

OELWEIN COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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**Oelwein Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Education</u></b>		
Candace King	President	2015
Charlene Stocker	Vice President	2017
David Eick	Board Member	2015
David Schmidt	Board Member	2017
Dana Bostian	Board Member	2017
Erin Ryan	Board Member	2015
Robert Kalb	Board Member	2017
<b><u>School Officials</u></b>		
Steve Westerberg	Superintendent	2015
Joan Loew	Board Secretary/Treasurer	2015
Ahler's & Cooney, P.C.	Attorney	2015

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

**Independent Auditor's Report**

**To the Board of Education**  
**Oelwein Community School District:**

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note 12 to the financial statements, Oelwein Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information.*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oelwein Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2016, on our consideration of the Oelwein Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Oelwein Community School District's internal control over financial reporting and compliance.

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2016  
Newton, Iowa

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

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Oelwein 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 \$757,029 from \$13,691,236 in fiscal year 2014 to \$14,448,265 in fiscal year 2015, while General Fund expenditures increased \$459,875 from 14,070,615 in fiscal year 2014 to \$14,530,490 in fiscal year 2015. The increase in revenue was primarily the result of an increase in revenue from state sources. The increase in expenditures was primarily the result of increases in expenditures incurred in the instruction functional area.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

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

**Figure A-1**  
**Oelwein Community School District Annual Financial Report**

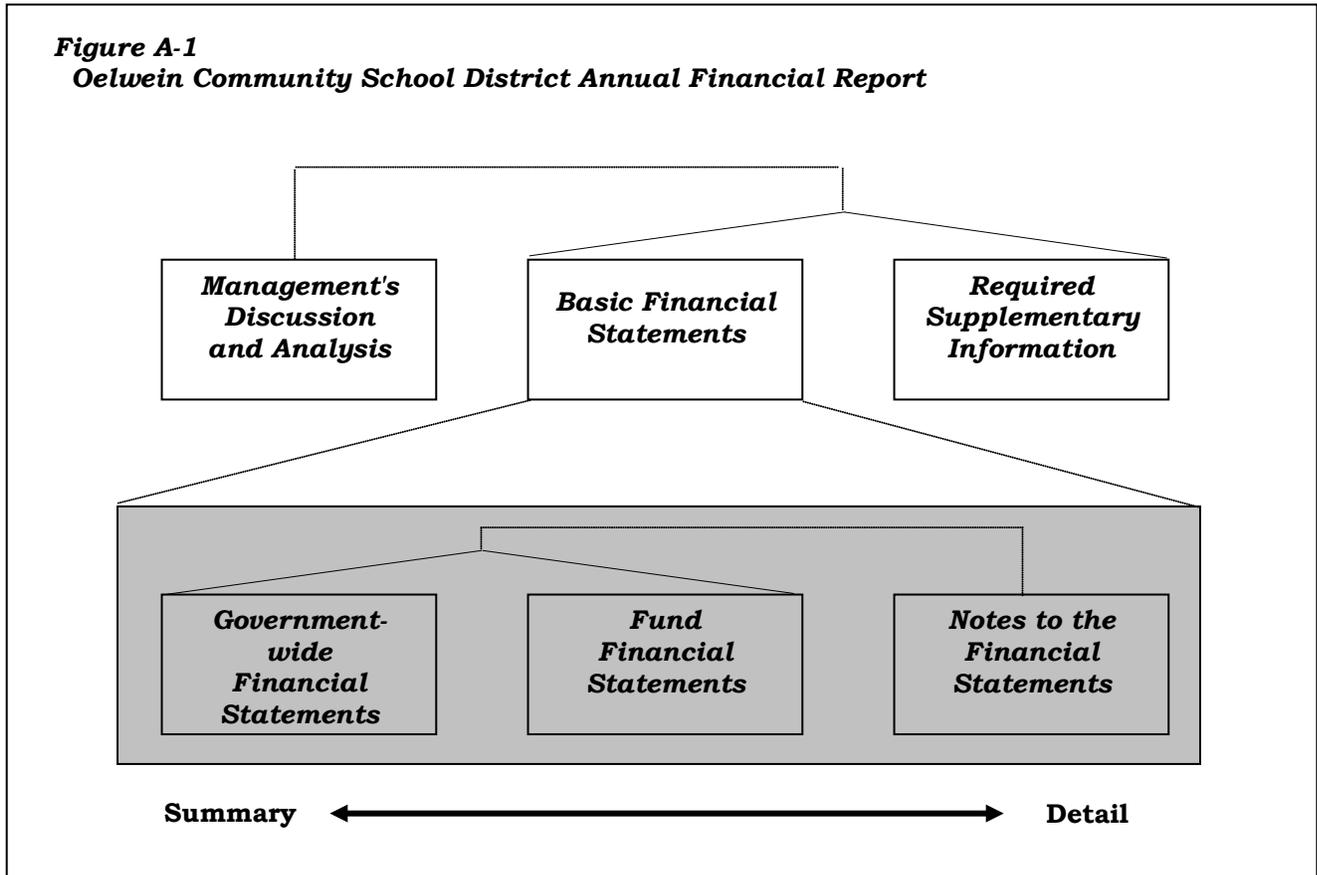


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

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

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

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

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program 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 the 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the 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 government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 13,613,465	14,062,564	139,639	137,128	13,753,104	14,199,692	-3.15%
Capital assets	12,639,898	13,188,682	32,299	37,299	12,672,197	13,225,981	-4.19%
Total assets	26,253,363	27,251,246	171,938	174,427	26,425,301	27,425,673	-3.65%
Deferred outflows of resources	1,098,376	-	36,938	-	1,135,314	-	100.00%
Long-term liabilities	6,608,425	1,555,614	202,361	48,643	6,810,786	1,604,257	324.54%
Other liabilities	1,806,215	1,807,028	11,906	19,736	1,818,121	1,826,764	-0.47%
Total liabilities	8,414,640	3,362,642	214,267	68,379	8,628,907	3,431,021	151.50%
Deferred inflows of resources	5,671,782	4,183,616	61,393	-	5,733,175	4,183,616	37.04%
Net position:							
Net investment in capital assets	11,639,898	12,188,682	32,299	37,299	11,672,197	12,225,981	-4.53%
Restricted	2,648,249	3,584,980	-	-	2,648,249	3,584,980	-26.13%
Unrestricted	(1,022,830)	3,931,326	(99,083)	68,749	(1,121,913)	4,000,075	-128.05%
Total net position	\$ 13,265,317	19,704,988	(66,784)	106,048	13,198,533	19,811,036	-33.38%

The District's combined net position decreased by 33.38%, or \$6,612,503, 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 resources 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 decreased \$936,731 or 26.13% from the prior year. The decrease in restricted net position is due primarily to the decrease in net position restricted for school infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$5,121,988 or 128.05%. This decrease in unrestricted net position was primarily the result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,903,929 and \$197,692, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 887,958	879,706	250,278	257,801	1,138,236	1,137,507	0.06%
Operating grants, contributions and restricted interest	1,843,095	1,787,252	589,519	538,500	2,432,614	2,325,752	4.59%
Capital grants, contributions and restricted interest	31,973	-	-	-	31,973	-	100.00%
General revenues:							
Property tax	3,853,917	3,846,219	-	-	3,853,917	3,846,219	0.20%
Income surtax	912,299	628,255	-	-	912,299	628,255	45.21%
Statewide sales, services and use tax	1,314,095	1,013,393	-	-	1,314,095	1,013,393	29.67%
Unrestricted state grants	8,599,778	7,906,978	-	-	8,599,778	7,906,978	8.76%
Unrestricted interest income	77,010	65,431	158	135	77,168	65,566	17.70%
Other	260,008	221,927	1,120	-	261,128	221,927	17.66%
Total revenues	17,780,133	16,349,161	841,075	796,436	18,621,208	17,145,597	8.61%
Program expenses:							
Instruction	11,827,971	11,343,811	-	-	11,827,971	11,343,811	4.27%
Support services	4,881,010	4,584,239	844	-	4,881,854	4,584,239	6.49%
Non-instructional programs	-	-	815,371	826,766	815,371	826,766	-1.38%
Other expenses	1,181,399	562,988	-	-	1,181,399	562,988	109.84%
Total expenses	17,890,380	16,491,038	816,215	826,766	18,706,595	17,317,804	8.02%
Change in net position	(110,247)	(141,877)	24,860	(30,330)	(85,387)	(172,207)	-50.42%
Net position beginning of year, as restated	13,375,564	19,846,865	(91,644)	136,378	13,283,920	19,983,243	-33.52%
Net position end of year	\$ 13,265,317	19,704,988	(66,784)	106,048	13,198,533	19,811,036	-33.38%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 77.43% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.85% of the revenue from business type activities. The District's total revenues were approximately \$18.62 million, of which approximately \$17.78 million was for governmental activities and approximately \$0.84 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.61% increase in revenues and a 8.02% increase in expenses. The primary reason for this increase in revenues was an increase in unrestricted state grant revenues by \$692,800 over the prior year. The increase in expenses is related to increased expenses incurred in the instruction functional area.

### Governmental Activities

Revenues for governmental activities were \$17,780,133 and expenses were \$17,890,380 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 11,827,971	11,343,811	4.27%	9,724,644	9,294,832	4.62%
Support services	4,881,010	4,584,239	6.47%	4,787,523	4,529,248	5.70%
Other expenses	1,181,399	562,988	109.84%	615,187	-	100.00%
Totals	\$ 17,890,380	16,491,038	8.49%	15,127,354	13,824,080	9.43%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$887,958.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,875,068.
- The net cost of governmental activities was financed with \$3,853,917 in property tax, \$912,299 in income surtax, \$1,314,095 in statewide sales, services and use tax, \$8,599,778 in unrestricted state grants, \$77,010 in interest income, and \$260,008 in other general revenues

### Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$841,075, a 5.60% increase from the prior year, and expenses were \$816,215, a 1.28% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment and other income.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,454,715, below last year's ending fund balances of \$8,071,920. The decrease in combined fund balances is mainly attributable to the decrease in fund balance of the Capital Projects Fund.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$5,155,513 at June 30, 2014 to \$5,073,288 at June 30, 2015. Revenues increased from the prior year primarily due to increased revenues from state sources; expenditures for the year increased due to an increase in negotiated salaries and benefits. Total expenditures outpaced total revenues ensuring a decrease in fund balance.
- The Capital Projects Fund balance decreased from \$2,007,808 at June 30, 2014 to \$1,243,594 at June 30, 2015. The decrease in Capital Projects Fund balance is primarily due to increased capital outlay expenditures compared to the prior year.

### **Proprietary Fund Highlights**

The School Nutrition Fund improved from a restated deficit net position of \$91,644 at July 1, 2014 to a deficit \$66,784 at June 30, 2015, representing an increase of 27.13%. Despite the District's net pension liability net pension expense recorded during the year, net position increased due to an increase in federal source revenues received as compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$76,847 more than budgeted revenues, a variance of 0.43%. The most significant dollar variance resulted from the District receiving more from state sources than originally anticipated.

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

Despite the District's budgetary practices, the District did exceed the certified budget in the other expenditures functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested approximately \$12.67 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.31% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$939,868.

The original cost of the District's capital assets was approximately \$23.31 million. Governmental funds accounted for approximately \$23.11 million with the remainder of approximately \$0.20 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,743,468 at June 30, 2015, compared to \$9,099,066 at June 30, 2014. This decrease resulted from depreciation expense recognized during the year.

Figure A-6  
Capital Assets, Net of Depreciation, as restated

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 879,013	879,013	-	-	879,013	879,013	0.00%
Buildings	8,743,468	9,099,066	-	-	8,743,468	9,099,066	-3.91%
Land improvements	1,982,846	1,954,935			1,982,846	1,954,935	1.43%
Machinery and equipment	1,034,571	1,001,773	32,299	37,299	1,066,870	1,039,072	2.68%
Total	\$ 12,639,898	12,934,787	32,299	37,299	12,672,197	12,972,086	-2.31%

### Long-Term Debt

At June 30, 2015, the District had \$6,810,786 of total long-term debt outstanding. This represents an increase of 324.54% 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 QZAB revenue bonds of \$1,000,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a total OPEB liability of \$670,718 at June 30, 2015. Governmental activities accounted for \$629,335 of this total while business type activities accounted for \$41,383.

The District had termination benefits payable from the Management Levy Fund of \$171,600 at June 30, 2015.

The District had outstanding net pension liability at June 30, 2015 of \$4,968,468. Governmental activities accounted for \$4,807,490 of this total while business type activities accounted for \$160,978.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
QZAB revenue bonds	\$ 1,000,000	1,000,000	-	-	1,000,000	1,000,000	0.00%
Net OPEB liability	629,335	555,614	41,383	48,643	670,718	604,257	11.00%
Termination benefits	171,600	-	-	-	171,600	-	100.00%
Net pension liability	4,807,490	-	160,978	-	4,968,468	-	100.00%
Totals	\$ 6,608,425	1,555,614	202,361	48,643	6,810,786	1,604,257	324.54%

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

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

- District enrollment increased in fiscal year 2015-2016 by 7 students to 1313.5 in total budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments.
- District special education weighted enrollment continues to decrease. The District continues to file Medicaid reimbursement to offset its special education deficit.
- The District added an At-Risk program for freshman and sophomores who were not eligible to attend the Regional Education Center(alternative high school). The cost of the program will be paid from the dollars reaped from retaining these students.
- The Board approved an early retirement package which will better serve students and provide a net gain to the general fund by replacing more experience staff with lower cost beginning staff.
- The District continues to share a transportation director with a neighboring district to reduce transportation costs.
- The District will continue to monitor its cash flow as it responds to a less than anticipated 1.25% supplemental state funding increase for FY 2016. Funding for FY 17 is unknown at this time.
- The District plans to issue Sales Tax Revenue bonds to complete a district-wide facilities improvement initiative. Included in this project is the addition of technical programs offering college credit through Northeast Iowa Community College.

## **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 Joan Loew, Board Secretary/Treasurer, Oelwein Community School District, 307 Eighth Avenue S.E., Oelwein, IA 50662.

## **Basic Financial Statements**

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,592,330	75,855	8,668,185
Receivables:			
Property tax:			
Delinquent	61,182	-	61,182
Succeeding year	3,838,344	-	3,838,344
Accounts	11,960	-	11,960
Income surtax	514,191	-	514,191
Due from other governments	595,458	50,422	645,880
Inventories	-	13,362	13,362
Capital assets, net of accumulated depreciation	12,639,898	32,299	12,672,197
<b>TOTAL ASSETS</b>	<b>26,253,363</b>	<b>171,938</b>	<b>26,425,301</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,098,376	36,938	1,135,314
<b>LIABILITIES</b>			
Accounts payable	561,428	8,415	569,843
Salaries and benefits payable	1,244,787	-	1,244,787
Unearned revenue	-	3,491	3,491
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	59,400	-	59,400
Portion due after one year:			
Qualified zone academy bonds payable	1,000,000	-	1,000,000
Termination benefits payable	112,200	-	112,200
Net OPEB liability	629,335	41,383	670,718
Net pension liability	4,807,490	160,978	4,968,468
<b>TOTAL LIABILITIES</b>	<b>8,414,640</b>	<b>214,267</b>	<b>8,628,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,838,344	-	3,838,344
Pension related deferred inflows	1,833,438	61,393	1,894,831
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,671,782</b>	<b>61,393</b>	<b>5,733,175</b>
<b>NET POSITION</b>			
Net investment in capital assets	11,639,898	32,299	11,672,197
Restricted for:			
Categorical funding	438,422	-	438,422
Debt service	662,824	-	662,824
Management levy purposes	422,424	-	422,424
Student activities	543,809	-	543,809
School infrastructure	336,509	-	336,509
Physical plant and equipment	244,261	-	244,261
Unrestricted	(1,022,830)	(99,083)	(1,121,913)
<b>TOTAL NET POSITION</b>	<b>\$ 13,265,317</b>	<b>(66,784)</b>	<b>13,198,533</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,066,536	293,691	345,920	-	(6,426,925)	(6,426,925)
Special	2,786,763	65,928	334,251	-	(2,386,584)	(2,386,584)
Other	1,974,672	510,111	553,426	-	(911,135)	(911,135)
	<u>11,827,971</u>	<u>869,730</u>	<u>1,233,597</u>	<u>-</u>	<u>(9,724,644)</u>	<u>(9,724,644)</u>
Support services:						
Student	472,260	-	-	-	(472,260)	(472,260)
Instructional staff	911,309	-	-	-	(911,309)	(911,309)
Administration	1,653,806	-	32,301	-	(1,621,505)	(1,621,505)
Operation and maintenance of plant	1,295,941	18,228	-	31,973	(1,245,740)	(1,245,740)
Transportation	547,694	-	10,985	-	(536,709)	(536,709)
	<u>4,881,010</u>	<u>18,228</u>	<u>43,286</u>	<u>31,973</u>	<u>(4,787,523)</u>	<u>(4,787,523)</u>
Other expenses:						
AEA flowthrough	566,212	-	566,212	-	-	-
Depreciation(unallocated)*	615,187	-	-	-	(615,187)	(615,187)
	<u>1,181,399</u>	<u>-</u>	<u>566,212</u>	<u>-</u>	<u>(615,187)</u>	<u>(615,187)</u>
Total governmental activities	<u>17,890,380</u>	<u>887,958</u>	<u>1,843,095</u>	<u>31,973</u>	<u>(15,127,354)</u>	<u>(15,127,354)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	844	-	-	-	(844)	(844)
Non-instructional programs:						
Food service operations	815,371	250,278	589,519	-	24,426	24,426
Total business type activities	<u>816,215</u>	<u>250,278</u>	<u>589,519</u>	<u>-</u>	<u>23,582</u>	<u>23,582</u>
Total	<u>\$ 18,706,595</u>	<u>1,138,236</u>	<u>2,432,614</u>	<u>31,973</u>	<u>(15,127,354)</u>	<u>(15,103,772)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 3,547,469	-	3,547,469
Capital outlay				306,448	-	306,448
Income surtax				912,299	-	912,299
Statewide sales, services and use tax				1,314,095	-	1,314,095
Unrestricted state grants				8,599,778	-	8,599,778
Unrestricted investment earnings				77,010	158	77,168
Other				260,008	1,120	261,128
Total general revenues				<u>15,017,107</u>	<u>1,278</u>	<u>15,018,385</u>
Change in net position				(110,247)	24,860	(85,387)
Net position beginning of year, as restated				<u>13,375,564</u>	<u>(91,644)</u>	<u>13,283,920</u>
Net position end of year				<u>\$ 13,265,317</u>	<u>(66,784)</u>	<u>13,198,533</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 6,294,899	1,165,868	1,131,563	8,592,330
Receivables:				
Property tax				
Delinquent	48,349	4,835	7,998	61,182
Succeeding year	3,120,416	317,928	400,000	3,838,344
Accounts	11,960	-	-	11,960
Income surtax	342,794	171,397	-	514,191
Due from other governments	408,237	187,221	-	595,458
<b>TOTAL ASSETS</b>	<b>\$ 10,226,655</b>	<b>1,847,249</b>	<b>1,539,561</b>	<b>13,613,465</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 445,370	114,330	1,728	561,428
Salaries and benefits payable	1,244,787	-	-	1,244,787
Total liabilities	1,690,157	114,330	1,728	1,806,215
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	3,120,416	317,928	400,000	3,838,344
Income surtax	342,794	171,397	-	514,191
Total deferred inflows of resources	3,463,210	489,325	400,000	4,352,535
Fund balances:				
Restricted for:				
Categorical funding	438,422	-	-	438,422
Debt service	-	662,824	-	662,824
Management levy purposes	-	-	594,024	594,024
Student activities	-	-	543,809	543,809
School infrastructure	-	336,509	-	336,509
Physical plant and equipment	-	244,261	-	244,261
Unassigned	4,634,866	-	-	4,634,866
Total fund balances	5,073,288	1,243,594	1,137,833	7,454,715
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,226,655</b>	<b>1,847,249</b>	<b>1,539,561</b>	<b>13,613,465</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	7,454,715
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		12,639,898
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		514,191
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,098,376	
Deferred inflows of resources	<u>(1,833,438)</u>	(735,062)
Long-term liabilities, including qualified zone academy bonds payable, net pension liability, other post employment benefits payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(6,608,425)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>13,265,317</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

OELWEIN 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	\$ 3,384,901	363,321	503,803	4,252,025
Tuition	145,563	-	-	145,563
Other	511,030	104,024	524,224	1,139,278
State sources	9,360,905	1,317,187	5,118	10,683,210
Federal sources	1,045,866	-	-	1,045,866
Total revenues	<u>14,448,265</u>	<u>1,784,532</u>	<u>1,033,145</u>	<u>17,265,942</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,004,238	774,032	15,785	6,794,055
Special	2,688,829	-	-	2,688,829
Other	1,438,644	-	501,930	1,940,574
	<u>10,131,711</u>	<u>774,032</u>	<u>517,715</u>	<u>11,423,458</u>
Support services:				
Student	462,446	-	-	462,446
Instructional staff	491,014	383,976	-	874,990
Administration	1,361,601	81,797	173,861	1,617,259
Operation and maintenance of plant	1,072,321	59,077	95,578	1,226,976
Transportation	445,185	37,765	16,675	499,625
	<u>3,832,567</u>	<u>562,615</u>	<u>286,114</u>	<u>4,681,296</u>
Capital outlay	-	1,212,181	-	1,212,181
Other expenditures:				
AEA flowthrough	566,212	-	-	566,212
Total expenditures	<u>14,530,490</u>	<u>2,548,828</u>	<u>803,829</u>	<u>17,883,147</u>
Excess(Deficiency)of revenues over(under) expenditures	(82,225)	(764,296)	229,316	(617,205)
Other financing sources(uses):				
Transfer in	-	82	-	82
Transfer out	-	-	(82)	(82)
Total other financing sources(uses)	<u>-</u>	<u>82</u>	<u>(82)</u>	<u>-</u>
Change in fund balances	(82,225)	(764,214)	229,234	(617,205)
Fund balances beginning of year	<u>5,155,513</u>	<u>2,007,808</u>	<u>908,599</u>	<u>8,071,920</u>
Fund balances end of year	<u>\$ 5,073,288</u>	<u>1,243,594</u>	<u>1,137,833</u>	<u>7,454,715</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OELWEIN 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)** \$ (617,205)

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

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

Capital outlay	\$ 639,698	
Depreciation expense	(934,587)	(294,889)

Income surtax accounts receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.

514,191

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

742,560

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

Pension expense	\$ (381,183)	
Other postemployment benefits	(73,721)	(454,904)

**Change in net position of governmental activities(page 19)** \$ (110,247)

SEE NOTES TO FINANCIAL STATEMENTS.

OELWEIN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise, School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 75,855
Due from other governments	50,422
Inventories	13,362
Total current assets	139,639
Noncurrent assets:	
Capital assets, net of accumulated depreciation	32,299
<b>TOTAL ASSETS</b>	<b>171,938</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	36,938
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	8,415
Unearned revenue	3,491
Total current liabilities	11,906
Long-term liabilities:	
Net OPEB liability	41,383
Net pension liability	160,978
Total long-term liabilities	202,361
<b>TOTAL LIABILITIES</b>	<b>214,267</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	61,393
<b>NET POSITION</b>	
Net investment in capital assets	32,299
Unrestricted	(99,083)
<b>TOTAL NET POSITION</b>	<b>\$ (66,784)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 250,278
Miscellaneous	1,120
Total operating revenues	251,398
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Supplies	844
Non-instructional programs:	
Food service operations:	
Salaries	297,542
Benefits	107,577
Services	4,046
Supplies	400,925
Depreciation	5,281
	815,371
Total operating expenses	816,215
Operating loss	(564,817)
Non-operating revenues:	
State sources	8,818
Federal sources	580,701
Interest income	158
Total non-operating revenues	589,677
Change in net position	24,860
Net position beginning of year, as restated	(91,644)
Net position end of year	\$ (66,784)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 253,769
Cash received from miscellaneous	1,120
Cash payments to employees for services	(424,638)
Cash payments to suppliers for goods or services	(348,983)
Net cash used in operating activities	(518,732)
Cash flows from non-capital financing activities:	
State grants received	8,818
Federal grants received	489,270
Net cash provided by non-capital financing activities	498,088
Cash flows from capital activities:	
Acquisition of capital assets	(281)
Cash flows from investing activities:	
Interest on investments	158
Net decrease in cash and pooled investments	(20,767)
Cash and pooled investments beginning of year	96,622
Cash and pooled investments end of year	\$ 75,855
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (564,817)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	69,961
Depreciation	5,281
Increase in inventories	(1,808)
Decrease in accounts payable	(11,321)
Increase in deferred revenue	3,491
Decrease in other postemployment benefits	(7,260)
Decrease in net pension liability	(60,433)
Increase in deferred outflows of resources	(13,219)
Increase in deferred inflows of resources	61,393
Net cash used in operating activities	\$ (518,732)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$69,961.

SEE NOTES TO FINANCIAL STATEMENTS.

OELWEIN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 16,536
<b>LIABILITIES</b>	-
<b>NET POSITION</b>	
Held in trust for scholarships	\$ 16,536

SEE NOTES TO FINANCIAL STATEMENTS.

OELWEIN 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 income	\$ 750
DEDUCTIONS:	
Instruction:	
Regular	1,500
Change in net position before other financing uses	(750)
OTHER FINANCING USES:	
Unrealized loss	(892)
Change in net position	(1,642)
Net position beginning of year	18,178
Net position end of year	\$ 16,536

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The Oelwein Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Oelwein, Hazelton, and Stanley, Iowa, and the predominate agricultural territory in Fayette and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of 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 measureable and available only when cash is received by the District.

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

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

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

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

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

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

**Cash, Pooled Investments and Cash Equivalents** - The cash balance of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 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 payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

**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.

**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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows or resources represents 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 year. Deferred inflows or resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

**Unassigned** - All amounts not included in preceding classifications.

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

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

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

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

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

At June 30, 2015, the District had investments in U.S. Treasury Bonds valued at \$14,304.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects: Physical, Plant and Equipment Levy	Debt Service	<u>\$ 82</u>

The transfer from the Debt Service Fund Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was to close the fund.

**Note 4. Capital Assets**

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

	Restated Beginning Balance	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 879,013	-	-	879,013
Total capital assets not being depreciated	<u>879,013</u>	<u>-</u>	<u>-</u>	<u>879,013</u>
Capital assets being depreciated:				
Buildings	15,564,101	102,590	-	15,666,691
Land improvements	3,048,492	184,910	-	3,233,402
Machinery and equipment	3,136,270	352,198	152,700	3,335,768
Total capital assets being depreciated	<u>21,748,863</u>	<u>639,698</u>	<u>152,700</u>	<u>22,235,861</u>
Less accumulated depreciation for:				
Buildings	6,465,035	458,188	-	6,923,223
Land improvements	1,093,557	156,999	-	1,250,556
Machinery and equipment	2,134,497	319,400	152,700	2,301,197
Total accumulated depreciation	<u>9,693,089</u>	<u>934,587</u>	<u>152,700</u>	<u>10,474,976</u>
Total capital assets being depreciated, net	<u>12,055,774</u>	<u>(294,889)</u>	<u>-</u>	<u>11,760,885</u>
Governmental activities capital assets, net	<u>\$ 12,934,787</u>	<u>(294,889)</u>	<u>-</u>	<u>12,639,898</u>
Business type activities:				
Machinery and equipment	\$ 206,301	281	-	206,582
Less accumulated depreciation	169,002	5,281	-	174,283
Business type activities capital assets, net	<u>\$ 37,299</u>	<u>(5,000)</u>	<u>-</u>	<u>32,299</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 228,065
Support services:	
Instructional staff	3,920
Operation and maintenance of plant	18,529
Transportation	68,886
	<u>319,400</u>
Unallocated depreciation	615,187
Total governmental activities depreciation expense	<u><u>\$ 934,587</u></u>
Business type activities:	
Food service operations	<u><u>\$ 5,281</u></u>

**Note 5. Long-Term Debt**

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

	Balance Beginning of Year (as restated)	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
QZAB revenue bonds	\$ 1,000,000	-	-	1,000,000	-
Termination benefits	171,600	-	-	171,600	59,400
Net pension liability	6,612,269	-	1,804,779	4,807,490	-
Net OPEB liability	555,614	73,721	-	629,335	-
Total	<u>\$ 8,339,483</u>	<u>73,721</u>	<u>1,804,779</u>	<u>6,608,425</u>	<u>59,400</u>
Business type activities:					
Net pension liability	\$ 221,411	-	60,433	160,978	-
Net OPEB liability	48,643	-	7,260	41,383	-
Total	<u>\$ 270,054</u>	<u>-</u>	<u>67,693</u>	<u>202,361</u>	<u>-</u>

**Qualified Zone Academy Revenue Bonds**

The Oelwein Community School District received proceeds of \$1,000,000 from the issuance of revenue bonds dated November 15, 2007. This bond issue is being used for the purpose of defraying the cost of school infrastructure. The entire bond issue matures November 17, 2017 and to provide for the payment of the bonds at maturity there is established with the paying agent an irrevocable trust fund for the benefit of bond holders to be known as the "School Infrastructure Local Option Sales and Services Tax Revenue Bond Escrow Fund" to be invested at 3.88%. Annually, on July 1<sup>st</sup> of each year commencing July 1, 2008, there shall be deposited into the sinking fund \$82,530 to be invested in accordance with the rules of the Investment Agreement. The Escrow Fund is pledged to the payment of the bonds at maturity.

**Termination Benefits**

During the year ended June 30, 2012, the District offered a voluntary early retirement plan to certified employees. Eligible employees must have completed fifteen years of fulltime employment with the District as a certified employee, reached the age of fifty-five as of the date of retirement, and completed an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee consists of \$600 per month for a maximum of 60 months or the attainment of age 65 to a health reimbursement account in the employee's name. At June 30, 2015, the District had obligations to nine individuals with a total liability of \$171,600.

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

**Plan Description** - The District participates in a multi-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 159 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	119,913
Interest on net OPEB obligation		15,106
Adjustment to annual required contribution		<u>(46,761)</u>
Annual OPEB cost		88,258
Contributions made		<u>(21,797)</u>
Increase in net OPEB obligation		66,461
Net OPEB obligation beginning of year		<u>604,257</u>
Net OPEB obligation end of year	\$	<u><u>670,718</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$21,797 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 104,541	49.49%	\$ 553,312
2014	93,633	45.59	604,257
2015	88,258	24.69	670,718

**Funded Status and Funding Progress** - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$715,864 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$715,864. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,072,506 and the ratio of the UAAL to covered payroll was 8.87%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the Frozen Entry Age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The ultimate medical trend rate is reduced each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 applies on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 7. Pension Plan**

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

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

**Pension Benefits** - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 \$767,583.

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 \$4,968,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.122767 percent, which was an increase of 0.002073 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$393,947. 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	\$ 53,998	\$ -
Changes of assumptions	219,270	-
Net difference between projected and actual earnings on pension plan investments	-	1,894,831
Changes in proportion and differences between District contributions and proportionate share of contributions	94,463	-
District contributions subsequent to the measurement date	<u>767,583</u>	-
Total	<u>\$ 1,135,314</u>	<u>\$ 1,894,831</u>

\$767,583 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	\$ (387,789)
2017	(387,789)
2018	(387,789)
2019	(387,789)
2020	24,056
	<u>\$ (1,527,100)</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	100%	

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-percentagepoint 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	\$ 9,387,781	\$ 4,968,468	\$ 1,238,110

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$85,281 for legally required employer contributions and \$56,822 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Risk Management**

Oelwein Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$566,212 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 49,498
Returning dropouts and dropout prevention programs	34,600
Beginning teacher mentoring and induction	3,674
Teacher salary supplement	104,730
Nonpublic textbook services	121
Four-year-old preschool state aid	202,367
Professional development for model core curriculum	15,001
Teacher leadership grants	28,431
Total	<u>\$ 438,422</u>

**Note 11. 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:

	<u>Net investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	594,024	4,634,866
Invested in capital assets, net of accumulated depreciation	12,639,898	-	-
QZAB revenue bond capitalized indebtedness	(1,000,000)	-	-
Termination benefits	-	(171,600)	-
Income surtax	-	-	514,191
Net OPEB liability	-	-	(629,335)
Pension related deferred outflows	-	-	1,098,376
Net pension liability	-	-	(4,807,490)
Pension related deferred inflows	-	-	(1,833,438)
Net position (Exhibit A)	<u>\$ 11,639,898</u>	<u>422,424</u>	<u>(1,022,830)</u>

**Note 12. Accounting Change/Restatement**

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

Beginning balances in the governmental activities were also restated to account for termination benefits given to employees who retired in a prior year. The benefits are accounted for under GASB Statement No. 47, Accounting for Termination Benefits.

Additionally capital assets were restated to account for reclassifications between asset types and changes in class lives of assets in the governmental type activities to correspond to District policy.

	Balance Beginning of Year	Increases	Decreases	Restated Beginning Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 879,013	-	-	879,013
Total capital assets not being depreciated	879,013	-	-	879,013
Capital assets being depreciated				
Buildings	17,979,439	-	2,415,338	15,564,101
Land improvements	-	3,048,492	-	3,048,492
Machinery and equipment	3,769,424	-	633,154	3,136,270
Total capital assets being depreciated	21,748,863	3,048,492	3,048,492	21,748,863
Less accumulated depreciation for:				
Buildings	7,054,110	-	589,075	6,465,035
Land improvements	-	1,093,557	-	1,093,557
Machinery and equipment	2,385,084	-	250,587	2,134,497
Total accumulated depreciation	9,439,194	1,093,557	839,662	9,693,089
Total capital assets being depreciated, net	12,309,669	1,954,935	2,208,830	12,055,774
Governmental activities capital assets, net	\$ 13,188,682	1,954,935	2,208,830	12,934,787

Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability, deferred outflows of resources related to contributions made after the measurement date, termination benefits and capital asset restatements as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 19,704,988	\$ 106,048
Net pension liability at June 30, 2014	(6,612,269)	(221,411)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	708,340	23,719
Termination benefits	(171,600)	-
Net capital asset restatement	(253,895)	-
Net position July 1, 2014, as restated	<u>\$ 13,375,564</u>	<u>\$ (91,644)</u>

**Note 13. Deficit Net Position**

At June 30, 2015, the District had deficit unrestricted net position of \$99,083 and a deficit total net position of \$66,784 in the Nutrition Fund and a deficit unrestricted net position of \$1,022,830 in the governmental activities.

**Note 14. 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, the District exceeded the certified budget in the other expenditures functional area.

**Oelwein Community School District**

## **Required Supplementary Information**

OELWEIN 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 Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,536,866	251,556	5,788,422	6,958,841	6,958,841	(1,170,419)
State sources	10,683,210	8,818	10,692,028	9,558,329	9,558,329	1,133,699
Federal sources	1,045,866	580,701	1,626,567	1,513,000	1,513,000	113,567
Total revenues	17,265,942	841,075	18,107,017	18,030,170	18,030,170	76,847
Expenditures/Expenses:						
Instruction	11,423,458	-	11,423,458	12,300,000	12,300,000	876,542
Support services	4,681,296	844	4,682,140	6,205,000	6,205,000	1,522,860
Non-instructional programs	-	815,371	815,371	900,000	900,000	84,629
Other expenditures	1,778,393	-	1,778,393	1,518,195	1,518,195	(260,198)
Total expenditures/expenses	17,883,147	816,215	18,699,362	20,923,195	20,923,195	2,223,833
Excess(deficiency) of revenues over(under) expenditures/expenses	(617,205)	24,860	(592,345)	(2,893,025)	(2,893,025)	2,300,680
Other financing sources, net	-	-	-	-	-	-
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(617,205)	24,860	(592,345)	(2,893,025)	(2,893,025)	2,300,680
Balance beginning of year, as restated	8,071,920	(91,644)	7,980,276	7,776,413	7,776,413	203,863
Balance end of year	\$ 7,454,715	(66,784)	7,387,931	4,883,388	4,883,388	2,504,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

OELWEIN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.122767%
District's proportionate share of the net pension liability	\$ 4,968
District's covered-employee payroll	\$ 8,596
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.79%
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: Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OELWEIN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 768	732	677	592	546	531	525	462	435	406
Contributions in relation to the statutorily required contribution	<u>(768)</u>	<u>(732)</u>	<u>(677)</u>	<u>(592)</u>	<u>(546)</u>	<u>(531)</u>	<u>(525)</u>	<u>(462)</u>	<u>(435)</u>	<u>(406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 8,596	8,197	7,809	7,336	7,856	7,640	8,268	7,636	7,565	7,061
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.

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

*Changes of benefit terms:*

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

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

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

*Changes of assumptions:*

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

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

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

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

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

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

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

OELWEIN 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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 1,207,000	1,207,000	0.00	\$ 6,870,000	17.57 %
2010	July 1, 2008	-	1,207,000	1,207,000	0.00	6,610,000	18.26
2011	July 1, 2010	-	960,316	960,316	0.00	7,984,518	12.03
2012	July 1, 2010	-	909,929	909,929	0.00	7,539,299	12.07
2013	July 1, 2012	-	833,388	833,388	0.00	7,993,050	10.43
2014	July 1, 2012	-	793,265	793,265	0.00	8,308,295	9.55
2015	July 1, 2014	-	715,864	715,864	0.00	8,072,506	8.87

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**Oelwein Community School District**

## **Supplementary Information**

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 587,754	543,809	1,131,563
Receivables:			
Property tax			
Delinquent	7,998	-	7,998
Succeeding year	400,000	-	400,000
<b>TOTAL ASSETS</b>	<b>\$ 995,752</b>	<b>543,809</b>	<b>1,539,561</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,728	-	1,728
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	400,000	-	400,000
Fund balances:			
Restricted for:			
Management levy purposes	594,024	-	594,024
Student activities	-	543,809	543,809
Total fund balances	594,024	543,809	1,137,833
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 995,752</b>	<b>543,809</b>	<b>1,539,561</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 503,803	-	503,803	-	503,803
Other	25,346	498,878	524,224	-	524,224
State sources	5,118	-	5,118	-	5,118
Total revenues	534,267	498,878	1,033,145	-	1,033,145
Expenditures:					
Current:					
Instruction:					
Regular	15,785	-	15,785	-	15,785
Other	-	501,930	501,930	-	501,930
Support services:					
Administration	173,861	-	173,861	-	173,861
Operation and maintenance of plant	95,578	-	95,578	-	95,578
Transportation	16,675	-	16,675	-	16,675
Total expenditures	301,899	501,930	803,829	-	803,829
Excess(Deficiency)of revenues over(under) expenditures	232,368	(3,052)	229,316	-	229,316
Other financing uses:					
Transfer out	-	-	-	(82)	(82)
Change in fund balances	232,368	(3,052)	229,316	(82)	229,234
Fund balances beginning of year	361,656	546,861	908,517	82	908,599
Fund balances end of year	\$ 594,024	543,809	1,137,833	-	1,137,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OELWEIN 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
<b>ASSETS</b>			
Cash and pooled investments	\$ 836,574	329,294	1,165,868
Receivables:			
Property tax:			
Delinquent	-	4,835	4,835
Succeeding year	-	317,928	317,928
Income surtax	-	171,397	171,397
Due from other governments	187,221	-	187,221
<b>TOTAL ASSETS</b>	<b>\$ 1,023,795</b>	<b>823,454</b>	<b>1,847,249</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 24,462	89,868	114,330
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	317,928	317,928
Income surtax	-	171,397	171,397
Total deferred inflows of resources	-	489,325	489,325
Fund balances:			
Restricted for:			
Debt service	662,824	-	662,824
School infrastructure	336,509	-	336,509
Physical plant and equipment	-	244,261	244,261
Total fund balances	999,333	244,261	1,243,594
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,023,795</b>	<b>823,454</b>	<b>1,847,249</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUE:			
Local sources:			
Local tax	\$ -	363,321	363,321
Other	86,695	17,329	104,024
State sources	1,314,095	3,092	1,317,187
Total revenue	1,400,790	383,742	1,784,532
EXPENDITURES:			
Current:			
Instruction:			
Regular	675,981	98,051	774,032
Support services:			
Instructional staff	383,976	-	383,976
Administration	-	81,797	81,797
Operation and maintenance of plant	13,136	45,941	59,077
Transportation	-	37,765	37,765
Capital outlay	1,098,936	113,245	1,212,181
Total expenditures	2,172,029	376,799	2,548,828
Excess(Deficiency) of revenues over(under) expenditures	(771,239)	6,943	(764,296)
Other financing sources:			
Transfer in	-	82	82
Change in fund balances	(771,239)	7,025	(764,214)
Fund balances beginning of year	1,770,572	237,236	2,007,808
Fund balances end of year	\$ 999,333	244,261	1,243,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
General activities	97,854	98,637	131,233	(57,886)	7,372
Speech	914	-	33	119	1,000
Drama	1,325	-	1,816	4,491	4,000
Vocal music	1,526	-	3,150	4,374	2,750
Band	-	-	-	3,500	3,500
Band trip	7,295	30,595	7,833	-	30,057
Cross country track - girls & boys	51	-	-	1,099	1,150
Basketball - boys	-	-	43	5,043	5,000
Football	2,282	-	2,878	9,096	8,500
Baseball	-	-	-	5,500	5,500
Boys track	446	-	246	1,000	1,200
Tennis - boys	350	-	385	385	350
Golf - boys	105	-	710	1,805	1,200
Boys bowling	-	-	-	750	750
Wrestling	307	-	717	3,410	3,000
Basketball - girls	10	-	-	3,490	3,500
Volleyball	26	-	272	2,746	2,500
Softball	151	-	300	4,149	4,000
Track - girls	716	-	647	1,131	1,200
Tennis - girls	300	-	144	194	350
Golf - girls	105	-	162	1,257	1,200
Girls bowling	-	-	-	750	750
Ag department	41,968	37,367	42,376	-	36,959
FFA grant	9,396	2,900	2,643	-	9,653
Cheerleader club	3,859	800	2,239	-	2,420
Class of 2014	1,099	-	1,099	-	-
Class of 2015	2,425	-	1,157	-	1,268
Class of 2016	1,793	8,810	8,972	350	1,981
Class of 2017	1,273	4,328	2,612	50	3,039
Class of 2018	-	1,218	57	175	1,336
Distributive ed. Club	1,947	24,571	25,967	100	651
Student Council	5,408	2,424	4,498	100	3,434
Cheerleading	600	-	264	264	600
Manufacturing club	2,566	1,687	418	-	3,835
Vocal music club	2,246	4,906	360	(1,624)	5,168
Club husky	1,310	165	288	-	1,187
Band club	5,371	2,534	2,665	-	5,240
Drama club	882	520	680	(491)	231
Bowling club	136	60	261	65	-
Newspaper club	2,528	-	-	-	2,528
Basketball club - girls	23	5,244	4,563	100	804
Basketball club - boys	625	10,115	10,062	200	878
Football club	4,184	17,352	17,101	(146)	4,289
Baseball club	14,534	16,172	11,944	50	18,812
Track club - boys	4,050	7,309	3,894	-	7,465
Girls track club	2,767	3,382	3,646	57	2,560
Boys/girls golf club	-	-	93	93	-
Wrestling club	-	-	-	100	100
Volleyball club	542	13,949	10,618	104	3,977
First tech challenge	2,387	-	2,630	243	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Softball club	3,350	5,938	4,560	(99)	4,629
Academic decathlon	3,675	-	-	-	3,675
Golf club	25	300	-	-	325
Interest revenue account	33,594	1,025	-	-	34,619
Office account	1,231	853	1,951	-	133
Annual	-	9,409	10,287	878	-
Concessions	80,405	30,468	18,488	(2,375)	90,010
Newspaper	88	178	-	-	266
Post Prom	502	-	-	-	502
Supt area	-	608	8	-	600
Uniforms	8,283	-	-	-	8,283
Tournament travel	13,899	2,831	7,866	-	8,864
Tournaments - gates	164	12,723	12,708	-	179
Alternative school	491	-	433	-	58
Art	32	-	-	-	32
Alternative school activity	85	20	-	-	105
HS athletic equipment	17,299	-	12,181	-	5,118
MS general activities	5,381	30,754	23,798	-	12,337
MS Drama	-	-	71	71	-
MS vocal music	-	-	281	281	-
MS track	-	-	245	245	-
MS basketball	-	-	2,260	2,260	-
MS football	-	-	795	795	-
MS wrestling	-	-	244	244	-
MS volleyball	-	-	393	393	-
MS science fair	-	-	999	999	-
MS student council	682	-	-	-	682
6-7-8 club	428	1,000	98	-	1,330
MS vocal music club	4,170	2,375	1,508	-	5,037
MS band club	-	3,310	2,736	-	574
Cross country club	203	3,218	3,393	150	178
Tennis club - boys	284	-	93	(35)	156
Tennis club - girls	2,384	922	915	-	2,391
Activity office	6,405	-	-	-	6,405
Athletic club	2,070	1,801	921	-	2,950
MS annual	-	1,959	647	-	1,312
Magazine campaign	862	8,616	7,815	-	1,663
Interest reserve account	13,163	971	-	-	14,134
MS student purch	1,479	-	-	-	1,479
MS fuel up to play 60	888	-	128	-	760
Donations	485	567	387	-	665
Miscellaneous revolving receipts	4,050	-	3,012	-	1,038
Husky hub	6,231	7,905	3,842	-	10,294
Food and fitness	2,788	-	132	-	2,656
Safety fair	276	503	83	-	696
Old creamery	1,756	4,256	4,115	-	1,897
MS water walk	-	1,818	249	-	1,569
Elementary bldg	86,985	56,674	43,381	-	100,278
Whole kids grant	1,543	1,930	2,212	-	1,261
K-1 bldg fund	13,543	10,901	17,019	-	7,425
Total	<u>\$ 546,861</u>	<u>498,878</u>	<u>501,930</u>	<u>-</u>	<u>543,809</u>

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 4,252,025	5,479,617	6,309,211	5,897,913	5,545,934	5,270,409	5,089,924	5,026,687	5,107,804	4,687,148
Tuition	145,563	149,532	249,939	213,136	148,283	152,508	144,555	199,440	219,104	175,839
Other	1,139,278	1,034,544	1,044,489	1,068,252	877,715	921,754	864,977	1,236,568	1,088,107	1,292,562
State sources	10,683,210	8,706,010	9,093,165	8,732,900	8,456,138	7,710,706	8,711,974	8,008,172	7,605,094	7,317,557
Federal sources	1,045,866	979,449	998,589	1,179,413	1,061,070	1,582,359	760,013	667,015	598,627	597,772
<b>Total</b>	<b>\$ 17,265,942</b>	<b>16,349,152</b>	<b>17,695,393</b>	<b>17,091,614</b>	<b>16,089,140</b>	<b>15,637,736</b>	<b>15,571,443</b>	<b>15,137,882</b>	<b>14,618,736</b>	<b>14,070,878</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 6,794,055	6,217,918	5,483,152	5,202,123	5,310,052	5,420,514	5,830,824	5,615,027	5,619,951	5,030,023
Special	2,688,829	3,070,701	2,860,445	2,895,567	3,058,804	3,000,309	2,928,251	2,585,222	2,352,908	2,615,288
Other	1,940,574	1,159,709	1,537,268	1,286,307	1,242,834	1,367,140	1,379,519	1,483,990	1,256,381	668,938
<b>Support services:</b>										
Student	462,446	453,245	366,161	278,264	268,869	285,839	319,140	318,611	304,482	337,889
Instructional staff	874,990	376,318	373,900	347,111	377,731	408,606	273,485	294,368	229,760	227,002
Administration	1,617,259	1,744,193	1,795,582	1,430,276	1,543,613	1,472,322	1,402,518	1,381,909	1,295,981	1,246,384
<b>Operation and maintenance</b>										
of plant	1,226,976	1,341,395	1,402,562	1,403,449	1,236,416	1,094,763	1,170,718	1,149,626	1,067,004	1,088,195
Transportation	499,625	580,393	393,602	464,418	387,891	572,093	409,235	362,915	427,714	297,909
Capital outlay	1,212,181	919,890	1,684,925	565,421	397,467	28,993	1,414,502	1,260,619	406,765	2,254,738
<b>Long-term debt:</b>										
Principal	-	-	530,000	250,000	425,000	704,224	681,627	649,793	654,653	439,156
Interest and fiscal charges	-	-	13,972	23,820	43,187	75,049	105,651	184,408	165,370	176,011
<b>Other expenditures:</b>										
AEA flow-through	566,212	562,988	547,626	538,839	602,564	604,776	538,116	512,133	494,326	472,098
<b>Total</b>	<b>\$ 17,883,147</b>	<b>16,426,750</b>	<b>16,989,195</b>	<b>14,685,595</b>	<b>14,894,428</b>	<b>15,034,628</b>	<b>16,453,586</b>	<b>15,798,621</b>	<b>14,275,295</b>	<b>14,853,631</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OELWEIN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 86,633
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	426,907 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	42,791
			<u>556,331</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 15	2,382
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	FY 15	21,988
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	370,073
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	1,000 **
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	6,109
SAFE AND DRUG-FREE SCHOOLS & COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 15	70,115
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 15	161,169
RURAL EDUCATION	84.358	FY 15	22,566
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	75,662
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 15	5,955
KEYSTONE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	66,375 **
UNIVERSITY OF NORTHERN IOWA:			
STATE FISCAL STABILIZATION FUND (SFSF) - INVESTING IN INNOVATION (i3) FUND, RECOVERY ACT	84.396	FY 15	1,430
TOTAL			<u>\$ 1,361,155</u>

\* - Includes \$69,961 of non-cash awards.

\*\* Total for Special Education Cluster (IDEA) is \$67,375.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Oelwein Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Oelwein Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oelwein Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oelwein 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 Oelwein Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Oelwein 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 and Questioned Costs, we identified deficiencies in internal control we consider to be a material weakness and significant deficiencies.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Oelwein Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

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

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2016  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program, and on Internal Control over Compliance**  
**Required by OMB Circular A-133**

**To the Board of Education of the Oelwein Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Oelwein Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Oelwein Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Oelwein Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oelwein Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination on Oelwein Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Oelwein Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

The management of Oelwein Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oelwein Community

School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Oelwein Community School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oelwein Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Oelwein Community School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Oelwein Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2016  
Newton, Iowa

OELWEIN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Oelwein Community School District qualified as a low-risk auditee.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

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

- 1) *Cash* - initiating cash receipt and disbursement transactions.
- 2) *Financial reporting* - preparing, reconciling and approving.
- 3) *Journal entries* - writing, approving and posting.

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

Response - The District will review its procedures to ensure the maximum internal controls are utilized.

Conclusion - Response accepted.

- II-B-15 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders were not being properly approved for purchases in the Student Activity Fund and were not being completed for purchases made using credit cards.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator or individual before ordering of supplies takes place.

Response - Staff will be provided training the preparation and importance of the Purchase Order system. The superintendent will approve POs and they will be used whenever practical

Conclusion - Response accepted.

- II-C-15 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.

- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will use pre-numbered tickets for all events that require admission.

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards:**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### **INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.559: Summer Food Service Program for Children**  
**Federal Award Year: 2015**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies**  
**Federal Award Year: 2015**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) *Cash* - initiating cash receipt and disbursement transactions.
- 2) *Financial reporting* - preparing, reconciling and approving.
- 3) *Journal entries* - writing, approving and posting.

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 and Corrective Action Planned - We are complying with the recommendations.

Conclusion - Response accepted.

### **Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 exceeded the amounts budgeted in the other expenditures functional area.

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

Response - The District will review budget expenditures and amend the budget as necessary.

Conclusion - Response accepted.

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

IV-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.

IV-D-15 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lorrie Leo, Teacher Owner Leo's Italian Restaurant Inc.	Purchased meals	\$501
Tammy Stasi, Teacher Owner Luigi's Restaurant	Purchased meals	\$1,715
Joan Loew, Business Manager Spouse is a Manager at Fareway	Food and supplies	\$19,445
Candace King, Board President Spouse is Vice President at Fidelity Bank	Services	Undeterminable
David Eick, Board Member Bus Driver	Services	\$613

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

In accordance with the Attorney General's opinion dated November 9, 1976, the above Transactions with spouses of the District's employee and board member do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with board member David Eick does not appear to represent a conflict of interest.

IV-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.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note instances of board minutes that do not appear properly handled, as follows:

**Signatures:** We did note instances of the official board minutes that lacked the signature of the Board President or the Board Secretary.

Recommendation - The official board minutes are the record of the proceedings and should be properly signed to indicate that the minutes have been approved.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

**Publication of Proceedings:** Chapter 279.35 of the Code of Iowa requires that the schedule of bills be published on a monthly basis. We noted during our audit instances of the bills not being published on a monthly basis.

Recommendation - The District should ensure that publications of the Board minutes are conducting in accordance with the Code of Iowa.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 2.46 students.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-15 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

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

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

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

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

Beginning balance		\$ 1,770,572
Revenues:		
Sales tax revenues	\$ 1,314,095	
Other local revenues	86,695	1,400,790
		<u>3,171,362</u>
Expenditures/transfers out:		
School infrastructure construction	1,046,987	
Equipment	771,130	
Other	353,912	2,172,029
		<u>999,333</u>
Ending balance		\$ 999,333

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

IV-M-15 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

IV-N-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - District coaches will complete timesheets as recommended

Conclusion - Response accepted.

IV-O-15 Financial Condition - During our audit we noted that the District had a deficit unrestricted net position of \$99,083 and a total deficit net position of \$66,784 in the School Nutrition Fund at June 30, 2015. The District had deficit unrestricted net position in the District's Governmental Activities of \$1,022,830 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - We are complying with the recommendations.

Conclusion - Response accepted.

IV-P-15 Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. In the course of our audit questions arose about the propriety of certain accounts as well as specific revenues and expenses within the student activity fund.

**Interest Accounts:** We noted during our audit that the District is maintaining separate accounts to record interest earned during the year.

Recommendation - Interest earned should be allocated to accounts within the student activity fund at least once a year.

Response - Interest earned will be allocated annually to the student activity accounts.

Conclusion - Response accepted.

**Inactive Accounts:** We noted during our audit that the District has three accounts in the student activity fund which did not have any activity in the previous two fiscal years. The accounts include the Art, MS student council and MS student purchasing accounts.

Recommendation - The District should review these accounts to determine if these groups are still active or if the accounts should be closed out to other groups within the Student Activity Fund per the direction of the District's Board of Directors.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

**Questioned Accounts:** We noted accounts that do not appear to be cocurricular or extracurricular in nature. We noted that the District is maintaining a FFA grant, Office account, Uniforms, Tournament travel, Tournaments - gates, Alternative school, Alternative school activity, HS athletic equipment, 6-7-8 club, Activity office, Donations, Miscellaneous revolving receipts, Elementary bldg., Whole kids grant and K-1 bldg fund. These would appear more appropriately accounted for in a different fund. We also noted that the District appears to be maintaining multiple accounts related to the same activity, the financial transactions related to an activity would be more appropriately tracked within the same account to provide a clearer view of the finances.

It was also noted a Supt area account that appears to be used to account for money used for superintendent meetings/conferences; this would appear to be more appropriately accounted for as an agency fund, since the money is being held by the District in a fiduciary position and is unable to pay for District expenses.

Recommendation - The District should review the accounts described in the preceding paragraph within the activity fund and determine the most appropriate way to account for the District's financial activity. The District should transfer money more appropriately accounted for in other funds to the appropriate fund. The Supt area account should be moved to an agency fund where it can be more properly be accounted for due to its fiduciary nature.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

**Questioned Expenses:** We noted multiple expenses in the Student Activity Fund for classroom supplies, field trips, open house supplies, author visits and coffee for the high

school lounge. They do not appear to be allowable activity fund expenses per Chapter 98 of the Iowa Administrative Code.

Recommendation - Expenses of this nature appear to be related to the instructional programs of the District and as such would be more appropriately accounted for in the District's General Fund.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

**Target Donations:** We noted during the audit that the District was receipting money from Target donations into the student activity fund. When donations are received they should be deposited into the fund that can expend the donations in accordance with the donor intent. Target donations are considered to be undesignated donations and should be receipted into the general fund unless the Board of Directors designates them for a specific purpose.

Recommendation - The District should review its procedures to ensure proper accounting for donations. Target donations should be receipted to the General Fund unless otherwise designated by the District's Board of Education.

Response - We are complying with the recommendations.

Conclusion - Response accepted.

**Commissions:** We noted that the District recorded commission revenue received from Pepsi into the Student Activity Fund. Commission revenues are not an allowable source of revenue for the Student Activity Fund under the Chapter 98 of Code of Iowa.

Recommendation - The District should review its procedures to ensure that commissions are properly handled.

Response - Commission funds will be deposited to the General fund

Conclusion - Response accepted.

**Questioned Revenues:** We noted that the District was receipting revenues from book fairs, author visits, field trips and library book fees into the Student Activity Fund. These revenues would appear to be related to the instructional programs of the school district and would be more appropriately accounted for in the General Fund.

Recommendation - The District should review its procedures for revenue recognition to ensure that money collected is receipted into the appropriate fund which can legally collect and expend the proceeds.

Response - Revenues and expenditures will be accounted in the appropriate funds.

Conclusion - Response accepted.