<u>14,210</u>
Total support services	<u>30,124</u>	<u>-</u>	<u>30,124</u>
Non-instructional programs:			
Food service operations:			
Salaries	68,031	-	68,031
Benefits	23,585	-	23,585
Supplies	127,679	-	127,679
Depreciation	3,355	-	3,355
	<u>222,650</u>	<u>-</u>	<u>222,650</u>
Other enterprise operations:			
Salaries	-	4,668	4,668
Benefits	-	749	749
Services	-	16	16
Supplies	-	24,924	24,924
	<u>-</u>	<u>30,357</u>	<u>30,357</u>
Total non-instructional programs	<u>222,650</u>	<u>30,357</u>	<u>253,007</u>
Total operating expenses	<u>252,774</u>	<u>30,357</u>	<u>283,131</u>
Operating income(loss)	<u>(125,830)</u>	<u>7,651</u>	<u>(118,179)</u>
Non-operating revenues:			
State sources	1,946	-	1,946
Federal sources	100,620	-	100,620
Interest income	22	26	48
Total non-operating revenues	<u>102,588</u>	<u>26</u>	<u>102,614</u>
Change in net position	(23,242)	7,677	(15,565)
Net position beginning of year, as restated	<u>24,567</u>	<u>14,651</u>	<u>39,218</u>
Net position end of year	<u>\$ 1,325</u>	<u>22,328</u>	<u>23,653</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Other Enterprise	Total
Cash flows from operating activities:			
Cash received from operating activities	\$ -	38,008	38,008
Cash received from sale of lunches and breakfasts	125,789	-	125,789
Cash received from miscellaneous	1,035	-	1,035
Cash payments to employees for services	(112,510)	(6,765)	(119,275)
Cash payments to suppliers for goods or services	(120,349)	(22,946)	(143,295)
Net cash provided by(used in) operating activities	<u>(106,035)</u>	<u>8,297</u>	<u>(97,738)</u>
Cash flows from non-capital financing activities:			
State grants received	1,946	-	1,946
Federal grants received	85,385	-	85,385
Net cash provided by non-capital financing activities	<u>87,331</u>	<u>-</u>	<u>87,331</u>
Cash flows from investing activities:			
Interest on investment	22	26	48
Net increase(decrease) in cash and pooled investments	(18,682)	8,323	(10,359)
Cash and pooled investments beginning of year	55,059	20,999	76,058
Cash and pooled investments end of year	<u>\$ 36,377</u>	<u>29,322</u>	<u>65,699</u>
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>			
Operating income(loss)	\$ (125,830)	7,651	(118,179)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	15,235	-	15,235
Depreciation	3,355	-	3,355
Increase in inventories	3,280	-	3,280
Increase in accounts receivable	(70)	-	(70)
Increase(Decrease) in accounts payable	(14)	1,994	1,980
Decrease in salaries and benefits payable	(14)	(1,331)	(1,345)
Decrease in net pension liability	(14,364)	(1,484)	(15,848)
Increase in deferred outflows of resources	(2,865)	(114)	(2,979)
Increase in deferred inflows of resources	15,302	1,581	16,883
Decrease in unearned revenues	(50)	-	(50)
Net cash provided by(used in) operating activities	<u>\$ (106,035)</u>	<u>8,297</u>	<u>(97,738)</u>

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

During the year ended June 30, 2015, the District received \$15,235 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          250</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>                  250</u>
Change in net position	-
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$          -</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, North Tama County 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 North Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with

a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital 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 Management Levy Fund is used to account for all resources used in accounting for insurance transactions of the District.

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Other Enterprise Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Other Enterprise Fund is used to account for transactions related to NT&S and other small miscellaneous accounts.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the Private Purpose Trust Fund.

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

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

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 such as unassigned fund balances.

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 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.

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

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

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

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

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

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

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

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

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

**Unassigned** - All amounts not included in the preceding classification.

***E. Budgeting and Budgetary Accounting***

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

**Note 2. Cash and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,724,413 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard and Poor’s Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 285,941
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	10,000
Total		<u>\$ 295,941</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal, interest and fees related to repayment of the District's revenue bond indebtedness.

The transfer from Capital Projects: Physical Plant and Equipment Levy Fund to Capital Projects: Statewide Sales, Services and Use Tax Fund was to correct a donation received to the incorrect fund.

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 116,414	46,430	-	162,844
Construction in progress	-	159,139	106,762	52,377
Total capital assets not being depreciated	<u>116,414</u>	<u>205,569</u>	<u>106,762</u>	<u>215,221</u>
Capital assets being depreciated:				
Buildings	6,491,175	125,702	9,000	6,607,877
Improvements other than buildings	496,398	31,928	-	528,326
Machinery and equipment	1,417,981	198,698	-	1,616,679
Total capital assets being depreciated	<u>8,405,554</u>	<u>356,328</u>	<u>9,000</u>	<u>8,752,882</u>
Less accumulated depreciation for:				
Buildings	2,135,071	113,139	6,300	2,241,910
Improvements other than buildings	303,083	23,843	-	326,926
Machinery and equipment	1,144,182	103,059	-	1,247,241
Total accumulated depreciation	<u>3,582,336</u>	<u>240,041</u>	<u>6,300</u>	<u>3,816,077</u>
Total capital assets being depreciated, net	<u>4,823,218</u>	<u>116,287</u>	<u>2,700</u>	<u>4,936,805</u>
Governmental activities capital assets, net	<u>\$ 4,939,632</u>	<u>321,856</u>	<u>109,462</u>	<u>5,152,026</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 88,240	-	-	88,240
Less accumulated depreciation	73,630	3,355	-	76,985
Business type activities capital assets, net	<u>\$ 14,610</u>	<u>(3,355)</u>	<u>-</u>	<u>11,255</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 530
Special	10,071
Other	9,844
Support services:	
Instructional staff	26,648
Operation and maintenance of plant	6,915
Transportation	49,050
	<u>103,058</u>
Unallocated depreciation	136,983
Total depreciation expense - governmental activities	<u>\$ 240,041</u>
Business type activities:	
Food service operations	<u>\$ 3,355</u>

**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 3,035,000	-	150,000	2,885,000	160,000
Termination benefits	-	180,000	18,000	162,000	72,000
Net pension liability	2,498,029	-	658,538	1,839,491	-
Net OPEB liability	126,178	-	-	126,178	-
Net supplemental pension liability	51,086	-	51,086	-	-
Total	\$ 5,710,293	180,000	877,624	5,012,669	232,000
<b>Business type activities:</b>					
Net pension liability	\$ 60,116	-	15,848	44,268	-
Net OPEB liability	4,522	-	-	4,522	-
	\$ 64,638	-	15,848	48,790	-

Revenue Bonds

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

Year Ending June 30,	Bond issue dated April 1, 2009			
	Interest Rates	Principal	Interest	Total
2016	3.50%	\$ 160,000	129,215	289,215
2017	3.70	165,000	123,615	288,615
2018	3.90	170,000	117,510	287,510
2019	4.00	175,000	110,880	285,880
2020-2024	4.20-4.60	970,000	438,930	1,408,930
2025-2029	4.70-5.10	1,245,000	192,010	1,437,010
Total		\$ 2,885,000	1,112,160	3,997,160

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 of bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of a new addition to the high school building. 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 2029. 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 the bonds are expected to require nearly 63 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,997,160. For the current year, principal of \$150,000 and interest of \$134,465 was paid on the bonds and total statewide sales, services and use tax revenues were \$461,420.

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

- a) \$289,275 of the proceeds from the issuance of the revenue bonds shall be deposited to 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.
- 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 the 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.

Termination Benefits

The District offered a voluntary early retirement plan during the year ended June 30, 2015. Eligible employees had to reach age 55 before June 30<sup>th</sup> of the year of retirement. Employees had to complete an application which was subject to approval by the Board of Education. Early retirement benefits consisted of payments to an HRA account in the employee’s name or contributions toward insurance premiums for continued coverage in the District’s health insurance plan, not to exceed \$45,000. At June 30, 2015, the District had obligations to four participants with a total liability of \$162,000.

**Note 6. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 54 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by United Healthcare. 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 of the District (ARC), 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.

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District’s health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$130,700. The District is scheduled to need a new valuation for fiscal year 2016.

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 43,563	71.62%	\$ 130,700
2014	-	0.00	130,700
2015	-	0.00	130,700

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 \$309,406, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$309,406. The covered payroll (annual payroll of active employees covered by the plan) was \$2,867,068 and the ratio of the UAAL to the covered payroll was 10.8%. 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 healthcare 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5%.

Mortality rates by gender are based on the Life Expectancy Table from the National Center for Health Statistics updated in 2008. Annual retirement probabilities were developed using GASB Statement 45 paragraph 35(b) Table 1.

#### **Note 7. 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, any time 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 \$256,936.

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 \$1,883,759 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 0.046546 percent, which was an increase of 0.001365 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$155,572. 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	\$ 20,473	\$ -
Changes of assumptions	83,135	-
Net difference between projected and actual earnings on pension plan investments	-	718,411
Changes in proportion and differences between District contributions and proportionate share of contributions	62,400	-
District contributions subsequent to the measurement date	256,936	-
<b>Total</b>	<b>\$ 422,944</b>	<b>\$ 718,411</b>

\$256,936 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	\$ (140,816)
2017	(140,816)
2018	(140,816)
2019	(140,816)
2020	10,861
	<u>\$ (552,403)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,559,310	\$ 1,883,759	\$ 469,421

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 \$33,891 for legally required employer contributions and \$22,581 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Risk Management**

North Tama County 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 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$212,886 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 10. Construction Commitment**

The District has entered into contracts for various athletic complex projects. As of June 30, 2015, costs of \$52,377 have been incurred against the contracts. The balance will be paid as work on each project progresses.

**Note 11. Deficit Net Position**

At June 30, 2015, the School Nutrition Fund had deficit unrestricted net position of \$9,930 and the District had deficit unrestricted net position of \$1,068,219 in its governmental activities.

**Note 12. Categorical Funding**

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

Program	Amount
Gifted and talented programs	\$ 76,467
At-Risk supplemental weighting	13,356
Returning dropouts and dropout prevention programs	72,988
Teacher salary supplement	14,388
Professional development for model core curriculum	43,146
Successful progression for early readers	25,770
Professional development	20,799
Market factor incentives	2,119
Home school assistance program	848
Teacher leadership grants	6,385
Total	\$ 276,266

**Note 13. Accounting Change/Restatement Note**

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

	Governmental Activities	Business Type Activities		
		School Nutrition	Other Enterprise	Total
Net position June 30, 2014, as previously reported	\$ 5,304,956	73,143	19,668	92,811
Net pension liability at June 30, 2014	(2,498,029)	(54,488)	(5,628)	(60,116)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	271,032	5,912	611	6,523
Net position July 1, 2014, as restated	\$ 3,077,959	24,567	14,651	39,218

**Note 14. Reconciliation of Governmental Fund Balances to Net Position**

Detailed reconciliation of certain governmental fund balances to net position is as follows:

	<u>Net Investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	711,898	933,563
Invested in capital assets, net of accumulated depreciation	5,152,026	-	-
Revenue bond capitalized indebtedness	(2,885,000)	-	-
Termination benefits	-	(162,000)	-
Income surtax	-	-	251,973
Pension related deferred outflows	-	-	413,442
Net pension liability	-	-	(1,839,491)
Net OPEB liability	-	-	(126,178)
Pension related deferred inflows	-	-	(701,528)
Net position (Exhibit A)	<u>\$ 2,267,026</u>	<u>549,898</u>	<u>(1,068,219)</u>

**North Tama County Community School District**



**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,634,231	165,000	2,799,231	3,577,020	3,577,020	(777,789)
State sources	3,074,642	1,946	3,076,588	2,653,726	2,653,726	422,862
Federal sources	234,624	100,620	335,244	275,000	275,000	60,244
Total revenues:	5,943,497	267,566	6,211,063	6,505,746	6,505,746	(294,683)
Expenditures/Expenses:						
Instruction	3,894,685	-	3,894,685	4,175,000	4,175,000	280,315
Support services	1,606,106	30,124	1,636,230	1,810,500	1,810,500	174,270
Non-instructional programs	250	253,007	253,257	280,000	280,000	26,743
Other expenditures	777,940	-	777,940	891,277	891,277	113,337
Total expenditures/expenses:	6,278,981	283,131	6,562,112	7,156,777	7,156,777	594,665
Deficiency of revenues under expenditures/expenses	(335,484)	(15,565)	(351,049)	(651,031)	(651,031)	299,982
Other financing sources, net	66,334	-	66,334	-	-	66,334
Deficiency of revenues and other financing sources under expenditures/expenses	(269,150)	(15,565)	(284,715)	(651,031)	(651,031)	366,316
Balances beginning of year, as restated	3,350,014	39,218	3,389,232	2,890,973	2,890,973	498,259
Balances end of year	\$ 3,080,864	23,653	3,104,517	2,239,942	2,239,942	864,575

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.046546%
District's proportionate share of the net pension liability	\$ 1,883,759
District's covered-employee payroll	\$ 2,877,226
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.47%
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.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 256,936	277,270	252,711	175,360	181,567	178,424	172,357	158,097	142,070	134,343
Contributions in relation to the statutorily required contribution	(256,936)	(277,270)	(252,711)	(175,360)	(181,567)	(178,424)	(172,357)	(158,097)	(142,070)	(134,343)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,877,226	3,104,927	2,914,775	2,172,986	2,612,475	2,567,252	2,714,283	2,613,174	2,470,783	2,336,400
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.

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

*Changes of benefit terms:*

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

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

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

*Changes of assumptions:*

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

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

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

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

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

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

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

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 752	752	0.0%	\$ 2,750	27.3%
2011	July 1, 2009	-	752	752	0.0	2,410	31.2
2012	July 1, 2009	-	752	752	0.0	2,791	26.9
2013	July 1, 2012	-	309	309	0.0	2,581	12.0
2014	July 1, 2012	-	309	309	0.0	2,722	11.4
2015	July 1, 2012	-	309	309	0.0	2,867	10.8

See Note 6 in the accompanying Notes to 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.

**North Tama County Community School District**



## **SUPPLEMENTARY INFORMATION**

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue:		
	Student Activity	Debt Service	Total
<b>Assets</b>			
Cash and pooled investments	\$ 116,336	289,289	405,625
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
Accounts payable	\$ 7,224	-	7,224
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	289,289	289,289
Student activities	109,112	-	109,112
Total fund balances	109,112	289,289	398,401
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 116,336</b>	<b>289,289</b>	<b>405,625</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue:		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Other	\$ 191,763	25	191,788
Expenditures:			
Current:			
Instruction:			
Other	207,001	-	207,001
Support services:			
Operation and maintenance of plant	2,347	-	2,347
Long-term debt:			
Principal	-	150,000	150,000
Interest and fiscal charges	-	135,965	135,965
Total expenditures	209,348	285,965	495,313
Deficiency of revenues under expenditures	(17,585)	(285,940)	(303,525)
Other financing sources:			
Transfer in	-	285,941	285,941
Change in fund balances	(17,585)	1	(17,584)
Fund balances beginning of year	126,697	289,288	415,985
Fund balances end of year	\$ 109,112	289,289	398,401

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 543,939	156,458	700,397
Receivables:			
Property tax:			
Delinquent	-	750	750
Succeeding year	-	62,884	62,884
Due from other governments	72,356	-	72,356
<b>Total assets</b>	<b>\$ 616,295</b>	<b>220,092</b>	<b>836,387</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
Accounts payable	\$ 12,767	-	12,767
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	62,884	62,884
Fund balances:			
Restricted for:			
School infrastructure	603,528	-	603,528
Physical plant and equipment	-	157,208	157,208
Total fund balances	603,528	157,208	760,736
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 616,295</b>	<b>220,092</b>	<b>836,387</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	61,902	61,902
Other	19,570	2,586	22,156
State sources	461,420	39	461,459
Federal sources	-	11,342	11,342
Total revenues	<u>480,990</u>	<u>75,869</u>	<u>556,859</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	15,501	-	15,501
Adminstration	-	17,881	17,881
Operation and maintenance of plant	2,369	3,005	5,374
Transportation	50,915	-	50,915
Capital outlay	216,867	62,222	279,089
Total expenditures	<u>285,652</u>	<u>83,108</u>	<u>368,760</u>
Excess of revenues over expenditures	195,338	(7,239)	188,099
Other financing sources(uses):			
Transfer in	10,000	-	10,000
Transfer out	(285,941)	(10,000)	(295,941)
Insurance proceeds	-	50,733	50,733
Total other financing sources(uses)	<u>(275,941)</u>	<u>40,733</u>	<u>(235,208)</u>
Change in fund balances	(80,603)	33,494	(47,109)
Fund balances beginning of year	<u>684,131</u>	<u>123,714</u>	<u>807,845</u>
Fund balances end of year	<u>\$ 603,528</u>	<u>157,208</u>	<u>760,736</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ 1,402	2,235	2,928	709
Instrumental	7,618	2,993	3,651	6,960
Music boosters	10,955	18,832	19,089	10,698
Music boosters investment	-	4,784	-	4,784
Youth basketball	102	451	-	553
Athletics	27,119	76,888	84,317	19,690
Baseball/Softball	5,086	-	5,086	-
Youth baseball	3,973	1,144	1,772	3,345
DJ BA tournament	23	825	92	756
Elementary SB	4,229	1,755	1,984	4,000
Nationals	180	-	107	73
Science donations	2,328	-	2,328	-
Uniforms	1,531	7,916	8,526	921
Academic boosters	5,506	157	-	5,663
Booster club	15,163	11,092	8,271	17,984
Cheerleaders	-	13	11	2
Academic decathlon	79	-	-	79
FCCLA	-	16,670	16,361	309
Industrial arts club	4	-	-	4
Homecoming	206	535	420	321
Science club	126	386	512	-
National honor society	535	1,846	1,110	1,271
Spanish club	1,298	498	396	1,400
Speech club	196	206	266	136
Student council	5,661	471	3,142	2,990
Memory book	-	2,268	2,268	-
Yearbook	272	10,379	10,076	575
Complex improvements	2,704	1,536	4,240	-
JH student council	2,674	4,220	5,582	1,312
JH SC Veterans	-	250	121	129
North Tama dance squad	2,231	5,426	6,583	1,074
Swing show	5,219	1,496	3,457	3,258
Redhawks readers	2,129	7	661	1,475
Character counts	1,965	1	854	1,112
Art club	2,392	468	451	2,409
FFA	2,458	3,649	4,482	1,625
PTO	5,009	1,542	885	5,666
Resident artist	188	-	-	188
Reading with character	2,027	1,232	730	2,529
Athletic improvement	1,250	-	1,250	-
Class of 2014	57	-	-	57
Class of 2015	2,266	848	2,185	929
Class of 2016	421	7,938	5,154	3,205
Class of 2017	115	396	-	511
Class of 2018	-	205	-	205
Class of 2019	-	125	-	125
Class of 2020	-	80	-	80
Total	<u>\$ 126,697</u>	<u>191,763</u>	<u>209,348</u>	<u>109,112</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF NET POSITION  
 OTHER ENTERPRISE ACCOUNTS  
 JUNE 30, 2015

	Other Enterprise Fund				Total
	Book Fair	JET	NT & S	Concessions	
<b>Assets</b>					
Current assets:					
Cash and pooled investments	\$ 2,017	(122)	1,519	25,908	29,322
<b>Deferred Outflows of Resources</b>					
Pension related deferred outflows	-	-	-	725	725
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	-	-	1,994	1,994
Noncurrent liabilities:					
Net pension liability	-	-	-	4,144	4,144
<b>Total liabilities</b>	-	-	-	6,138	6,138
<b>Deferred Inflows of Resources</b>					
Pension related deferred inflows	-	-	-	1,581	1,581
<b>Net Position</b>					
Unrestricted	\$ 2,017	(122)	1,519	18,914	22,328

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 OTHER ENTERPRISE ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Other Enterprise Fund				
	Book Fair	JET	NT & S	Concessions	Total
Operating revenues:					
Local sources:					
Charges for service	\$ 2,080	25	430	35,473	38,008
Non-instructional programs:					
Other enterprise operations:					
Salaries	-	-	-	4,668	4,668
Benefits	-	-	-	749	749
Services	-	-	-	16	16
Supplies	2,073	147	324	22,380	24,924
Total operating expenses	2,073	147	324	27,813	30,357
Operating income(loss)	7	(122)	106	7,660	7,651
Non-operating revenues:					
Interest income	-	-	-	26	26
Change in net position	7	(122)	106	7,686	7,677
Net position beginning of year, as restated	2,010	-	1,413	11,228	14,651
Net position end of year	\$ 2,017	(122)	1,519	18,914	22,328

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CASH FLOWS  
 OTHER ENTERPRISE ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Other Enterprise Fund				
	Book Fair	JET	NT & S	Concessions	Total
Cash flows from operating activities:					
Cash received from operating activities	\$ 2,080	25	430	35,473	38,008
Cash payments to employees for services	-	-	-	(6,765)	(6,765)
Cash payments to suppliers for goods or services	(2,073)	(147)	(324)	(20,402)	(22,946)
Net cash provided by(used in) operating activities	<u>7</u>	<u>(122)</u>	<u>106</u>	<u>8,306</u>	<u>8,297</u>
Cash flows from investing activities:					
Interest on investments	-	-	-	26	26
Net increase(decrease) in cash and pooled investments	7	(122)	106	8,332	8,323
Cash and pooled investments beginning of year	2,010	-	1,413	17,576	20,999
Cash and pooled investments end of year	<u>\$ 2,017</u>	<u>(122)</u>	<u>1,519</u>	<u>25,908</u>	<u>29,322</u>
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>					
Operating income(loss)	\$ 7	(122)	106	7,660	7,651
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Increase in accounts payable	-	-	-	1,994	1,994
Decrease in salaries and benefits payable	-	-	-	(1,331)	(1,331)
Decrease in net pension liability	-	-	-	(1,484)	(1,484)
Increase in deferred outflows of resources	-	-	-	(114)	(114)
Increase in deferred inflows of resources	-	-	-	1,581	1,581
Net cash provided by(used in) operating activities	<u>\$ 7</u>	<u>(122)</u>	<u>106</u>	<u>8,306</u>	<u>8,297</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY 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	\$ 2,123,004	2,349,406	2,782,319	2,725,351	2,623,300	2,605,586	2,297,278	2,173,495	2,132,698	2,051,963
Tuition	199,434	169,451	197,311	189,541	169,470	182,271	169,943	208,240	177,998	160,156
Other	311,793	506,550	448,058	419,181	492,282	420,449	416,087	359,854	480,450	349,277
Intermediate sources	-	-	-	-	-	-	-	23,664	29,821	44,889
State sources	3,074,642	3,147,648	2,633,483	2,641,494	2,537,059	2,067,317	2,632,741	2,577,545	2,320,017	2,092,833
Federal sources	234,624	123,291	175,747	202,268	339,567	463,283	304,305	148,185	147,456	108,421
Total	<u>\$ 5,943,497</u>	<u>6,296,346</u>	<u>6,236,918</u>	<u>6,177,835</u>	<u>6,161,678</u>	<u>5,738,906</u>	<u>5,820,354</u>	<u>5,490,983</u>	<u>5,288,440</u>	<u>4,807,539</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,588,226	2,387,507	2,553,700	2,359,488	2,243,244	2,247,494	2,099,803	2,062,199	2,263,131	2,069,180
Special	652,370	596,069	603,464	642,917	677,014	529,315	705,787	608,998	542,850	509,009
Other	654,089	680,706	803,429	702,958	689,973	834,003	737,042	540,011	292,642	332,365
Support services:										
Student	191,418	145,967	78,023	118,494	158,443	176,063	183,223	185,259	177,968	187,172
Instructional staff	69,113	30,729	18,433	27,190	115,010	88,804	132,130	146,603	146,551	167,755
Administration	671,631	661,920	663,364	591,071	550,813	588,604	578,669	569,465	545,955	548,462
Operation and maintenance of plant	379,977	335,057	361,969	357,958	370,186	386,194	368,027	370,174	318,741	332,797
Transportation	293,967	430,342	329,873	400,713	277,817	271,396	253,346	276,296	255,552	287,371
Non-instructional programs:										
Food service operations	250	250	111	-	500	-	-	-	-	-
Capital outlay	279,089	190,508	246,419	130,972	414,213	2,518,500	722,259	285,807	247,907	304,021
Long-term debt:										
Principal	150,000	145,000	120,000	200,000	-	-	-	-	-	42,000
Interest	135,965	141,040	144,490	225,385	152,240	113,805	750	-	-	1,858
Other expenditures:										
AEA flow-through	212,886	214,122	207,749	214,497	234,364	222,954	193,592	185,379	177,099	160,424
Total	<u>\$ 6,278,981</u>	<u>5,959,217</u>	<u>6,131,024</u>	<u>5,971,643</u>	<u>5,883,817</u>	<u>7,977,132</u>	<u>5,974,628</u>	<u>5,230,191</u>	<u>4,968,396</u>	<u>4,942,414</u>

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 North Tama County Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

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

## **North Tama County Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016  
Newton, Iowa

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over incompatible duties in 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) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - cash, collecting, receipting, deposit preparation 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 - The District continues to try and alleviate this situation by using multiple employees in segregated duties. Specifically our Superintendent's Secretary is now compiling a spreadsheet of incoming checks that is periodically reviewed by the Business Manager and/or the Superintendent. With the loss of the Business Manager's helper, the Superintendent Secretary and/or a co-op student is counting money bags prior to deposit.

Conclusion - Response accepted.

I-B-15 Grant Coding - We noted that numerous adjustments were required at year end to code and clear expenses in various grant accounts. The reclassifying of expenses gives the appearance that the grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - The incoming Superintendent has made it a practice to inform the Business Manager in writing of how grant related expenses should be coded. Also, purchase orders are being coded appropriately by the Principals or Superintendent which should help the Business Manager.

Conclusion - Response accepted.

I-C-15 Timesheets - We noted during our audit that timesheets were not always approved by a supervisor before payment of payroll.

Recommendation - The District should review policies and procedures regarding payroll to ensure that timesheets are being verified for accuracy in a timely manner by the employee's direct supervisor.

Response - Time Sheets will be reviewed by each employee's direct Supervisor and initialed after review.

Conclusion - Response accepted.

**Other Matters:**

I-D-15 Board Policies - During our audit we noted instances of board policies which appeared to out of date. All board policies should be reviewed at least every five years, with the dates of review and approval being documented in the District's minutes and on the policies.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to ensure that board policies are reviewed in a timelier manner.

Response - The board began a systematic review of policies in August of 2015. Approximately half of our policies have been reviewed and updated as of March 2016. We have subscribed to the Policy Primer service through IASB and will continue the process of policy review until all policies are reviewed. We will then develop a schedule for regular policy review so that no policy will ever be more than five years old.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

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

II-B-15 Questionable Disbursements - No expenditures we believe may not meet requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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 transaction between the District and District officials or employees are detailed as follows:.

Name, Title and Business Connection	Transaction Description	Amount
Gretchen Pargeon, Board Member Husband owns AWE Auto Repair Service Inc.	Automotive Repairs	\$ 2,410
Tiffany Feisel, Board Member Son is an athletic official Daughter is an athletic official	Services Services	170 100
Robert Cue, Superintendent Wife is a substitute teacher	Services	2,070
Shane Wetzel, Teacher Purchase of laptop	Computer	436
Angie Brist, Teacher Purchase of laptop	Computer	240
Brandon Clubb, Teacher Purchase of laptop	Computer	871
Judy Boerm, Teacher Purchase of laptop	Computer	293
Judy Morrison, Teacher Purchase of laptop	Computer	826
Matt Cibula, Teacher Purchase of laptop	Computer	436
John Daub, Teacher Purchase of laptop	Computer	239
Rhonda Pokorny, Teacher Purchase of laptop	Computer	298

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

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

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the minutes did not document the code section for a closed session as required by Chapter 21.5 of the Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - If there is a possibility of the board going into closed session, the Superintendent will note the Section of the Iowa Code on the agenda. This will serve as a reminder to the Board Secretary to include this code in the meeting minutes.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 684,131
Revenues/transfers in :		
Sales tax revenues	\$ 461,420	
Transfers from other funds	10,000	
Other local revenues	19,570	490,990
		<u>1,175,121</u>
Expenditures/transfers out:		
School infrastructure construction	93,618	
Land purchased	46,430	
Equipment	101,188	
Other	44,416	
Transfers to other funds:		
Debt service fund	285,941	571,593
		<u>571,593</u>
Ending balance		<u>\$ 603,528</u>

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

II-M-15 Student Activity Fund - In accordance with 298.8 of the Code of Iowa and the Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Questionable Accounts** - The Industrial Arts Club, RedHawk Readers, and Holiday Gift Store accounts in the Student Activity Fund do not appear to be cocurricular or extracurricular in nature.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The Board Secretary will meet with the Principal in charge of the Activity accounts in question. These accounts will then be reclassified or transferred appropriately.

Conclusion - Response accepted.

**Graduated Class Accounts** - We noted during our audit that the Class of 2014 account maintained in the Student Activity Fund had a balance at June 30, 2015.

Recommendation - Class officers of the graduating class should decide what happens with unused class funds before year end. Any remaining moneys in prior year's graduating class accounts should be reclassified within the Student Activity Fund per the District's Board of Directors guidance.

Response - Past practice is to move the funds of the graduating class to the Student Council account. The past two years it has been board decided to transfer the balance to activity accounts that have a negative balance. Class of 2014 and Class of 2015 have been closed as of 10/2015.

Conclusion - Response accepted.

**Questionable Expenditures** - We noted that the District purchased books from the Scholastic Book Fair from the Student Activity Fund as well as purchases from Character

Counts for PBIS supplies. These purchases do not appear to be an allowable expenditures from the Student Activity Fund.

Recommendation - The District should review the propriety of expenditures paid from the Student Activity Fund. The expenditures for books and PBIS supplies would appear more appropriate from the General Fund.

Response - The Board Secretary will meet with the Principal in charge of the Activity expenditures in question. These will then be reclassified or transferred appropriately.

Conclusion - Response accepted.

II-N-15 Officiating Payment - We noted during our audit that the District paid athletic officials the night of the event regardless of whether or not the official had a valid contract with the District. Chapter 279.30 of the Code of Iowa states that the board of directors can authorize the secretary upon approval of the superintendent to issue payments when the board of directors is not in session payment of expenses, but only for verified bills filed with the secretary or administrator and for the payment of salaries pursuant to the terms of a written contract. Paying athletic officials without a properly approved contract does not appear to meet the allowable criteria under Chapter 279.30 of the Code of Iowa.

Recommendation - The District should evaluate its procedures for the payment of services to ensure compliance with Chapter 279.30. When procedures are evaluated the District should establish a policy and then the athletic officials should be informed of the manner in which payment will be made.

Response - The Athletic Director Secretary stated that in the future she will be sure to have contracts for officials or they will not be paid the night of the activity.

Conclusion - Response accepted.

II-O-15 Financial Condition - The School Nutrition Fund had a deficit unrestricted net position of \$9,930 and the District's governmental activities had a deficit unrestricted net position of \$1,068,219 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB statements No. 68 and No.71 during the year.

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

Response - The deficits are due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.