

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Northwood-Kensett Community School District

Officials		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Larry Hovey	President	2015
John Anderson	Vice President	2015
Roger Harris	Board Member	2017
Cindy Pangburn	Board Member	2015
Susan Kliment	Board Member	2017
School Officials		
Mike Crozier	Superintendent	2015
Debra Athey	Business Manager/ Board Secretary/ Treasurer	2015
Ahlers & Cooney	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Northwood-Kensett 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 Northwood-Kensett Community School District, Northwood, 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 Northwood-Kensett Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Northwood Kensett 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 15 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwood-Kensett 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 ten 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 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2016 on our consideration of Northwood-Kensett 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 Northwood-Kensett Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwood-Kensett 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 \$5,269,285 in fiscal year 2014 to \$5,867,663 in fiscal year 2015, while General Fund expenditures increased from \$5,607,452 in fiscal year 2014 to \$5,680,757 in fiscal year 2015. This resulted in a increase in the District's General Fund balance from \$696,501 in June 30, 2014 to \$883,407 in June 30, 2015, a 26.83% increase from the prior year.
- The increase in General Fund revenues was largely attributable to an increase in state source revenues. The increase in expenditures was due primarily to an increase negotiated salaries and benefits.

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 Northwood-Kensett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Northwood-Kensett 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 Northwood-Kensett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Northwood-Kensett Community School District Annual Financial Report

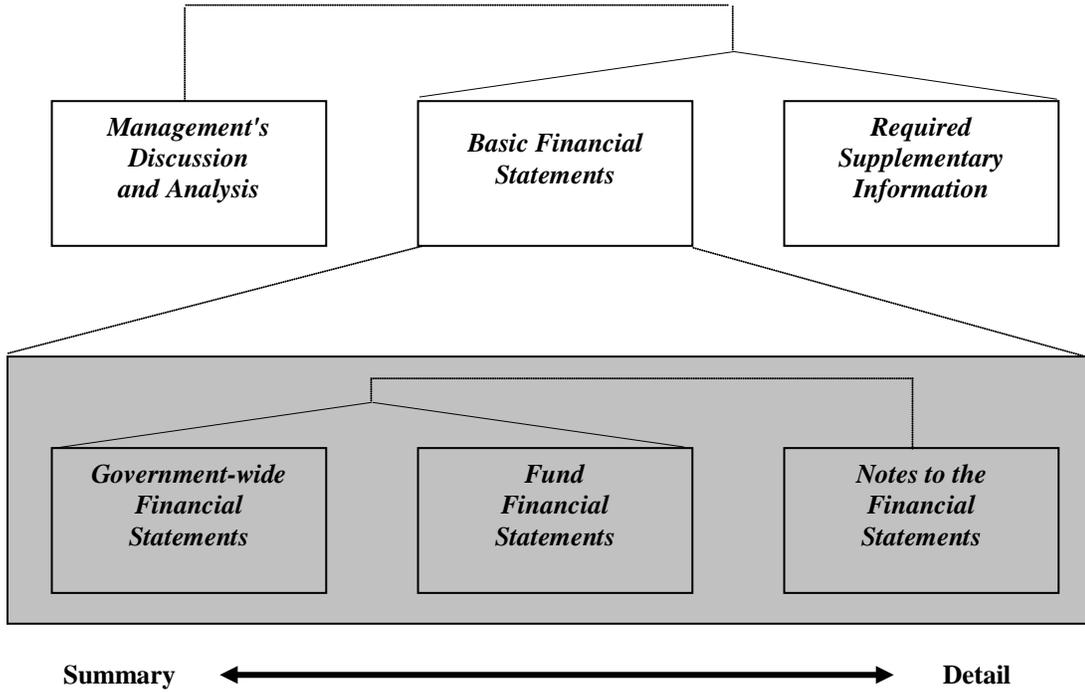


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- 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 District-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 total 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,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 5,986,340	5,343,425	45,814	53,544	6,032,154	5,396,969	11.77%
Capital assets	6,063,776	5,400,165	24,192	28,123	6,087,968	5,428,288	12.15%
Total assets	12,050,116	10,743,590	70,006	81,667	12,120,122	10,825,257	11.96%
Deferred outflows of resources	703,246	-	22,270	-	725,516	-	100.00%
Long-term obligations	3,134,628	1,082,929	66,575	4,054	3,201,203	1,086,983	194.50%
Other liabilities	859,856	644,655	31,874	40,170	891,730	684,825	30.21%
Total liabilities	3,994,484	1,727,584	98,449	44,224	4,092,933	1,771,808	131.00%
Deferred inflows of resources	3,570,689	2,661,396	23,481	-	3,594,170	2,661,396	35.05%
Net position:							
Invested in capital assets, net of related debt	5,518,776	4,595,165	24,192	28,123	5,542,968	4,623,288	19.89%
Restricted	1,414,410	1,192,477	-	-	1,414,410	1,192,477	18.61%
Unrestricted	(1,744,997)	566,968	(53,846)	9,320	(1,798,843)	576,288	-412.14%
Total net position	\$ 5,188,189	6,354,610	(29,654)	37,443	5,158,535	6,392,053	-19.30%

The District's combined net position decreased by 19.30%, or \$1,233,518 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$221,933 or 18.61% over the prior year. The increase was primarily a result of the increase in the Capital Projects Accounts ending fund balance.

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 \$2,375,131 or 412.14% from the prior year. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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

	Figure A-4 Changes 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 services	\$ 558,677	429,417	179,833	154,472	738,510	583,889	26.48%
Operating grants, contributions and restricted interest	886,802	858,060	156,689	160,942	1,043,491	1,019,002	2.40%
Capital grants, contributions and restricted interest	276,931	158,898	-	-	276,931	158,898	74.28%
General revenues:							
Property tax	2,651,271	2,551,783	-	-	2,651,271	2,551,783	3.90%
Income surtax	165,937	173,137	-	-	165,937	173,137	-4.16%
Statewide sales, services and use tax	488,595	437,392	-	-	488,595	437,392	11.71%
Unrestricted state grants	2,359,735	2,057,866	-	-	2,359,735	2,057,866	14.67%
Unrestricted investment earnings	10,358	11,178	131	133	10,489	11,311	-7.27%
Other	115,844	33,041	-	22,192	115,844	55,233	109.74%
Total revenues	<u>7,514,150</u>	<u>6,710,772</u>	<u>336,653</u>	<u>337,739</u>	<u>7,850,803</u>	<u>7,048,511</u>	<u>11.38%</u>
Program expenses:							
Governmental activities:							
Instructional	4,149,392	4,107,971	19,131	17,813	4,168,523	4,125,784	1.04%
Support services	1,914,497	1,987,590	-	-	1,914,497	1,987,590	-3.68%
Non-instructional programs	-	-	318,840	325,345	318,840	325,345	-2.00%
Other expenses	497,106	485,558	-	-	497,106	485,558	2.38%
Total expenses	<u>6,560,995</u>	<u>6,581,119</u>	<u>337,971</u>	<u>343,158</u>	<u>6,898,966</u>	<u>6,924,277</u>	<u>-0.37%</u>
Change in net position	953,155	129,653	(1,318)	(5,419)	951,837	124,234	666.16%
Net position beginning of year	<u>4,235,034</u>	<u>6,224,957</u>	<u>(28,336)</u>	<u>42,862</u>	<u>4,206,698</u>	<u>6,267,819</u>	<u>-32.88%</u>
Net position end of year	<u>\$ 5,188,189</u>	<u>6,354,610</u>	<u>(29,654)</u>	<u>37,443</u>	<u>5,158,535</u>	<u>6,392,053</u>	<u>-19.30%</u>

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.4% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.96% of the revenue from business type activities.

The District's total revenues were \$7,850,803 of which \$7,514,150 was for governmental activities and \$336,653 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 11.38% increase in revenues and a .37% decrease in expenses. The decrease in expenditures was due primarily to a decrease negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$7,514,150 and expenses were \$6,560,995.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 4,149,392	4,107,971	1.01%	2,918,309	3,048,954	-4.28%
Support services	1,914,497	1,987,590	-3.68%	1,642,682	1,805,619	-9.02%
Other expenses	497,106	485,558	2.38%	277,594	280,171	-0.92%
Totals	\$ 6,560,995	6,581,119	-0.31%	4,838,585	5,134,744	-5.77%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$558,677.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$911,652.
- Gaming grants subsidized certain programs with capital grants totaling \$252,081.
- The net cost of governmental activities was financed with \$2,651,271 in property tax, \$165,937 in income surtax, \$488,595 in statewide sales, services and use tax, \$2,359,735 in unrestricted state grants, \$10,358 in investment income and \$115,844 in other income.

Business Type Activities

Revenues of the District’s business type activities were \$336,653 and expenses were \$337,971. The District’s business type activities include the School Nutrition Fund and the Three Year Old Preschool. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Northwood-Kensett 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 \$2,149,807, above last year’s ending fund balances of \$1,892,958. The primary reason for the increase is attributable to the increase in the Capital Projects: Statewide Sales, Services and Use Tax balance.

Governmental Fund Highlights

- The District’s decreased General Fund financial position is the result of many factors. The General Fund balance increased from \$696,501 in fiscal 2014 to \$883,407 in fiscal 2015. The increase was primarily a result of increase in State sources of revenue.
- The Capital Projects fund balance increased from \$649,634 in fiscal 2014 to \$933,901 in fiscal 2015. The majority of the increase was due to a decrease in expenditures and transfers for payments on the District’s long term debt.

Proprietary Funds Highlights

The School Nutrition Fund net position decreased from a deficit \$22,438 at June 30, 2014 to a deficit \$31,452 at June 30, 2015, representing a decrease of \$9,014 or 40.17 percent. The Three Year Old Preschool position increased from a deficit \$5,898 at June 30, 2014 to \$1,798 at June 30, 2015 representing an increase of \$7,696 or 130.48 percent.

BUDGETARY HIGHLIGHTS

The District's revenues were \$255,992 more than budgeted revenues, a variance of 3.38%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas as well as in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6,087,968, 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 capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$513,490.

The original cost of the District's capital assets was \$11,576,413. Governmental funds account for \$11,444,672 with the remainder of \$131,741 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 totaled \$183,344 at June 30, 2015 compared to \$6,246 at June 30, 2014.

	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	\$ 36,425	36,425	-	-	36,425	36,425	0.00%
Construction in progress	183,344	6,246	-	-	183,344	6,246	2835.38%
Buildings	4,075,470	4,151,655	-	-	4,075,470	4,151,655	-1.84%
Improvements other than buildings	883,377	858,939	-	-	883,377	858,939	2.85%
Machinery and equipment	885,160	346,900	24,192	28,123	909,352	375,023	142.48%
Total	\$ 6,063,776	5,400,165	24,192	28,123	6,087,968	5,428,288	12.15%

Long-Term Debt

At June 30, 2015, the District had \$3,201,203 in other long-term debt outstanding. This represents an increase of 194.66% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$545,000 at June 30, 2015.

The District had an outstanding computer lease of \$396,448 at June 30, 2015.

The District had compensated absences payable of \$22,465 at June 30, 2015.

The District had a net OPEB liability of \$191,775 at June 30, 2015. Governmental activities account for \$186,770 and Business type activities account for \$5,005.

The District had a net pension liability of \$2,045,515 at June 30, 2015. Governmental activities account for \$1,983,945 and Business type activities account for \$61,570.

Figure A-7							
Outstanding Long-Term Obligations							
	Government		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
General obligation bonds	\$ 545,000	805,000	-	-	545,000	805,000	-32.30%
Computer lease	396,448	-	-	-	396,448	-	100.00%
Termination benefits	-	107,650	-	-	-	107,650	-100.00%
Compensated absences	22,465	19,009	-	-	22,465	19,009	18.18%
Net Pension liability	1,983,945	-	61,570	-	2,045,515	-	100.00%
Net OPEB liability	186,770	151,270	5,005	3,491	191,775	154,761	23.92%
Totals	<u>\$ 3,134,628</u>	<u>1,082,929</u>	<u>66,575</u>	<u>3,491</u>	<u>3,201,203</u>	<u>1,086,420</u>	<u>194.66%</u>

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:

- Increasing healthcare costs are a concern in regards to the cost of employee benefits.
- Increasing enrollment and inadequate supplemental state aid increases are a concern in regards to revenue sources.

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 Deb Athey, District Secretary and Business Manager, Northwood-Kensett Community School District, 1200 1st Avenue North, P.O. Box 289, Northwood, Iowa, 50459-0289.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,836,796	34,143	2,870,939
Receivables:			
Property tax:			
Delinquent	10,243	-	10,243
Succeeding year	2,814,070	-	2,814,070
Income surtax	163,998	-	163,998
Accounts	946	40	986
Due from other governments	160,287	4,899	165,186
Inventories	-	6,732	6,732
Capital assets, net of accumulated depreciation	6,063,776	24,192	6,087,968
Total assets	12,050,116	70,006	12,120,122
Deferred Outflows of Resources			
Pension related deferred outflows	703,246	22,270	725,516
Liabilities			
Accounts payable	223,782	2,469	226,251
Salaries and benefits payable	634,683	26,168	660,851
Accrued interest payable	1,391	-	1,391
Unearned revenue	-	3,237	3,237
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	270,000	-	270,000
Computer lease	95,233	-	95,233
Compensated absences payable	22,465	-	22,465
Portion due after one year:			
General obligation bonds payable	275,000	-	275,000
Computer lease	301,215	-	301,215
Net Pension liability	1,983,945	61,570	2,045,515
Net OPEB liability	186,770	5,005	191,775
Total liabilities	3,994,484	98,449	4,092,933
Deferred Inflows of Resources			
Unavailable property tax revenue	2,814,070	-	2,814,070
Pension related deferred inflows	756,619	23,481	780,100
Total deferred inflows of resources	3,570,689	23,481	3,594,170
Net Position			
Invested in capital assets, net of related debt	5,518,776	24,192	5,542,968
Restricted for:			
Categorical funding	163,901	-	163,901
Management levy purposes	160,787	-	160,787
School infrastructure	676,619	-	676,619
Physical plant and equipment	257,282	-	257,282
Student activities	76,393	-	76,393
Support trust	99	-	99
Debt service	79,329	-	79,329
Unrestricted	(1,744,997)	(53,846)	(1,798,843)
Total net position	\$ 5,188,189	(29,654)	5,158,535

SEE NOTES TO FINANCIAL STATEMENTS.

**NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,622,776	270,710	348,161	-	(2,003,905)	-	(2,003,905)
Special	713,498	61,086	32,746	-	(619,666)	-	(619,666)
Other	813,118	226,881	266,649	24,850	(294,738)	-	(294,738)
	<u>4,149,392</u>	<u>558,677</u>	<u>647,556</u>	<u>24,850</u>	<u>(2,918,309)</u>	<u>-</u>	<u>(2,918,309)</u>
Support services:							
Student	164,914	-	-	-	(164,914)	-	(164,914)
Instructional staff	290,794	-	-	-	(290,794)	-	(290,794)
Administration	628,479	-	-	-	(628,479)	-	(628,479)
Operation and maintenance of plant	534,436	-	19,274	252,081	(263,081)	-	(263,081)
Transportation	295,874	-	460	-	(295,414)	-	(295,414)
	<u>1,914,497</u>	<u>-</u>	<u>19,734</u>	<u>252,081</u>	<u>(1,642,682)</u>	<u>-</u>	<u>(1,642,682)</u>
Long-term debt interest	30,215	-	-	-	(30,215)	-	(30,215)
Other expenditures:							
AEA flowthrough	219,512	-	219,512	-	-	-	-
Depreciation(unallocated)*	247,379	-	-	-	(247,379)	-	(247,379)
	<u>466,891</u>	<u>-</u>	<u>219,512</u>	<u>-</u>	<u>(247,379)</u>	<u>-</u>	<u>(247,379)</u>
Total governmental activities	6,560,995	558,677	886,802	276,931	(4,838,585)	-	(4,838,585)
Business type activities:							
Instructional programs:							
Preschool services	19,131	26,775	-	-	-	7,644	7,644
Non-instructional programs:							
Nutrition services	318,840	153,058	156,689	-	-	(9,093)	(9,093)
Total business type activities	<u>337,971</u>	<u>179,833</u>	<u>156,689</u>	<u>-</u>	<u>-</u>	<u>(1,449)</u>	<u>(1,449)</u>
Total	<u>\$ 6,898,966</u>	<u>738,510</u>	<u>1,043,491</u>	<u>276,931</u>	<u>(4,838,585)</u>	<u>(1,449)</u>	<u>(4,840,034)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,076,154	-		2,076,154
Capital outlay				291,038	-		291,038
Debt service				284,079	-		284,079
Income surtax				165,937	-		165,937
Statewide sales, services and use tax				488,595	-		488,595
Unrestricted state grants				2,359,735	-		2,359,735
Unrestricted investment earnings				10,358	131		10,489
Other				115,844	-		115,844
Total general revenues				<u>5,791,740</u>	<u>131</u>		<u>5,791,871</u>
Change in net position				953,155	(1,318)		951,837
Net position beginning of year, as restated				4,235,034	(28,336)		4,206,698
Net position end of year				<u>\$ 5,188,189</u>	<u>(29,654)</u>		<u>5,158,535</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,518,575	986,016	332,205	2,836,796
Receivables:				
Property tax				
Delinquent	8,311	978	954	10,243
Succeeding year	2,023,218	303,660	487,192	2,814,070
Income surtax	163,998	-	-	163,998
Accounts	946	-	-	946
Due from other governments	83,901	76,386	-	160,287
Total assets	\$ 3,798,949	1,367,040	820,351	5,986,340
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 93,643	129,479	660	223,782
Salaries and benefits payable	634,683	-	-	634,683
Total liabilities	728,326	129,479	660	858,465
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,023,218	303,660	487,192	2,814,070
Income surtax	163,998	-	-	163,998
Total deferred inflows of resources	2,187,216	303,660	487,192	2,978,068
Fund balances:				
Restricted for:				
Categorical funding	163,901	-	-	163,901
Student activities	-	-	76,393	76,393
School infrastructure	-	676,619	-	676,619
Physical plant and equipment	-	257,282	-	257,282
Management levy purposes	-	-	160,787	160,787
Support trust	-	-	99	99
Debt service	-	-	80,720	80,720
Unassigned:				
General	719,506	-	-	719,506
Support trust	-	-	14,500	14,500
Total fund balances	883,407	933,901	332,499	2,149,807
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,798,949	1,367,040	820,351	5,986,340

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	2,149,807
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,063,776
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		163,998
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,391)
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	\$ 703,246	
Deferred inflows of resources	<u>(756,619)</u>	(53,373)
Long-term liabilities, including general obligation bonds payable, termination benefits payable, computer lease, compensated absences, net pension liability payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,134,628)</u>
Net position of governmental activities(page 18)	\$	<u><u>5,188,189</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,224,163	291,037	284,467	2,799,667
Tuition	321,690	-	-	321,690
Other	361,046	288,910	235,134	885,090
State sources	2,772,624	496,669	7,879	3,277,172
Federal sources	188,140	24,850	-	212,990
Total revenues	5,867,663	1,101,466	527,480	7,496,609
Expenditures:				
Current:				
Instruction:				
Regular	2,543,192	496,784	128,871	3,168,847
Special	687,776	-	-	687,776
Other	556,362	-	231,417	787,779
	3,787,330	496,784	360,288	4,644,402
Support services:				
Student	159,043	-	-	159,043
Instructional staff	279,370	-	-	279,370
Administration	600,662	-	3,534	604,196
Operation and maintenance of plant				
Transportation	397,752	29,428	69,658	496,838
	237,088	35,459	23,330	295,877
	1,673,915	64,887	96,522	1,835,324
Capital outlay	-	646,104	-	646,104
Long-term debt:				
Principal	-	-	306,685	306,685
Interest	-	-	30,865	30,865
	-	-	337,550	337,550
Other expenditures:				
AEA flowthrough	219,512	-	-	219,512
Total expenditures	5,680,757	1,207,775	794,360	7,682,892
Excess(Deficiency) of revenues over(under) expenditures	186,906	(106,309)	(266,880)	(186,283)
Other financing sources(uses):				
Proceeds from capital leases	-	443,132	-	443,132
Transfer in	-	-	52,556	52,556
Transfer out	-	(52,556)	-	(52,556)
Total other financing sources(uses)	-	390,576	52,556	443,132
Change in fund balances	186,906	284,267	(214,324)	256,849
Fund balances beginning of year	696,501	649,634	546,823	1,892,958
Fund balances end of year	\$ 883,407	933,901	332,499	2,149,807

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT 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) \$ 256,849

*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 amount of capital outlay expenditures, depreciation expense is as follows:

Capital outlay	\$ 1,175,875	
Depreciation expense	(509,559)	663,611
Loss on disposal of assets	<u>(2,705)</u>	

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,541

The current year Distirct employer share of IPERS contrirubutions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position. 299,573

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.

Termination benefits	107,650	
Pension expense	(217,315)	
Compensated absences	(3,456)	
Other postemployment benefits	<u>(35,500)</u>	(148,621)

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. (136,448)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 650

Change in net position of governmental activities(page 19) \$ 953,155

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2015

	School Nutrition	3 Year Old Preschool	Total
Assets			
Cash and pooled investments	\$ 23,335	10,808	34,143
Due from other governments	4,899	-	4,899
Accounts receivable	40	-	40
Inventories	6,732	-	6,732
Capital assets, net of accumulated depreciation	24,192	-	24,192
Total assets	59,198	10,808	70,006
Deferred Outflows of Resources			
Pension related deferred outflows	19,722	2,548	22,270
Liabilities			
Current liabilities			
Accounts payable	2,469	-	2,469
Salaries and benefits payable	23,086	3,082	26,168
Unearned revenues	3,237	-	3,237
Total current liabilities	28,792	3,082	31,874
Noncurrent liabilities			
Net OPEB liability	5,005	-	5,005
Net pension liability	55,434	6,136	61,570
Total noncurrent liabilities	60,439	6,136	66,575
Total liabilities	89,231	9,218	98,449
Deferred Inflows of Resources			
Pension related deferred inflows	21,141	2,340	23,481
Net Position			
Net investment in capital assets	24,192	-	24,192
Unrestricted	(55,644)	1,798	(53,846)
Total net position	\$ (31,452)	1,798	(29,654)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	3 Year Old Preschool	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 147,599	2,025	149,624
Miscellaneous	5,459	24,750	30,209
Total operating revenues	<u>153,058</u>	<u>26,775</u>	<u>179,833</u>
Operating expenses:			
Instructional programs:			
Preschool operations:			
Salaries	-	14,902	14,902
Benefits	-	4,229	4,229
Preschool operating expenses	<u>-</u>	<u>19,131</u>	<u>19,131</u>
Non-instructional programs:			
Food service operations:			
Salaries	99,373	-	99,373
Benefits	30,176	-	30,176
Services	8,116	-	8,116
Supplies	173,862	-	173,862
Depreciation	3,931	-	3,931
Other	3,382	-	3,382
Food service operating expenses	<u>318,840</u>	<u>-</u>	<u>318,840</u>
Total operating expenses	<u>318,840</u>	<u>19,131</u>	<u>337,971</u>
Operating income (loss)	<u>(165,782)</u>	<u>7,644</u>	<u>(158,138)</u>
Non-operating revenues:			
State sources	2,788	-	2,788
Federal sources	153,901	-	153,901
Interest income	79	52	131
Total non-operating revenues	<u>156,768</u>	<u>52</u>	<u>156,820</u>
Change in net position	(9,014)	7,696	(1,318)
Net position beginning of year, as restated	<u>(22,438)</u>	<u>(5,898)</u>	<u>(28,336)</u>
Net position end of year	<u>\$ (31,452)</u>	<u>1,798</u>	<u>(29,654)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	3 Year Old Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 148,575	-	148,575
Cash received from preschool	-	2,025	2,025
Cash received from miscellaneous operating activities	5,459	24,750	30,209
Cash payments to employees for services	(139,002)	(19,421)	(158,423)
Cash payments to suppliers for goods or services	(175,061)	-	(175,061)
Net cash provided by (used in) operating activities	(160,029)	7,354	(152,675)
Cash flows from non-capital financing activities:			
State grants received	2,788	-	2,788
Federal grants received	140,092	-	140,092
Net cash provided by non-capital financing activities	142,880	-	142,880
Cash flows from investing activities:			
Interest on investment	79	52	131
Net increase(decrease) in cash and cash equivalents	(17,070)	7,406	(9,664)
Cash and cash equivalents at beginning of year	40,405	3,402	43,807
Cash and cash equivalents at end of year	\$ 23,335	10,808	34,143
Reconciliation of operating loss to net cash used by operating activities:			
Operating income(loss)	\$ (165,782)	7,644	(158,138)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	12,829	-	12,829
Depreciation	3,931	-	3,931
Increase in inventories	(1,724)	-	(1,724)
Decrease in accounts receivable	770	-	770
Decrease in accounts payable	(806)	-	(806)
(Decrease)Increase in salaries and benefits payable	(8,034)	338	(7,696)
Increase in unearned revenue	206	-	206
Increase in net OPEB liability	951	-	951
Decrease in net pension liability	(11,957)	(1,324)	(13,281)
Increase in deferred outflows of resources	(11,554)	(1,644)	(13,198)
Increase in deferred inflows of resources	21,141	2,340	23,481
Net cash used in operating activities	\$ (160,029)	7,354	(149,677)

During the year ended June 30, 2014, the District received \$12,829 of federal commodities.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 429,817
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 429,817</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 11,996
Contributions	19,264
Total additions	31,260
Deductions:	
Instruction:	
Regular:	
Scholarships	43,400
Deficiency of revenues before other financing sources(uses) under expenditures/expenses	(12,140)
Other financing sources(uses):	
Unrealized loss	(13,541)
Unrealized gain	4,319
Total other financing sources(uses)	(9,222)
Change in net position	(21,362)
Net position beginning of year	451,179
Net position end of year	\$ 429,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The Northwood-Kensett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades prekindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Northwood and Kensett, Iowa, and the predominate agricultural territory in Worth 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, Northwood-Kensett 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 Northwood-Kensett 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Worth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's nonmajor proprietary funds are the School Nutrition Fund and the Three Year Old Preschool Fund.

The Nutrition Fund is used to account for the food service operations of the District.

The Three Year Old Preschool Fund is used to account for the 3 year old preschool program operated by the District.

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

The Private Purpose Trust Fund is used to account for 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 - committed, assigned and then unassigned fund balances.

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

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

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

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than 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	\$ -
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 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 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 Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

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

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

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

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 other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction programs and other expenditures functional areas exceeded the amounts budgeted as well as in total.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2015, the District had investments in VSR Financial valued at \$209,441 pursuant to Rule 2a-7 under the Investment Act of 1940.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 26,278
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>26,278</u>
Total		<u>\$ 52,556</u>

The transfers from the Capital Projects: Statewide Sales, Service and Use Tax Fund to the Debt Service fund was needed for the payment for one half of the computer lease indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the payment for one half of the computer lease indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 36,425	-	-	36,425
Construction in progress	6,246	177,098	-	183,344
Total capital assets not being depreciated	<u>42,671</u>	<u>177,098</u>	<u>-</u>	<u>219,769</u>
Capital assets being depreciated:				
Buildings	7,576,367	124,740	7,727	7,693,380
Land improvements	1,012,634	73,597	-	1,086,231
Machinery and equipment	2,603,325	800,440	958,473	2,445,292
Total capital assets being depreciated	<u>11,192,326</u>	<u>998,777</u>	<u>966,200</u>	<u>11,224,903</u>
Less accumulated depreciation for:				
Buildings	3,424,712	198,220	5,022	3,617,910
Land improvements	153,695	49,159	-	202,854
Machinery and equipment	2,256,425	262,180	958,473	1,560,132
Total accumulated depreciation	<u>5,834,832</u>	<u>509,559</u>	<u>963,495</u>	<u>5,380,896</u>
Total capital assets being depreciated, net	<u>5,357,494</u>	<u>489,218</u>	<u>2,705</u>	<u>5,844,007</u>
Governmental activities capital assets, net	<u>\$ 5,400,165</u>	<u>666,316</u>	<u>2,705</u>	<u>6,063,776</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 131,741	-	-	131,741
Less accumulated depreciation	103,618	3,931	-	107,549
Business type activities capital assets, net	<u>\$ 28,123</u>	<u>(3,931)</u>	<u>-</u>	<u>24,192</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 192,872
Support services:	
Operation and maintenance of plant	15,121
Transportation	54,187
	<u>262,180</u>
Unallocated depreciation	<u>247,379</u>
Total governmental activities depreciation expense	<u>\$ 509,559</u>
Business type activities:	
Food services	<u>\$ 3,931</u>

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 805,000	-	260,000	545,000	270,000
Computer leases payable	-	443,133	46,685	396,448	95,233
Termination benefits	107,650	-	107,650	-	-
Compensated absences	19,009	22,465	19,009	22,465	22,465
Net pension liability	2,411,892	-	427,947	1,983,945	-
Net OPEB liability	151,270	35,500	-	186,770	-
Total	<u>\$ 3,494,821</u>	<u>501,098</u>	<u>861,291</u>	<u>3,134,628</u>	<u>387,698</u>
Business type activities:					
Net pension liability	\$ 74,851	-	13,281	61,570	-
Net OPEB liability	4,054	951	-	5,005	-
Total	<u>\$ 78,905</u>	<u>951</u>	<u>13,281</u>	<u>66,575</u>	<u>-</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 5, 2009				
	Interest Rates		Principal	Interest	Total
2016	3.00	%	\$ 270,000	16,694	286,694
2017	3.13		275,000	8,594	283,594
Total			<u>\$ 545,000</u>	<u>25,288</u>	<u>570,288</u>

Computer Lease

Details of the District's June 30, 2015 computer lease payable are as follows:

Year Ending June 30,	Computer lease dated July 3, 2014				
	Interest Rates		Principal	Interest	Total
2016	2.65	%	\$ 95,233	9,879	105,112
2017	2.65		97,774	7,339	105,113
2018	2.65		100,382	4,730	105,112
2019	2.65		103,059	2,053	105,112
Total			<u>\$ 396,448</u>	<u>24,001</u>	<u>420,449</u>

Termination Benefits

During the year ended June 30, 2014, the District offered a voluntary early retirement plan to its certified employees. The early retirement plan is offered by the District at the Board's discretion. Employees should have no expectation that the plan will be offered.

Eligible employees must be at least age fifty-five and must have completed at least fifteen years of consecutive service to the District including the last year of employment. Employees must complete an application which is required to be approved by the Board of Education.

A licensed employee who meets the eligibility requirements will be eligible for the early retirement amount of \$25,000 payable in three installments over the next fiscal year. Employees may continue participation in the District's group insurance plan until Medicare age.

At June 30, 2015, the District had no outstanding obligations.

(6) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$309,316.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,045,515 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 .050543 percent, which was an increase of .006623 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$224,060. 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	\$ 22,231	\$ -
Changes of assumptions	90,273	-
Net difference between projected and actual earnings on pension plan investments	-	780,100
Changes in proportion and differences between District contributions and proportionate share of contributions	303,696	-
District contributions subsequent to the measurement date	309,316	-
Total	<u>\$ 725,516</u>	<u>\$ 780,100</u>

\$309,316 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	\$ (97,782)
2017	(97,782)
2018	(97,782)
2019	(97,782)
2020	27,228
	<u>\$ (363,900)</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	\$ 3,864,943	\$ 2,045,515	\$ 509,729

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$44,958 for legally required employer contributions and \$29,955 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 63 active members in the plan. Retired participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 40,274
Interest on net OPEB obligation	3,883
Adjustment to annual required contribution	<u>(7,706)</u>
Annual OPEB cost	36,451
Contributions made	<u>-</u>
Increases in net OPEB obligation	36,451
Net OPEB obligation beginning of year	<u>155,324</u>
Net OPEB obligation end of year	<u>\$ 191,775</u>

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

For the year ended June 30, 2015, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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	\$ 33,038	0.00%	\$ 121,864
2014	33,460	0.00%	155,324
2015	36,451	0.00%	191,775

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 \$300,283, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$300,283. The covered payroll (annual payroll of active employees covered by the plan) was \$3,308,875 and the ratio of the UAAL to covered payroll was 9.08%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$219,512 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Categorical Funding

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

Program	Amount
Market factor	\$ 3,807
Beginning teacher mentoring and induction	660
Professional development for core curriculum	20,701
Four-Year Old Preschool State Aid	47,149
Professional development	35,511
Teacher salary supplement	26,474
Successful progression for early readers	25,433
Teacher leadership grants	2,401
Market factor incentives	1,765
Total	\$ 163,901

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the instructional and other expenditures functional areas exceeded the budgeted amounts and in total.

(12) Construction Commitments

The District has entered into contracts totaling \$383,469 for a building renovation. As of June 30, 2015, costs of \$150,100 had been incurred against the contracts. The balance of \$233,369 remaining at year end will be paid as work on the contracts progresses.

(13) Deficit Balances

The District had deficit unrestricted net positions in the Governmental funds of \$1,744,997 and the Enterprise, School Nutrition fund had a deficit unrestricted net position of \$55,434 and a total deficit net position of \$31,452 at June 30, 2015. The primary reason for the deficit net position is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

(14) Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment In Capital Asse	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	80,720	734,006
Invested in capital assets, net of accumulated depreciation	6,063,776	-	-
General obligation bond capitalized indebtedness	(545,000)	-	-
Accrued interest payable	-	(1,391)	-
Computer Lease capitalized indebtedness	-	-	(396,448)
Income surtax	-	-	163,998
Compensated absences	-	-	(22,465)
Net Pension Liability	-	-	(1,983,945)
Pension related deferred outflows	-	-	703,246
Pension related deferred inflows	-	-	(756,619)
Net OPEB liability	-	-	(186,770)
Net position (Exhibit A)	<u>\$ 5,518,776</u>	<u>79,329</u>	<u>(1,744,997)</u>

(15) 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
Net position June 30, 2014, as previously reported	\$ 6,354,610	\$ 37,443
Net pension liability at June 30, 2014	(2,411,892)	(74,851)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	292,316	9,072
Net position July 1, 2014, as restated	<u>\$ 4,235,034</u>	<u>\$ (28,336)</u>

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,006,447	179,964	4,186,411	4,015,968	4,015,968	170,443
State sources	3,277,172	2,788	3,279,960	3,243,302	3,243,302	36,658
Federal sources	212,990	153,901	366,891	318,000	318,000	48,891
Total revenues	<u>7,496,609</u>	<u>336,653</u>	<u>7,833,262</u>	<u>7,577,270</u>	<u>7,577,270</u>	<u>255,992</u>
Expenditures/Expenses:						
Instruction	4,644,402	19,131	4,663,533	4,457,600	4,457,600	(205,933)
Support services	1,835,324	-	1,835,324	1,789,070	1,867,397	32,073
Non-instructional programs	-	318,840	318,840	327,000	331,925	13,085
Other expenditures	1,203,166	-	1,203,166	1,006,110	1,008,207	(194,959)
Total expenditures/expenses	<u>7,682,892</u>	<u>337,971</u>	<u>8,020,863</u>	<u>7,579,780</u>	<u>7,665,129</u>	<u>(355,734)</u>
Deficiency of revenues under expenditures/expenses	(186,283)	(1,318)	(187,601)	(2,510)	(87,859)	(99,742)
Other financing sources, net	<u>443,132</u>	<u>-</u>	<u>443,132</u>	<u>-</u>	<u>-</u>	<u>443,132</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	256,849	(1,318)	255,531	(2,510)	(87,859)	343,390
Balances beginning of year	<u>1,892,958</u>	<u>(28,336)</u>	<u>1,864,622</u>	<u>1,657,599</u>	<u>1,657,599</u>	<u>207,023</u>
Balances end of year	<u>\$ 2,149,807</u>	<u>(29,654)</u>	<u>2,120,153</u>	<u>1,655,089</u>	<u>1,569,740</u>	<u>550,413</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund 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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$85,349.

During the year ended June 30, 2015, expenditures in the instructional programs and other expenditures functional areas exceeded the amounts budgeted as well as in total.

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

	2015
District's proportion of the net pension liability	0.050543%
District's proportionate share of the net pension liability	\$ 2,045,151
District's covered-employee payroll	\$ 3,463,783
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.04%
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.

NORTHWOOD-KENSETT 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	\$ 309,316	301,392	246,205	253,967	217,598	204,283	187,804	172,041	153,026	146,671
Contributions in relation to the statutorily required contribution	(309,316)	(301,392)	(246,205)	(253,967)	(217,598)	(204,283)	(187,804)	(172,041)	(153,026)	(146,671)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,463,785	3,375,050	2,839,735	3,147,051	3,130,906	2,939,324	2,957,543	2,843,653	2,661,322	2,550,800
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.

NORTHWOOD-KENSETT 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.

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

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

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

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	270,976	270,976	0.00%	2,962,164	9.15%
2012	July 1, 2009	-	256,453	256,453	0.00%	2,956,028	8.68%
2013	July 1, 2012	-	328,668	328,668	0.00%	3,038,602	10.82%
2014	July 1, 2012	-	318,687	318,687	0.00%	3,236,242	9.85%
2015	July 1, 2012	-	300,283	300,283	0.00%	3,308,875	9.08%

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

SUPPLEMENTARY INFORMATION

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue					Total
	Management Levy	Student Activity	Support Trust	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 161,447	76,393	14,599	252,439	79,766	332,205
Receivables:						
Property tax:						
Delinquent	-	-	-	-	954	954
Succeeding year	199,999	-	-	199,999	287,193	487,192
Total assets	\$ 361,446	76,393	14,599	452,438	367,913	820,351
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 660	-	-	660	-	660
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	199,999	-	-	199,999	287,193	487,192
Fund balances:						
Restricted for:						
Student activities	-	76,393	-	76,393	-	76,393
Support trust	-	-	99	99	-	99
Management levy purposes	160,787	-	-	160,787	-	160,787
Debt service	-	-	-	-	80,720	80,720
Unassigned	-	-	14,500	14,500	-	14,500
Total fund balances	160,787	76,393	14,599	251,779	80,720	332,499
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 361,446	76,393	14,599	452,438	367,913	820,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue			Total Special Revenue	Debt Service	Total
	Management Levy	Student Activity	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ 388	-	-	388	284,079	284,467
Other	7,388	227,209	74	234,671	463	235,134
State sources	-	-	-	-	7,879	7,879
Total revenues	7,776	227,209	74	235,059	292,421	527,480
Expenditures:						
Current:						
Instruction:						
Regular	128,871	-	-	128,871	-	128,871
Other	-	231,417	-	231,417	-	231,417
Support services:						
Administration	3,534	-	-	3,534	-	3,534
Operation and maintenance of plant	69,658	-	-	69,658	-	69,658
Transportation	23,330	-	-	23,330	-	23,330
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	306,685	306,685
Interest	-	-	-	-	30,865	30,865
Total expenditures	225,393	231,417	-	456,810	337,550	794,360
Excess(Deficiency) of revenues Over(under) expenditures	(217,617)	(4,208)	74	(221,751)	(45,129)	(266,880)
Other financing sources:						
Transfer in	-	-	-	-	52,556	52,556
Changes in fund balance	(217,617)	(4,208)	74	(221,751)	7,427	(214,324)
Fund balances beginning of year	378,404	80,601	14,525	473,530	73,293	546,823
Fund balances end of year	\$ 160,787	76,393	14,599	251,779	80,720	332,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 603,676	382,340	986,016
Receivables:			
Property tax:			
Delinquent	-	978	978
Succeeding year	-	303,660	303,660
Due from other governments	76,386	-	76,386
Total assets	\$ 680,062	686,978	1,367,040
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,443	126,036	129,479
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	303,660	303,660
Fund balances:			
Restricted for:			
School infrastructure	676,619	-	676,619
Physical plant and equipment	-	257,282	257,282
Total fund balances	676,619	257,282	933,901
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 680,062	686,978	1,367,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ -	291,037	291,037
Other	3,255	285,655	288,910
State sources	488,595	8,074	496,669
Federal sources	-	24,850	24,850
Total revenues	<u>491,850</u>	<u>609,616</u>	<u>1,101,466</u>
Expenditures:			
Current:			
Instruction:			
Regular	248,940	247,844	496,784
Support services:			
Operation and maintenance of plant	29,428	-	29,428
Transportation	17,995	17,464	35,459
Other expenditures:			
Capital outlay	114,580	531,524	646,104
Total expenditures	<u>410,943</u>	<u>796,832</u>	<u>1,207,775</u>
Excess(deficiency) of revenues over(under) expenditures	80,907	(187,216)	(106,309)
Other financing sources:			
Proceeds from capital leases	221,566	221,566	443,132
Transfer out	(26,278)	(26,278)	(52,556)
Total other financing sources(uses)	<u>195,288</u>	<u>195,288</u>	<u>390,576</u>
Changes in fund balances	276,195	8,072	284,267
Fund balances beginning of year	<u>400,424</u>	<u>249,210</u>	<u>649,634</u>
Fund balances end of year	<u>\$ 676,619</u>	<u>257,282</u>	<u>933,901</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT 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	Intrafund Transfer	Balance End of Year
Drama	\$ 1,571	598	934	(305)	930
Speech	-	-	305	305	-
Vocal music	3,713	787	2,202	-	2,298
Choir robe	2,674	94	-	(1,424)	1,344
High school band	-	567	175	-	392
Elementary band	-	99	161	62	-
High school band uniforms	23,439	897	2,334	(106)	21,896
High school horn rent/repair	-	571	678	107	-
Instrument repair	-	50	-	-	50
Elementary horn repair	-	525	-	(62)	463
Band trip	13,040	44,934	52,923	-	5,051
General athletics	-	13,352	13,114	(238)	-
Athletic passes	-	26,258	14,202	(12,056)	-
Adopt a hurdle	2,300	-	-	-	2,300
Athletic uniforms	-	8,000	7,016	-	984
Hudl	-	13,265	8,323	-	4,942
Camps	-	8,230	11,285	3,055	-
Boys basketball	-	4,699	1,533	(3,166)	-
Football	-	8,148	11,594	3,446	-
Baseball	-	936	2,006	1,070	-
Sports Club Baseball	-	190	-	-	190
Boys track	-	3,091	6,477	3,386	-
Boys golf	-	-	501	501	-
Wrestling	-	4,164	6,037	1,873	-
Trap	-	-	1,500	1,500	-
Girls basketball	-	9,050	8,115	(935)	-
Volleyball	-	2,712	2,145	(567)	-
Softball	-	2,081	1,996	(85)	-
Girls track	-	5,907	7,608	1,701	-
Girls golf	-	-	502	502	-
FFA	9,831	38,615	35,913	-	12,533
Math club	334	2,782	1,210	-	1,906
Honor society	1,924	-	542	-	1,382
High school student council	989	2,460	1,364	-	2,085
FBLA	872	-	-	-	872
Cheerleaders Junior High	-	-	10	10	-
Cheerleaders High Schools	1,456	4,111	5,067	-	500
Spanish club	5,212	868	211	-	5,869
FCCLA club	1,063	535	3,911	2,313	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfer	Balance End of Year
Class of 2013	724	-	724	-	-
Class of 2014	699	-	290	(409)	-
Class of 2015	2,259	1,051	1,577	(1,733)	-
Class of 2016	3,231	1,673	2,894	-	2,010
Class of 2017	1,543	930	34	-	2,439
Class of 2018	547	1,260	118	-	1,689
Class of 2019	129	382	165	-	346
Class of 2020	-	381	196	-	185
Stevens tech lab	447	700	149	-	998
CHIP	-	2,180	1,944	-	236
HS student of the month	197	1,950	422	-	1,725
Yearbook	1,629	5,934	9,041	1,478	-
Interest on checking	-	223	-	(223)	-
Elementary activities	460	1,969	1,969	-	460
Band CD	318	-	-	-	318
Total	\$ 80,601	227,209	231,417	-	76,393

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	Reuben/Helen Cornelius Scholarship	Gilbert Charles Stevens	Hellen Holstad	Richard Moen	Margaret Sigmond	Ryan Weisert	Unrestricted	Total
Assets								
Cash and pooled investments	\$ 27,163	77,676	182,278	52,247	86,840	3,313	300	429,817
Net Position								
Held in trust for scholarships	\$ 27,163	77,676	182,278	52,247	86,840	3,313	300	429,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Reuben/Helen Cornelius Scholarship	Gilbert Charles Stevens	Hellen Holstad	Richard Moen	Margaret Sigmond	FFA	Ryan Weisert	Unrestricted	Total
Additions:									
Local sources:									
Interest	\$ 5	361	11,108	249	261	-	12	-	11,996
Contributions	-	-	-	18,264	-	1,000	-	-	19,264
Total additions	5	361	11,108	18,513	261	1,000	12	-	31,260
Deductions:									
Instruction:									
Regular:									
Scholarships	12,000	3,000	8,900	16,500	2,000	1,000	-	-	43,400
Excess(Deficiency) of revenues before other financing sources(uses) over(under) expenditures/expenses									
	(11,995)	(2,639)	2,208	2,013	(1,739)	-	12	-	(12,140)
Other financing sources(uses):									
Unrealized loss	-	-	(13,541)	-	-	-	-	-	(13,541)
Unrealized gain	-	-	4,319	-	-	-	-	-	4,319
Transfer in	-	-	-	-	-	-	3,301	300	3,601
Transfer out	-	-	-	-	(3,601)	-	-	-	(3,601)
Total other financing sources(uses)	-	-	(9,222)	-	(3,601)	-	3,301	300	(9,222)
Change in net position	(11,995)	(2,639)	(7,014)	2,013	(5,340)	-	3,313	300	(21,362)
Net position beginning of year	39,158	80,315	189,292	50,234	92,180	-	-	-	451,179
Net position end of year	\$ 27,163	77,676	182,278	52,247	86,840	-	3,313	300	429,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,799,667	2,715,812	3,068,217	3,116,715	3,062,190	2,972,294	3,131,384	2,824,046	2,637,136	2,473,383
Tuition	321,690	299,072	267,495	173,014	203,029	150,764	124,768	107,205	102,073	72,369
Other	885,090	738,174	670,851	986,414	833,342	664,851	631,206	472,856	309,594	275,466
Intermediate sources	-	-	-	-	35,355	-	-	-	-	-
State sources	3,277,172	2,787,550	2,252,863	2,344,585	2,284,853	1,884,861	2,258,461	2,449,968	2,307,226	2,311,952
Federal sources	212,990	161,056	152,944	222,023	299,603	508,405	162,788	137,119	149,978	149,419
Total	<u>\$ 7,496,609</u>	<u>6,701,664</u>	<u>6,412,370</u>	<u>6,842,751</u>	<u>6,718,372</u>	<u>6,181,175</u>	<u>6,308,607</u>	<u>5,991,194</u>	<u>5,506,007</u>	<u>5,282,589</u>
Expenditures:										
Instruction:										
Regular	\$ 3,168,847	2,440,918	2,416,454	2,510,473	2,447,279	2,418,053	2,247,875	2,056,668	1,958,278	1,824,877
Special	687,776	651,796	757,845	841,542	750,244	716,357	753,003	738,386	743,155	669,142
Other	787,779	796,599	706,423	685,168	673,350	586,096	573,905	564,915	560,747	511,898
Support services:										
Student	159,043	133,463	113,464	109,798	103,912	99,287	92,398	90,615	64,307	74,091
Instructional staff	279,370	278,124	219,597	175,857	162,989	851,584	179,334	179,418	103,279	96,818
Administration	604,196	620,039	588,259	577,696	561,376	541,711	568,510	524,524	538,601	513,783
Operation and maintenance of plant	496,838	488,918	428,690	371,685	390,718	417,522	346,522	387,131	391,114	366,725
Transportation	295,877	380,038	329,374	240,884	211,265	243,270	197,434	228,921	213,196	197,981
Capital outlay	646,104	421,543	622,470	674,260	481,270	576,428	252,567	438,706	73,987	119,990
Long-term debt:										
Principal	306,685	423,758	411,771	390,074	378,654	237,389	211,917	201,463	274,895	204,290
Interest	30,865	39,934	54,419	68,167	81,436	61,737	113,782	118,566	129,451	138,463
Other expenditures:										
AEA flowthrough	219,512	205,387	199,014	206,859	228,179	215,037	181,370	178,412	170,051	164,998
Total	<u>\$ 7,682,892</u>	<u>6,880,517</u>	<u>6,847,780</u>	<u>6,852,463</u>	<u>6,470,672</u>	<u>6,964,471</u>	<u>5,718,617</u>	<u>5,707,725</u>	<u>5,221,061</u>	<u>4,883,056</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 Northwood-Kensett 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 Northwood-Kensett Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016.

Internal Control Over Financial Reporting

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwood-Kensett 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.

Northwood-Kensett Community School District's Responses to Findings

Northwood-Kensett Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Northwood-Kensett 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 Northwood-Kensett Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL 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 may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, 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 - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - District is aware of the lack of segregation of duties and will make changes as personnel availability allows.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instructional and other expenditures functional areas and in total.

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

Response - District will implement procedures to better estimate budget amounts.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - Disbursements noted which may not meet public purpose as defined by an Attorney General's opinion dated April 25, 1979 are noted as follows:

Gift Cards: Noted the District purchased gift certificates from Signiture Supper Club. The purchase of gift certificates/cards does not allow the board to "audit and allow" the final purchase as required by Iowa Code Section 279.29 and also does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - Activates Fund personnel have been reminded that the purchase of gift cards is prohibited.

Conclusion - Response accepted.

Detailed Receipts - We noted during our audit the District is not always receiving detailed receipts for expenses charged on the District credit card. Board Policy 401.16 states in part "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expenses for each claim item. Failure to provide a proper receipt shall make the employee responsible for expenses incurred."

Recommendation - The District should review Board Policy 401.16 with employees and require detailed receipts of purchases made with the District's credit card to be in compliance with board policy.

Response - Credit card users have been reminded to submit detailed receipts for expenses.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Robin Fredericks, Bus driver & Aide Spouse owns A&I Auto	Repairs	\$13,921
Ryan Severson, Teacher Brothers own Northwood Lumber	Purchased services	\$2,034
Tom Sculley, Bus driver Owns Village Florist	Flowers	\$423
Roger Harris, Board Member Sister owns Cornerpost	Food	\$474
Larry Hovey, Board Member Son owns Hovey's Lawn & Garden	Lawn care, per bid	\$19,786
Larry Hovey, Board Member Employee of AG Power	Purchase supplies	\$10,389
Bryn Pangburn, Bus driver Owns North Star Xpress LLC	Purchase supplies	\$74
Tim Johnson, Bus driver Owns Johnson Vinyl Graphics	Purchased services	\$119
Cliff Davis, Bus Driver Owns Viking Welding	Repairs	\$8,064

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses, brothers and sisters of District employees and board members do not appear to represent a conflict of interest.

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

In accordance with Chapter 279.7A of the code of Iowa, the above transaction with the Board President Larry Hovey does not appear to represent a conflict of interest. The lawn care services were chosen by bid and the board selected the bid while Larry Hovey abstained from the vote.

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 an instance where The District did not record the specific exemption which allows the board to enter a closed session.

Recommendation - The District should record the reasons under Chapter 21.5 when entering a closed session.

Response - Closed session reasons will be included on future agendas in the board minutes.

Conclusion – Response accepted.

II-G-15 Certified Enrollment - No variances regarding the enrollment certified to the Iowa Department of Education were noted.

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

II-I-15 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District owned mutual funds through VSR Financial. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

Recommendation - The District should sell the mutual funds and invest in an investment within compliance of the District policy code number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - Recommendation has been communicated to VSR Financial and investment changes will be made when doing so will not result in a loss on investment

Conclusion - Response accepted.

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 used to supplant rather than supplement other funds.

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

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

Beginning Balance		\$	400,424
Revenues:			
Sales tax revenues	\$	488,595	
Proceeds from capital leases		221,566	
Other local revenues		3,255	713,416
			<u>1,113,840</u>
Expenditures/transfer out:			
School infrastructure construction	\$	58,317	
Equipment		352,626	
Transfer to other funds:			
Debt service fund		26,278	437,221
			<u>437,221</u>
Ending Balance		\$	<u>676,619</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-F-15 Signing of Contracts - We noted during our audit athletic official's contracts were signed by the Athletic Director and not signed by the Board President. We also noted a contract with a local Disc Jockey for DJ services at the District's prom was not signed by the Board President. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - Activity Fund personnel have been instructed to have Board President sign all contacts

Conclusion - Response accepted.

II-M-15 Financial Condition - The District had deficit unrestricted net positions in its Governmental fund of \$1,744,997. The Nutrition fund had a deficit unrestricted net position of \$55,644 and a total deficit net position of \$31,452 at June 30, 2015. The primary reason for the deficit net position is due to the implementation of GASB Statement 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 No. 71 will affect the District's financials moving forward

Response - The deficit in the Governmental and Nutrition Fund is 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.