

OKOBOJI COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Okoboji Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Brad Droegmiller	President	2015
Stacy Titterington	Vice President	2017
Mark Hale	Board Member	2015
Jeff Nielsen	Board Member	2017
Joe Conover	Board Member	2015

School Officials

Gary Janssen	Superintendent	2015
Katy Sporrer	Business Manager/ District Secretary and Treasurer	2015
Cornwall, Avery, Bjornstad & Scott	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Okoboji Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

The financial statements of the Okoboji Community School Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Okoboji Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, Okoboji Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the financial information on the Component Unit on pages 7 through 16 and 46 through 54 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 required supplementary 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 Okoboji Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 14, 2016 on our consideration of Okoboji Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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 Okoboji Community School Districts internal control financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

April 14, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,930,297 in fiscal 2014 to \$10,075,175 in fiscal 2015, while General Fund expenditures increased from \$10,214,939 in fiscal 2014 to \$10,650,858 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$2,027,564 at June 30, 2014 to \$1,451,881 at June 30, 2015, which represents a 28.39% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local source revenues received in fiscal 2015. The increase in expenditures was due primarily to an increase in instruction costs incurred during fiscal year 2015.

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 Okoboji 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 Okoboji 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 Okoboji Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

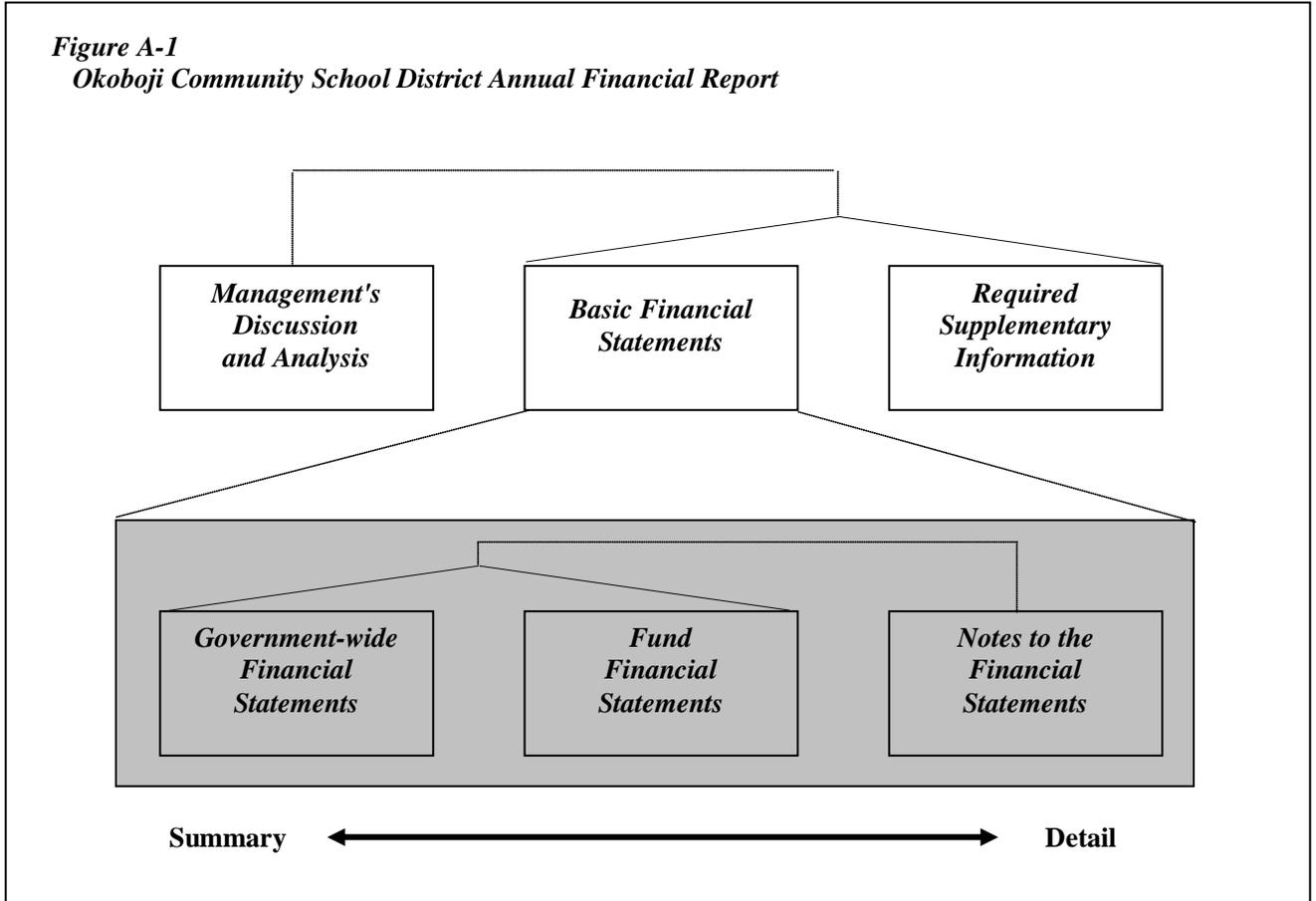


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into three 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 and community service programs are included here.
- *Component unit:* The Okoboji Community School Foundation was created to facilitate the distribution of scholarship monies to students that seek to further their education.

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, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Service Fund. The District also reports Internal Service Funds which are propriety funds but are shown as part of the District's governmental activities. These funds include the Medical Internal Service Fund and the Flex Spending 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 14,308,917	13,225,134	177,368	150,343	14,486,285	13,375,477	8.30%
Capital assets	16,910,047	14,824,389	77,534	76,872	16,987,581	14,901,261	14.00%
Total assets	31,218,964	28,049,523	254,902	227,215	31,473,866	28,276,738	11.31%
Deferred outflows of resources	866,490	-	18,812	-	885,302	-	100.00%
Long-term obligations	10,118,250	3,018,886	95,334	19,162	10,213,584	3,038,048	236.19%
Other liabilities	1,471,048	1,275,008	30,223	30,563	1,501,271	1,305,571	14.99%
Total liabilities	11,589,298	4,293,894	125,557	49,725	11,714,855	4,343,619	169.70%
Deferred inflows of resources	9,948,636	8,215,691	29,163	-	9,977,799	8,215,691	21.45%
Net position:							
Net investment in capital assets	11,983,639	12,620,780	77,534	76,872	12,061,173	12,697,652	-5.01%
Restricted	1,969,624	1,661,139	-	-	1,969,624	1,661,139	18.57%
Unrestricted	(3,405,743)	1,258,019	41,460	100,618	(3,364,283)	1,358,637	-347.62%
Total net position	\$ 10,547,520	15,539,938	118,994	177,490	10,666,514	15,717,428	-32.14%

The District's total net position decreased by 32.14%, or \$5,050,914, over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 18.57%, or \$308,485, over the prior year. The increase in restricted net position can be attributed to the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$4,722,920, or 347.62%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,458,997 and \$93,370, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Change in Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,033,388	930,385	225,807	218,286	1,259,195	1,148,671	9.62%
Operating grants, contributions and restricted interest	914,734	951,635	236,938	225,800	1,151,672	1,177,435	-2.19%
Capital grants, contributions and restricted interest	74,240	-	-	-	74,240	-	100.00%
General revenues:							
Property tax	8,244,544	8,037,257	-	-	8,244,544	8,037,257	2.58%
Income surtax	224,386	218,314	-	-	224,386	218,314	2.78%
Statewide sales, services and use tax	874,811	816,652	-	-	874,811	816,652	7.12%
Unrestricted state grants	500,924	619,163	-	-	500,924	619,163	-19.10%
Unrestricted investment earnings	45,403	31,493	836	683	46,239	32,176	43.71%
Other	122,734	47,691	1,875	650	124,609	48,341	157.77%
Total revenues	12,035,164	11,652,590	465,456	445,419	12,500,620	12,098,009	3.33%
Program expenses:							
Instruction	8,189,818	7,718,991	-	-	8,189,818	7,718,991	6.10%
Support services	3,338,806	3,279,179	7,651	5,343	3,346,457	3,284,522	1.89%
Non-instructional programs	-	-	422,931	402,188	422,931	402,188	5.16%
Other expenses	1,039,961	977,662	-	-	1,039,961	977,662	6.37%
Total expenses	12,568,585	11,975,832	430,582	407,531	12,999,167	12,383,363	4.97%
Change in net position	(533,421)	(323,242)	34,874	37,888	(498,547)	(285,354)	74.71%
Net position beginning of year, as restated	11,080,941	15,863,180	84,120	139,602	11,165,061	16,002,782	-30.23%
Net position end of year	\$ 10,547,520	15,539,938	118,994	177,490	10,666,514	15,717,428	-32.14%

In fiscal 2015, property tax, income surtax, statewide sales, services, and use tax and unrestricted state grants account for 81.80% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.42% of the revenue from business type activities.

The District's total revenues were approximately \$12.50 million of which approximately \$12.04 million was for governmental activities and approximately \$0.46 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.33% increase in revenues and a 4.97% increase in expenses. The increase in expenses is related to increased spending in the instruction and support services functions as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$12,035,164 and expenses were \$12,568,585 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
	Instruction	\$ 8,189,818	7,718,991	6.10%	6,647,740	6,233,987
Support services	3,338,806	3,279,179	1.82%	3,252,590	3,272,600	-0.61%
Other expenses	1,039,961	977,662	6.37%	645,893	587,225	9.99%
Totals	\$ 12,568,585	11,975,832	4.95%	10,546,223	10,093,812	4.48%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,033,388.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$914,734.
- The net cost of governmental activities was financed with \$8,244,544 in property tax, \$224,386 in income surtax, \$874,811 in statewide sales, services and use tax, \$500,924 in unrestricted state grants and \$45,403 in interest income and \$122,734 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$465,456 and expenses were \$430,582. The District's business type activities include the School Nutrition Fund and Community Service Fund. Revenues of these activities were comprised of charges for service, interest income, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,889,484 above last year's ending fund balances of \$3,340,765. However, the primary reason for the increase in combined fund balances is due to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local source revenues resulted in an increase in the revenues. The increase in instructional expenditures is the primary reason for the increase in expenditures. The net result was a decrease in fund balance from \$2,027,564 at June 30, 2014 to \$1,451,881 at June 30, 2015.
- The Capital Projects Fund balance increased from \$445,222 at June 30, 2014 to \$1,398,462 at June 30, 2015. The increase in fund balance is due to the issuance of \$3,272,199 in new revenue bonds which will be used to finance District improvement projects.
- The Debt Service Fund balance increased from \$51,298 at June 30, 2014 to \$271,224 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increase from \$79,461 restated at July 1, 2014 to \$113,639 at June 30, 2015, a 43.01% increase from the prior year.

The Community Service Fund net position increase from \$4,659 at June 30, 2014 to \$5,355 at June 30, 2015, a 14.94% increase from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Okoboji Community School District amended its budget one time to reflect additional expenditures associated with costs incurred from the District's bond refunding during the year.

The District's revenues were \$264,178 more than budgeted revenues, a variance of 2.17%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures so that the District has 10% left in maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

In spite of the District's budgetary practice, expenditures in the support service functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$16,987,581, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 14.00% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$673,993.

The original cost of the District's capital assets was \$29,480,524. Governmental funds account for \$29,080,187 with the remainder of \$400,337 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$186,739 at June 30, 2014 as compared to \$2,488,102 at June 30, 2015. This increase is due to the expenditures incurred on the high school addition and remodel project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 248,655	248,655	-	-	248,655	248,655	0.00%
Construction in progress	2,488,102	186,739	-	-	2,488,102	186,739	1232.40%
Buildings	13,172,505	13,462,933	-	-	13,172,505	13,462,933	-2.16%
Land improvements	508,136	517,747	-	-	508,136	517,747	-1.86%
Machinery and equipment	492,649	408,315	77,534	76,872	570,183	485,187	17.52%
Total	\$ 16,910,047	14,824,389	77,534	76,872	16,987,581	14,901,261	14.00%

Long-Term Debt

At June 30, 2015, the District had \$10,213,584 in revenue bonds and other long-term debt outstanding. (See Figure A-7) This represents an increase of 236.19%. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds payable of \$5,189,000 at June 30, 2015, payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had outstanding termination benefits of \$632,940 payable from the Special Revenue, Management Fund at June 30, 2015.

The District has a Net pension liability of \$3,651,891 in the governmental activities and \$76,469 in the business type activities at June 30, 2015.

The District has a Net OPEB liability of \$644,419 in the governmental activities and \$18,865 in the business type activities, at June 30, 2015.

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 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenue bonds	\$ 5,189,000	2,090,055	-	-	5,189,000	2,090,055	148.27%
Real estate contract	-	113,554	-	-	-	113,554	-100.00%
Termination benefits	632,940	162,078	-	-	632,940	162,078	290.52%
Net Pension liability	3,651,891	-	76,469	-	3,728,360	-	100.00%
Net OPEB liability	644,419	653,199	18,865	19,162	663,284	672,361	-1.35%
Total	\$ 10,118,250	3,018,886	95,334	19,162	10,213,584	3,038,048	236.19%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Due to the lack of affordable housing in the Okoboji School District, workforce demands by Polaris Industries cannot be met. As a result, the plant in Milford Iowa is being downsized; operations are being transferred to the southern United States.
- Okoboji School District issued \$5,333,000 in sales tax revenue bonds, on July 1, 2015, of which \$2,060,801 was used to pay off the 2010 series revenue bonds and \$3,272,198 is being used to build an entrance addition on to the high school as well as new alternative school.
- Inadequate funding provided by the State of Iowa (1.25% and 2.25% Supplemental State Aid for FY16 and FY17) is creating a financial hardship for the district, as expenditure increases exceed revenue increases.

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 Katy Sporrer, Business Manager/District Secretary and Treasurer, Okoboji Community School District, 1205 7th Street, Milford, IA 51351.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		Component Unit *	
	Governmental Activities	Business Type Activities	Total	Okoboji Community School Foundation
ASSETS				
Cash and pooled investments	\$ 5,099,961	171,997	5,271,958	246,871
Receivables:				
Property tax:				
Delinquent	35,939	-	35,939	-
Succeeding year	8,555,910	-	8,555,910	-
Income surtax	208,219	-	208,219	-
Accounts	29,441	-	29,441	-
Inventories	-	5,371	5,371	-
Due from other governments	379,447	-	379,447	-
Capital assets, net of accumulated depreciation	16,910,047	77,534	16,987,581	-
TOTAL ASSETS	31,218,964	254,902	31,473,866	246,871
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	866,490	18,812	885,302	-
LIABILITIES				
Accounts payable	340,841	362	341,203	-
Salaries and benefits payable	1,057,042	22,635	1,079,677	-
Accrued interest payable	73,165	-	73,165	-
Unearned revenue	-	7,226	7,226	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	294,000	-	294,000	-
Termination benefits payable	81,659	-	81,659	-
Portion due after one year:				
Revenue bonds payable	4,895,000	-	4,895,000	-
Termination benefits payable	551,281	-	551,281	-
Net pension liability	3,651,891	76,469	3,728,360	-
Net OPEB liability	644,419	18,865	663,284	-
TOTAL LIABILITIES	11,589,298	125,557	11,714,855	-
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	1,392,726	29,163	1,421,889	-
Unavailable property tax revenue	8,555,910	-	8,555,910	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,948,636	29,163	9,977,799	-
NET POSITION				
Net investment in capital assets	11,983,639	77,534	12,061,173	-
Restricted for:				
Scholarships	-	-	-	246,871
Categorical funding	488,433	-	488,433	-
Debt service	198,059	-	198,059	-
Student activities	147,262	-	147,262	-
School infrastructure	706,583	-	706,583	-
Physical plant and equipment	429,287	-	429,287	-
Unrestricted	(3,405,743)	41,460	(3,364,283)	-
TOTAL NET POSITION	\$ 10,547,520	118,994	10,666,514	246,871

* The component year end is December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Primary Government			Component Unit **	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total	Okoboji Community School Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,039,920	526,520	53,251	-	(4,460,149)	-	(4,460,149)	-
Special	1,722,994	276,643	135,610	-	(1,310,741)	-	(1,310,741)	-
Other	1,426,904	227,036	323,018	-	(876,850)	-	(876,850)	-
	<u>8,189,818</u>	<u>1,030,199</u>	<u>511,879</u>	<u>-</u>	<u>(6,647,740)</u>	<u>-</u>	<u>(6,647,740)</u>	<u>-</u>
Support services:								
Student	245,526	-	7,689	-	(237,837)	-	(237,837)	-
Instructional staff	222,154	-	-	-	(222,154)	-	(222,154)	-
Administration	1,173,270	-	-	-	(1,173,270)	-	(1,173,270)	-
Operation and maintenance of plant	1,219,326	-	-	74,240	(1,145,086)	-	(1,145,086)	-
Transportation	478,530	3,189	1,098	-	(474,243)	-	(474,243)	-
	<u>3,338,806</u>	<u>3,189</u>	<u>8,787</u>	<u>74,240</u>	<u>(3,252,590)</u>	<u>-</u>	<u>(3,252,590)</u>	<u>-</u>
Long-term debt interest	153,103	-	-	-	(153,103)	-	(153,103)	-
Other expenses:								
AEA flowthrough	394,068	-	394,068	-	-	-	-	-
Depreciation(unallocated)*	492,790	-	-	-	(492,790)	-	(492,790)	-
	<u>886,858</u>	<u>-</u>	<u>394,068</u>	<u>-</u>	<u>(492,790)</u>	<u>-</u>	<u>(492,790)</u>	<u>-</u>
Total governmental activities	<u>12,568,585</u>	<u>1,033,388</u>	<u>914,734</u>	<u>74,240</u>	<u>(10,546,223)</u>	<u>-</u>	<u>(10,546,223)</u>	<u>-</u>
Business type activities:								
Support services:								
Administration	1,982	-	-	-	(1,982)	(1,982)		-
Operation and maintenance of plant	5,669	-	-	-	(5,669)	(5,669)		-
	<u>7,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,651)</u>	<u>(7,651)</u>		<u>-</u>
Non-instructional programs:								
Food service operations	420,881	224,087	235,938	-	-	39,144	39,144	-
Other enterprise operations	2,050	1,720	1,000	-	-	670	670	-
Total business type activities	<u>430,582</u>	<u>225,807</u>	<u>236,938</u>	<u>-</u>	<u>-</u>	<u>32,163</u>	<u>32,163</u>	<u>-</u>
Total primary government	<u>\$ 12,999,167</u>	<u>1,259,195</u>	<u>1,151,672</u>	<u>74,240</u>	<u>(10,546,223)</u>	<u>32,163</u>	<u>(10,514,060)</u>	<u>-</u>
Total component unit	<u>\$ 16,132</u>	<u>-</u>	<u>10,520</u>					<u>5,612</u>
General Revenues:								
Property tax for:								
General purposes					\$ 7,849,787	-	7,849,787	-
Capital outlay					394,757	-	394,757	-
Income surtax					224,386	-	224,386	-
Statewide sales, services and use tax					874,811	-	874,811	-
Unrestricted state grants					500,924	-	500,924	-
Unrestricted investment earnings					45,403	836	46,239	2,164
Unrealized gain on investments					-	-	-	794
Other					122,734	1,875	124,609	-
Total general revenues					<u>10,012,802</u>	<u>2,711</u>	<u>10,015,513</u>	<u>2,958</u>
Change in net position					(533,421)	34,874	(498,547)	(2,654)
Net position beginning of year, as restated					11,080,941	84,120	11,165,061	249,525
Net position end of year					<u>\$ 10,547,520</u>	<u>118,994</u>	<u>10,666,514</u>	<u>246,871</u>

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

** The component year end is December 31, 2014

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,347,255	1,466,478	271,224	757,583	4,842,540
Receivables:					
Property tax:					
Delinquent	32,900	1,727	-	1,312	35,939
Succeeding year	7,953,532	402,382	-	199,996	8,555,910
Income surtax	208,219	-	-	-	208,219
Accounts	20,891	-	-	8,550	29,441
Due from other governments	243,565	135,267	-	615	379,447
TOTAL ASSETS	\$ 10,806,362	2,005,854	271,224	968,056	14,051,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 135,688	205,010	-	143	340,841
Salaries and benefits payable	1,057,042	-	-	-	1,057,042
Total liabilities	1,192,730	205,010	-	143	1,397,883
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	7,953,532	402,382	-	199,996	8,555,910
Income surtax	208,219	-	-	-	208,219
Total deferred inflows of resources	8,161,751	402,382	-	199,996	8,764,129
Fund balances:					
Restricted for:					
Categorical funding	488,433	-	-	-	488,433
Debt service	-	-	271,224	-	271,224
Management levy purposes	-	-	-	620,655	620,655
Student activities	-	-	-	147,262	147,262
School infrastructure	-	969,175	-	-	969,175
Physical plant and equipment	-	429,287	-	-	429,287
Assigned	22,708	-	-	-	22,708
Unassigned	940,740	-	-	-	940,740
Total fund balances	1,451,881	1,398,462	271,224	767,917	3,889,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,806,362	2,005,854	271,224	968,056	14,051,496

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	3,889,484
 <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.		16,910,047
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		257,421
Income surtax is not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		208,219
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(73,165)
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	\$ 866,490	
Deferred inflows of resources	<u>(1,392,726)</u>	(526,236)
Long-term liabilities, including revenue bonds payable, termination benefits payable, real estate contract payable, net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(10,118,250)</u>
Net position of governmental activities(page 18)	\$	<u><u>10,547,520</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 7,721,611	394,757	-	300,568	8,416,936
Tuition	740,267	-	-	-	740,267
Other	238,150	88,123	1,016	240,650	567,939
State sources	1,094,094	878,880	-	4,001	1,976,975
Federal sources	281,053	-	-	-	281,053
TOTAL REVENUES	10,075,175	1,361,760	1,016	545,219	11,983,170
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,614,022	11,262	-	155,636	4,780,920
Special	1,819,818	-	-	-	1,819,818
Other	1,220,334	-	-	207,137	1,427,471
	7,654,174	11,262	-	362,773	8,028,209
Support services:					
Student	252,578	-	-	-	252,578
Instructional staff	177,579	86,803	-	-	264,382
Administration	1,008,364	92,728	-	158,700	1,259,792
Operation and maintenance of plant	794,180	63,110	-	52,999	910,289
Transportation	369,915	101,328	-	19,511	490,754
	2,602,616	343,969	-	231,210	3,177,795
Capital outlay	-	2,842,648	-	-	2,842,648
Long-term debt:					
Principal	-	-	2,347,609	-	2,347,609
Interest and fiscal charges	-	-	86,517	-	86,517
	-	-	2,434,126	-	2,434,126
Other expenditures:					
AEA flowthrough	394,068	-	-	-	394,068
TOTAL EXPENDITURES	10,650,858	3,197,879	2,434,126	593,983	16,876,846
Deficiency of revenues under expenditures	(575,683)	(1,836,119)	(2,433,110)	(48,764)	(4,893,676)
Other financing sources(uses):					
Transfer in	-	-	2,653,036	-	2,653,036
Transfer out	-	(2,653,036)	-	-	(2,653,036)
Proceeds from revenue bond issuance	-	5,333,000	-	-	5,333,000
Sale of equipment	-	5,002	-	-	5,002
Sale of real property	-	104,393	-	-	104,393
Total other financing sources(uses)	-	2,789,359	2,653,036	-	5,442,395
Change in fund balances	(575,683)	953,240	219,926	(48,764)	548,719
Fund balance beginning of year	2,027,564	445,222	51,298	816,681	3,340,765
Fund balance end of year	\$ 1,451,881	1,398,462	271,224	767,917	3,889,484

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI 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) \$ 548,719

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

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

Expenditures for capital assets	\$ 2,748,980	
Depreciation expense	<u>(663,322)</u>	2,085,658

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 13,397

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

Issued	(5,333,000)	
Repaid	<u>2,347,609</u>	(2,985,391)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (66,586)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 51,994

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. 575,308

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

Termination benefits	(470,862)	
Pension expense	(294,438)	
Other postemployment benefits	<u>8,780</u>	<u>(756,520)</u>

Change in net position of governmental activities(page 19) \$ (533,421)

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 166,480	5,517	171,997	257,421
Inventories	5,371	-	5,371	-
Total current assets	171,851	5,517	177,368	257,421
Non-current assets:				
Capital assets, net of accumulated depreciation	77,534	-	77,534	-
TOTAL ASSETS	249,385	5,517	254,902	257,421
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	18,812	-	18,812	-
LIABILITIES				
Current liabilities:				
Accounts payable	200	162	362	-
Salaries and benefits payable	22,635	-	22,635	-
Unearned revenue	7,226	-	7,226	-
Total current liabilities	30,061	162	30,223	-
Non-current liabilities:				
Net pension liability	76,469		76,469	-
Net OPEB liability	18,865	-	18,865	-
Total non-current liabilities	95,334	-	95,334	-
TOTAL LIABILITIES	125,395	162	125,557	-
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	29,163	-	29,163	-
NET POSITION				
Net investment in capital assets	77,534	-	77,534	-
Unrestricted	36,105	5,355	41,460	257,421
TOTAL NET POSITION	\$ 113,639	5,355	118,994	257,421

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 224,087	1,720	225,807	-
Contributions	-	1,000	1,000	-
Miscellaneous	1,875	-	1,875	1,200,922
TOTAL OPERATING REVENUES	225,962	2,720	228,682	1,200,922
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	1,982	-	1,982	-
Operation and maintenance of plant:				
Services	5,669	-	5,669	-
Non-instructional programs:				
Food service operations:				
Salaries	142,594	-	142,594	-
Benefits	47,423	-	47,423	-
Services	1,463	-	1,463	-
Supplies	218,506	-	218,506	-
Depreciation	10,671	-	10,671	-
	420,657	-	420,657	-
Other enterprise operations:				
Benefits	-	-	-	1,175,758
Services	-	-	-	13,116
Supplies	-	2,050	2,050	-
	-	2,050	2,050	1,188,874
Total non-instructional programs	420,657	2,050	422,707	1,188,874
TOTAL OPERATING EXPENSES	428,308	2,050	430,358	1,188,874
OPERATING INCOME(LOSS)	(202,346)	670	(201,676)	12,048
NON-OPERATING REVENUES(EXPENSES):				
Loss on disposal of capital assets	(224)	-	(224)	-
State sources	3,931	-	3,931	-
Federal sources	232,007	-	232,007	-
Interest income	810	26	836	1,349
TOTAL NON-OPERATING REVENUES(EXPENSES)	236,524	26	236,550	1,349
Change in net position	34,178	696	34,874	13,397
Net position beginning of year, as restated	79,461	4,659	84,120	244,024
Net position end of year	\$ 113,639	5,355	118,994	257,421

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 223,278	-	223,278	-
Cash received from miscellaneous operating activities	1,875	1,720	3,595	1,201,851
Cash received from donations	-	1,000	1,000	-
Cash payments to employees for services	(196,470)	-	(196,470)	(1,188,874)
Cash payments to suppliers for goods or services	(200,154)	(2,027)	(202,181)	-
Net cash provided by(used in) operating activities	<u>(171,471)</u>	<u>693</u>	<u>(170,778)</u>	<u>12,977</u>
Cash flows from non-capital financing activities:				
State grants received	3,931	-	3,931	-
Federal grants received	204,802	-	204,802	-
Net cash provided by non-capital financing activities	<u>208,733</u>	<u>-</u>	<u>208,733</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(11,557)	-	(11,557)	-
Cash flows from investing activities:				
Interest on investments	810	26	836	1,349
Net increase in cash and pooled investments	26,515	719	27,234	14,326
Cash and pooled investments at beginning of year	139,965	4,798	144,763	243,095
Cash and pooled investment at end of year	<u>\$ 166,480</u>	<u>5,517</u>	<u>171,997</u>	<u>257,421</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (202,346)	670	(201,676)	12,048
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	27,205	-	27,205	-
Depreciation	10,671	-	10,671	-
Decrease in inventories	61	-	61	-
Decrease in accounts receivable	148	-	148	929
Increase in accounts payable	200	23	223	-
Increase in salaries and benefits payable	394	-	394	-
Decrease in net pension liability	(28,168)	-	(28,168)	-
Increase in deferred outflows of resources	(7,545)	-	(7,545)	-
Increase in deferred inflows of resources	29,163	-	29,163	-
Decrease in unearned revenue	(957)	-	(957)	-
Decrease in other postemployment benefits	(297)	-	(297)	-
Net cash provided by(used in) operating activities	<u>\$ (171,471)</u>	<u>693</u>	<u>(170,778)</u>	<u>12,977</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$27,205.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 30,274
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 30,274</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Private Purpose</td> </tr> <tr> <td style="padding: 2px;">Trust</td> </tr> <tr> <td style="padding: 2px;">Scholarship</td> </tr> </table>	Private Purpose	Trust	Scholarship
Private Purpose				
Trust				
Scholarship				
ADDITIONS:				
Local sources:				
Interest	\$ 69			
Contributions	7,500			
TOTAL ADDITIONS	7,569			
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	8,600			
Change in net position	(1,031)			
Net position beginning of year	31,305			
Net position end of year	\$ 30,274			

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, Okoboji, West Okoboji and Wahpeton, Iowa and the agricultural area in Dickinson and Clay 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 Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Okoboji 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.

These financial statements present Okoboji Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting because of the significance of its operational or financial relationship with the District. Certain disclosures about the component unit are not included because the component unit is unaudited.

Discrete Component Unit - Okoboji Community School Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of granting scholarships to students of the Okoboji Community School District who will attend community colleges and universities. The Foundation is governed by an independent Board of Directors. The Okoboji Community School Foundation is accounted for as a component unit on the Statement of Net Position and Statement of Activities.

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 Dickinson County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports the following nonmajor proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District. The Community Service Fund is used to account for greenhouse and strength and conditioning operations.

The District also reports other proprietary funds:

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 0
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 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 expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

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

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

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

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

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

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose.

Unassigned - All amounts not included in other spendable 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 amount budgeted in the support services functional area.

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015, the District had no investments to be reported.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 2,653,036
Capital Projects: Statewide Sales, Services, and Use Tax	Capital Projects: Revenue Bond Construction	390,890
Total		<u>\$ 3,043,926</u>

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

The transfers from the Capital Projects: Revenue Bond Construction Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to reimburse expenses paid before Revenue bond was issued.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 248,655	-	-	248,655
Construction in progress	186,739	2,301,363	-	2,488,102
Total capital assets not being depreciated	<u>435,394</u>	<u>2,301,363</u>	<u>-</u>	<u>2,736,757</u>
Capital assets being depreciated:				
Buildings	21,023,280	155,855	-	21,179,135
Land improvements	1,418,967	36,896	-	1,455,863
Machinery and equipment	3,528,748	254,866	75,182	3,708,432
Total capital assets being depreciated	<u>25,970,995</u>	<u>447,617</u>	<u>75,182</u>	<u>26,343,430</u>
Less accumulated depreciation for:				
Buildings	7,560,347	446,283	-	8,006,630
Land improvements	901,220	46,507	-	947,727
Machinery and equipment	3,120,433	170,532	75,182	3,215,783
Total accumulated depreciation	<u>11,582,000</u>	<u>663,322</u>	<u>75,182</u>	<u>12,170,140</u>
Total capital assets being depreciated, net	<u>14,388,995</u>	<u>(215,705)</u>	<u>-</u>	<u>14,173,290</u>
Governmental activities capital assets, net	<u>\$ 14,824,389</u>	<u>2,085,658</u>	<u>-</u>	<u>16,910,047</u>
Business type activities:				
Machinery and equipment	\$ 405,835	11,557	17,055	400,337
Less accumulated depreciation	328,963	10,671	16,831	322,803
Business type activities capital assets, net	<u>\$ 76,872</u>	<u>886</u>	<u>224</u>	<u>77,534</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,534
Other	15,468
Support services:	
Instructional staff	22,893
Administration	3,476
Operation and maintenance of plant	16,112
Transportation	97,049
	<u>170,532</u>
Unallocated depreciation	<u>492,790</u>
Total governmental activities depreciation expense	<u>\$ 663,322</u>
Business type activities:	
Food service operations	<u>\$ 10,671</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,090,055	5,333,000	2,234,055	5,189,000	294,000
Real estate contract	113,554	-	113,554	-	-
Termination benefits	162,078	545,633	74,772	632,939	81,659
Net pension liability	4,997,071	-	1,345,180	3,651,891	-
Net OPEB liability	653,199	-	8,780	644,419	-
Total	<u>\$ 8,015,957</u>	<u>5,878,633</u>	<u>3,776,341</u>	<u>10,118,249</u>	<u>375,659</u>
Business Type Activities:					
Net pension liability	104,637	-	28,168	76,469	-
Net OPEB liability	\$ 19,162	-	297	18,865	-
Total	<u>123,799</u>	<u>-</u>	<u>28,465</u>	<u>95,334</u>	<u>-</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2014				
	Interest Rates		Principal	Interest	Total
2016	2.82	% \$	294,000	144,271	438,271
2017	2.82		302,000	135,924	437,924
2018	2.82		312,000	127,337	439,337
2019	2.82		320,000	118,482	438,482
2020	2.82		329,000	109,402	438,402
2021-2025	2.82		1,791,000	401,427	2,192,427
2026-2030	2.82		1,841,000	132,188	1,973,188
Total			<u>\$ 5,189,000</u>	<u>1,169,031</u>	<u>6,358,031</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,333,000 bonds issued in July 2014. The bonds were issued for the purpose of financing school renovations and refunding prior revenue bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,358,031. For the current year, \$144,000 of principal and \$75,195 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$874,811.

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

The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.

Termination Benefits

The District approved a voluntary early retirement plan for certified employees. Employees were eligible if they were at least age fifty-five by January 1, 2012 and completed fifteen years continuous service to the District. Employees must have completed an application which was subject to approval by the Board of Education.

The benefit has a value of \$50,000 and may either be taken in a cash payments, 403b or paid in health care premium costs over six fiscal years or applied to insurance on a monthly basis, until exhausted. Future Boards will determine if early retirement is offered (per Board Policy 407.3).

At June 30, 2015, the District has obligations to five participants with a total liability of \$632,939. Early retirement expenditures for the year ended June 30, 2015 totaled \$74,772.

Note 6 Current Refunding

On July 1, 2014, the District issued \$5,333,000 of revenue bonds with an interest rate of 2.82% percent. \$3,272,199 of this bond issue was used to finance District construction projects. \$2,060,801 of this issuance was used to refund the remaining portion of the revenue bonds issued August 23, 2010 with interest rates of 3.50 percent. The revenue bonds have been added to the appropriate financial statements and schedules and the refunded bonds have been removed from the financial statements and schedules.

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.

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 \$588,023.

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 \$3,728,360 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 0.092125 percent, which was an increase of 0.002020 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$300,603. 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	\$ 40,520	\$ -
Changes of assumptions	164,541	-
Net difference between projected and actual earnings on pension plan investments	-	1,421,889
Changes in proportion and differences between District contributions and proportionate share of contributions	92,218	-
District contributions subsequent to the measurement date	588,023	-
Total	<u>\$ 885,302</u>	<u>\$ 1,421,889</u>

\$588,023 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	\$ (286,015)
2017	(286,015)
2018	(286,015)
2019	(286,015)
2020	19,448
	<u>\$ (1,124,612)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 7,044,632	\$ 3,728,360	\$ 929,083

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$73,731 for legally required employer contributions and \$49,126 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 127 active and 21 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 144,804
Interest on net OPEB obligation	16,809
Adjustment to annual required contribution	<u>(102,260)</u>
Annual OPEB cost	59,353
Contributions made	<u>(68,390)</u>
Decrease in net OPEB obligation	(9,037)
Net OPEB obligation - beginning of year	<u>672,361</u>
Net OPEB obligation - end of year	<u><u>\$ 663,324</u></u>

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

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

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 67,440	111.51%	\$ 683,260
2014	58,333	118.68%	672,361
2015	59,353	115.23%	663,324

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$0.603 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.603 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,161 million, and the ratio of the UAAL to the covered payroll was 9.79%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$504 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$394,068 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not exceed appropriations at the functional area level. During the year ended June 30, 2015, the District exceeded its budget in the support services functional area.

Note 12. Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2015 are broken out by the following programs:

<u>Programs</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 97,694
Four-Year-Old Preschool State Aid	290,820
Professional Development	46,154
Professional Development for Model Core Curriculum	8,795
Beginning Teacher Mentoring Induction Programs	7,604
Market Factor	1,552
Market Factor Incentives	5,744
Gifted and Talented	11,471
Successful Progression for Early Readers	18,599
Total	<u>\$ 488,433</u>

Note 13. Construction Commitment

The District has entered into various contracts totaling \$2,851,981 for the alternative high school addition/renovation project. As of June 30, 2015, costs of \$2,458,102 had been incurred against the contracts. The balances remaining at June 30, 2015 will be paid as work on the project progresses.

Note 14. Assigned Fund Balances

The District's ending assigned fund balances as of June 30, 2015 are intended for the following projects:

<u>Project</u>	<u>Amount</u>
Memorial Fund	\$ 2,655
1:1 Technology Use	3,359
Elementary Field Trip	3,369
Elementary School Guided Reading	50
Elementary School Supplies	8,094
Elementary School BD Youth Programs	1,744
Elementary School First Grade	200
High School Supplies	44
Middle School Supplies	189
Middle School PE	1,251
Dickinson City Endowment-Proficient Readers	545
Okoboji Scrip	1,208
Total	<u>\$ 22,708</u>

Note 15. Reconciliation of Governmental Fund Balances to Net Position

	Net Investment in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	620,655	969,175	271,224	940,740
Capital assets, net of accumulated depreciation	16,910,047	-	-	-	-
Revenue bond capitalized indebtedness	(4,923,408)	-	-	-	-
Termination benefits	-	(620,655)	-	-	(12,285)
Accrued interest payable	-	-	-	(73,165)	-
Unspent revenue bond proceeds	-	-	(262,592)	-	-
Income Surtax	-	-	-	-	208,219
Pension related deferred inflows	-	-	-	-	(1,392,726)
Pension related deferred outflows	-	-	-	-	866,490
Net pension Liability	-	-	-	-	(3,651,891)
Net OPEB liability	-	-	-	-	(644,419)
Interal service fund	-	-	-	-	257,421
Assigned	-	-	-	-	22,708
Net position (Exhibit A)	\$ 11,986,639	-	706,583	198,059	(3,405,743)

Note 16. Deficit Balances

The District has a deficit unrestricted net position of \$ 3,405,743 in its Governmental Activities at June 30, 2015.

Note 17. Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities		
		School Nutrition	Community Service	Total
Net position June 30, 2014, as previously reported	\$ 15,539,938	\$ 172,831	4,659	177,490
Net pension liability at June 30, 2014	(4,997,071)	(104,637)	-	(104,637)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	538,074	11,267	-	11,267
Net position July 1, 2014, as restated	\$ 11,080,941	\$ 79,461	4,659	84,120

REQUIRED SUPPLEMENTARY INFORMATION

OKOBOJI COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total			Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 9,725,142	229,518	9,954,660	10,589,149	10,589,149	(634,489)
State sources	1,976,975	3,931	1,980,906	1,110,299	1,110,299	870,607
Federal sources	281,053	232,007	513,060	485,000	485,000	28,060
Total revenues	<u>11,983,170</u>	<u>465,456</u>	<u>12,448,626</u>	<u>12,184,448</u>	<u>12,184,448</u>	<u>264,178</u>
Expenditures/Expenses:						
Instruction	8,028,209	-	8,028,209	8,880,000	8,880,000	851,791
Support services	3,177,795	7,651	3,185,446	3,123,700	3,123,700	(61,746)
Non-instructional programs	-	422,931	422,931	449,000	449,000	26,069
Other expenditures	5,670,842	-	5,670,842	1,480,065	5,946,000	275,158
Total expenditures/expenses	<u>16,876,846</u>	<u>430,582</u>	<u>17,307,428</u>	<u>13,932,765</u>	<u>18,398,700</u>	<u>1,091,272</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,893,676)	34,874	(4,858,802)	(1,748,317)	(6,214,252)	1,355,450
Other financing sources, net	<u>5,442,395</u>	-	<u>5,442,395</u>	-	-	<u>5,442,395</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	548,719	34,874	583,593	(1,748,317)	(6,214,252)	6,797,845
Balance beginning of year, as restated	<u>3,340,765</u>	<u>84,120</u>	<u>3,424,885</u>	<u>3,247,752</u>	<u>3,247,752</u>	<u>(177,133)</u>
Balance end of year	<u>\$ 3,889,484</u>	<u>118,994</u>	<u>4,008,478</u>	<u>1,499,435</u>	<u>(2,966,500)</u>	<u>6,620,712</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgetary expenditures by \$4,465,935.

During the year ended June 30, 2015, expenditures in the support services functional area exceeded the amount budgeted.

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

	2015
District's proportion of the net pension liability	0.092125%
District's proportionate share of the net pension liability	\$ 3,728,360
District's covered-employee payroll	\$ 6,584,800
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.62%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 588,023	549,676	505,571	481,365	396,087	373,688	343,609	305,395	293,547	274,688
Contributions in relation to the statutorily required contribution	<u>(588,023)</u>	<u>(549,676)</u>	<u>(505,571)</u>	<u>(481,365)</u>	<u>(396,087)</u>	<u>(373,688)</u>	<u>(343,609)</u>	<u>(305,395)</u>	<u>(293,547)</u>	<u>(274,688)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,584,804	6,155,386	5,831,269	5,964,870	5,699,094	5,376,806	5,411,165	5,047,851	5,105,165	4,777,183
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.

OKOBOJI COMMUNITY SCHOOL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY
YEAR END 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.

OKOBOJI COMMUNITY SCHOOL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY
YEAR END JUNE 30, 2015

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

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

OKOBOJI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 2,555	\$ 2,555	0.0%	\$ 5,692	44.89%
2011	July 1, 2009	\$ -	\$ 2,460	\$ 2,460	0.0%	\$ 5,290	46.50%
2012	July 1, 2009	\$ -	\$ 2,320	\$ 2,320	0.0%	\$ 5,486	42.29%
2013	July 1, 2012	\$ -	\$ 760	\$ 760	0.0%	\$ 5,112	14.87%
2014	July 1, 2012	\$ -	\$ 684	\$ 684	0.0%	\$ 5,754	11.89%
2015	July 1, 2012	\$ -	\$ 603	\$ 603	0.0%	\$ 6,161	9.79%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OKOBOJI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF NET POSITION
COMPONENT UNIT
DECEMBER 31, 2014

	<u>Okoboji Community School Foundation</u>
ASSETS	
Cash and pooled investments	<u>\$ 246,871</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 246,871</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF SUPPORT AND REVENUE, EXPENSES AND
 CHANGES IN NET POSITION
 COMPONENT UNIT
 YEAR ENDED DECEMBER 31, 2014

	Okoboji Community School Foundation
Support and Revenue:	
Investment income	\$ 2,164
Public support	10,520
Unrealized gain on investments	794
Total support and revenue	13,478
Expenses:	
Investment management fees	132
Scholarships	16,000
Total expenses	16,132
Change in net position	(2,654)
Net position beginning of year	249,525
Net position end of year	\$ 246,871

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 619,343	138,240	757,583
Receivables:			
Property tax			
Delinquent	1,312	-	1,312
Succeeding year	199,996	-	199,996
Accounts	-	8,550	8,550
Due from other governments	-	615	615
TOTAL ASSETS	\$ 820,651	147,405	968,056
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	143	143
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	199,996	-	199,996
Fund balances:			
Restricted for:			
Management levy purposes	620,655	-	620,655
Student activities	-	147,262	147,262
Total fund balances	620,655	147,262	767,917
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 820,651	147,405	968,056

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 300,568	-	300,568
Other	12,544	228,106	240,650
State sources	4,001	-	4,001
TOTAL REVENUES	317,113	228,106	545,219
EXPENDITURES:			
Current:			
Instruction:			
Regular	155,636	-	155,636
Other	-	207,137	207,137
Support services:			
Administration	158,018	682	158,700
Operation and maintenance of plant	52,999	-	52,999
Transportation	19,511	-	19,511
TOTAL EXPENDITURES	386,164	207,819	593,983
Change in fund balances	(69,051)	20,287	(48,764)
Fund balances beginning of year	689,706	126,975	816,681
Fund balances end of year	\$ 620,655	147,262	767,917

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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	Revenue Bond Construction	Total
ASSETS				
Cash and pooled investments	\$ 606,138	427,560	432,780	1,466,478
Receivables:				
Property tax				
Delinquent	-	1,727	-	1,727
Succeeding year	-	402,382	-	402,382
Due from other governments	135,267	-	-	135,267
TOTAL ASSETS	\$ 741,405	831,669	432,780	2,005,854
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 34,822	-	170,188	205,010
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	402,382	-	402,382
Fund balances:				
Restricted for:				
School infrastructure	706,583	-	262,592	969,175
Physical plant and equipment	-	429,287	-	429,287
Total fund balances	706,583	429,287	262,592	1,398,462
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 741,405	831,669	432,780	2,005,854

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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 Bond Construction	
REVENUES:				
Local sources:				
Local tax	\$ -	394,757	-	394,757
Other	2,976	76,032	9,115	88,123
State sources	874,811	4,069	-	878,880
TOTAL REVENUES	877,787	474,858	9,115	1,361,760
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,699	6,563	-	11,262
Support services:				
Instructional staff	21,646	65,157	-	86,803
Administration	-	12,452	80,276	92,728
Operation and maintenance of plant	-	63,110	-	63,110
Transportation	-	101,328	-	101,328
Capital outlay	229,361	65,731	2,547,556	2,842,648
TOTAL EXPENDITURES	255,706	314,341	2,627,832	3,197,879
Excess(Deficiency) of revenues over(under) expenditures	622,081	160,517	(2,618,717)	(1,836,119)
Other financing sources(uses):				
Transfer in	390,890	-	-	390,890
Transfer out	(2,653,036)	-	(390,890)	(3,043,926)
Revenue bond issuance	2,060,801	-	3,272,199	5,333,000
Proceeds from sale of equipment	-	5,002	-	5,002
Proceeds from sale of real property	104,393	-	-	104,393
Total other financing sources(uses)	(96,952)	5,002	2,881,309	2,789,359
Change in fund balances	525,129	165,519	262,592	953,240
Fund balances beginning of year	181,454	263,768	-	445,222
Fund balances end of year	\$ 706,583	429,287	262,592	1,398,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
All School Play	\$ 1,892	713	816	-	1,789
Speech	-	-	3,740	4,256	516
Speech Fundraiser	-	-	-	890	890
Debate Tournament	944	2,415	415	(2,944)	-
HS Debate	-	615	6,017	5,402	-
Debate Fundraiser	1,147	-	-	(1,084)	63
Show Choir	3,457	935	1,732	172	2,832
Jazz Band	1	2,512	5,411	2,898	-
Musical	3,912	2,114	2,652	-	3,374
Cross Country	461	914	1,151	1,557	1,781
Cross Country Fundraiser	-	-	-	890	890
Tennis	37	-	-	-	37
Boys Basketball	1,738	45	5,079	4,464	1,168
Boys Basketball - Fundraiser	831	-	-	890	1,721
Football	1,766	-	7,837	8,810	2,739
Football Fundraisers	-	-	-	890	890
Soccer Fundraisers	-	-	890	890	-
Baseball	455	21	4,725	4,674	425
Boys Track	200	720	1,300	1,821	1,441
Boys Golf	869	412	1,988	1,534	827
Wrestling	2,427	636	6,734	4,763	1,092
Wrestling Fundraisers	-	9,640	10,190	890	340
Girls Basketball	3,061	692	6,139	5,219	2,833
Girls Basketball Fundraisers	-	-	-	890	890
Volleyball	1,174	260	3,864	3,462	1,032
Volleyball Fundraiser	1	-	-	890	891
Softball	3,066	2,100	6,644	4,674	3,196
Softball Fundraiser	553	-	365	890	1,078
Girls Track	1,359	622	2,144	1,820	1,657
Girls Golf	779	-	554	1,233	1,458
MS Athletics	1,376	-	9,422	9,028	982
MS Athletics Fundraisers	-	-	-	890	890
Gate Receipts	-	35,651	-	(33,773)	1,878
Class of 2014	668	-	-	(668)	-
Class of 2015	1,127	861	968	-	1,020
Class of 2016	1,514	462	612	-	1,364
Class of 2017	1,694	487	152	-	2,029
Class of 2018	761	443	129	-	1,075
Class of 2019	-	-	-	782	782
National Honor Society	-	-	385	385	-
Activity Tickets	100	12,534	1,084	(10,744)	806
Interest	63	888	3	(948)	-
Concessions	1,682	78,283	45,817	(31,636)	2,512

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Student Pop	622	1,475	1,099	-	998
Pioneer Club	981	6,862	3,129	460	5,174
Student Council	1,909	953	654	172	2,380
Student Council Milk	878	-	-	-	878
Cheerleaders - Football	1,011	414	695	256	986
Cheerleaders - Basketball	22	-	-	600	622
Cheerleaders - Wrestling	631	-	250	256	637
Drill Team	316	240	227	42	371
Prom	3,835	1,667	2,892	1,031	3,641
Annual	3,931	2,345	636	-	5,640
Spanish Club	6,987	4,752	8,871	1,062	3,930
Science Club	1,368	-	-	-	1,368
FFA	3,879	15,849	9,982	688	10,434
FFA - Fruit Sales	29,075	21,417	23,401	890	27,981
Thespian Club	2,220	-	-	-	2,220
Art Appreciation	-	-	(317)	-	317
Art Society Fundraiser	2,816	1,932	2,308	344	2,784
Industrial Arts Club	2,002	-	-	-	2,002
Academic Awards	96	-	-	-	96
Key Club	1,974	900	984	-	1,890
HS Spec Ed Club	2,758	-	(515)	172	3,445
Elementary	279	-	688	688	279
EL/MS Special Ed Club	80	25	-	-	105
OES Character Counts	158	-	-	-	158
Elementary K-Kids Club	322	-	-	-	322
MS Student Senate	178	117	-	-	295
MS Concessions	993	4,648	3,849	-	1,792
OMS TAG - Boston Trip	2,830	-	2,894	64	-
MS Magazine Sales	9,946	9,460	6,451	(782)	12,173
MS Spirit Club	398	-	-	-	398
MS Builders Club	239	-	-	-	239
Needs Fund	4,823	75	682	-	4,216
Needs Fund - Athletics	250	-	-	-	250
MS Archery Club	53	-	-	-	53
Total	\$ 126,975	228,106	207,819	-	147,262

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2015

	<u>Medical</u>	<u>Flex</u>	<u>Total</u>
ASSETS			
Cash and pooled investments	\$ 223,859	33,562	257,421
LIABILITIES			
	-	-	-
NET POSITION			
Unrestricted	\$ 223,859	33,562	257,421

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Medical</u>	<u>Flex</u>	<u>Total</u>
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 1,123,289	77,633	1,200,922
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	1,101,669	74,089	1,175,758
Services	13,116	-	13,116
TOTAL OPERATING EXPENSES	<u>1,114,785</u>	<u>74,089</u>	<u>1,188,874</u>
OPERATING INCOME	<u>8,504</u>	<u>3,544</u>	<u>12,048</u>
NON-OPERATING REVENUES:			
Interest income	<u>1,349</u>	<u>-</u>	<u>1,349</u>
Change in net position	9,853	3,544	13,397
Net position beginning of year	<u>214,006</u>	<u>30,018</u>	<u>244,024</u>
Net position end of year	<u>\$ 223,859</u>	<u>33,562</u>	<u>257,421</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2015

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,124,218	77,633	1,201,851
Cash payments to suppliers for goods or services	(1,114,785)	(74,089)	(1,188,874)
Net cash provided by operating activities	<u>9,433</u>	<u>3,544</u>	<u>12,977</u>
Cash flows from investing activities:			
Interest on investments	<u>1,349</u>	-	<u>1,349</u>
Net increase in cash and cash equivalents	10,782	3,544	14,326
Cash and cash equivalents at beginning of year	<u>213,077</u>	<u>30,018</u>	<u>243,095</u>
Cash and cash equivalents at end of year	<u>\$ 223,859</u>	<u>33,562</u>	<u>257,421</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:			
Operating income	\$ 8,504	3,544	12,048
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	929	-	929
Net cash provided by operating activities	<u>\$ 9,433</u>	<u>3,544</u>	<u>12,977</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Accounts						
	Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	Total
ASSETS							
Cash and pooled investments	\$ 4,106	9,173	1,382	1,358	12,800	1,455	30,274
LIABILITIES	-	-	-	-	-	-	-
NET POSITION							
Held in trust for scholarships	\$ 4,106	9,173	1,382	1,358	12,800	1,455	30,274

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Accounts						
	Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	Total
ADDITIONS:							
Local sources:							
Interest	\$ -	63	-	-	-	6	69
Contributions	-	-	-	-	7,500	-	7,500
TOTAL ADDITIONS	-	63	-	-	7,500	6	7,569
DEDUCTIONS:							
Instruction:							
Regular:							
Scholarships awarded	-	1,000	500	600	6,500	-	8,600
Change in net position	-	(937)	(500)	(600)	1,000	6	(1,031)
Net position beginning of year	4,106	10,110	1,882	1,958	11,800	1,449	31,305
Net position end of year	\$ 4,106	9,173	1,382	1,358	12,800	1,455	30,274

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 8,416,936	8,245,509	9,307,576	8,762,689	9,031,113	8,530,278	7,995,383	7,425,261	7,804,516	6,866,765
Tuition	740,267	676,678	728,443	849,882	710,323	616,747	492,471	565,965	547,104	471,660
Other	567,939	363,608	499,144	411,369	418,119	418,349	545,049	471,259	695,224	401,532
Intermediate sources	-	3,219	500	3,580	2,700	-	-	-	-	-
State sources	1,976,975	2,072,949	863,683	1,069,971	980,673	416,163	1,432,268	1,945,081	1,830,669	2,085,303
Federal sources	281,053	280,565	240,535	383,261	461,724	938,420	702,721	180,647	259,106	288,506
Total	\$ 11,983,170	11,642,528	11,639,881	11,480,752	11,604,652	10,919,957	11,167,892	10,588,213	11,136,619	10,113,766
Expenditures:										
Instruction:										
Regular	\$ 4,780,920	4,801,035	4,604,206	4,187,462	4,242,024	4,133,788	4,182,045	3,835,710	3,767,315	3,659,712
Special	1,819,818	1,618,860	1,638,770	1,499,152	1,473,944	1,353,992	1,324,689	1,305,797	1,234,842	1,164,236
Other	1,427,471	1,387,424	1,286,264	1,249,650	1,269,808	1,225,056	1,244,589	876,267	851,826	845,396
Support services:										
Student	252,578	237,170	245,561	363,459	254,227	259,635	229,474	305,035	443,438	474,575
Instructional staff	264,382	203,702	337,090	264,126	520,624	254,432	245,583	339,627	322,767	558,304
Administration	1,259,792	1,195,400	1,084,608	1,028,400	1,074,838	1,011,057	846,376	843,449	827,716	787,710
Operation and maintenance of plant	910,289	867,501	832,248	738,547	865,116	794,111	808,885	882,472	822,464	751,089
Transportation	490,754	466,920	484,065	427,325	465,630	388,581	428,071	393,666	438,837	361,773
Capital outlay	2,842,648	806,306	242,735	660,406	2,787,053	297,105	500,647	125,360	592,510	1,058,877
Long-term debt:										
Principal	2,347,609	353,510	574,778	357,861	612,748	777,689	747,805	714,338	873,086	973,509
Interest and fiscal charges	86,517	85,647	109,848	118,807	106,831	40,737	68,043	88,620	116,630	137,364
Other expenditures:										
AEA flow-through	394,068	390,437	351,173	334,755	372,750	358,743	320,746	312,783	307,878	288,255
Total	\$ 16,876,846	12,413,912	11,791,346	11,229,950	14,045,593	10,894,926	10,946,953	10,023,124	10,599,309	11,060,800

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Okoboji Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control 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 I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

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

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

Okoboji Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Okoboji 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.

April 14, 2016
Newton, Iowa

OKOBOJI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

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

1) Receipts - recording, journalizing, posting and reconciling.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

I-B-15 Pre-Numbered Receipts - During our audit we noted that the District does use pre-numbered receipts, however, we noted the District's central office was not receiving copy of receipts given for revenue received.

Recommendation - The District should implement procedures so that copies of all receipts are sent to the central office. This allows for better internal control over cash collections. It also enables the person responsible for bank and deposit reconciliations to be able to reconcile cash collected to the amounts deposited.

Response - We will have buildings send the central office a copy of the pre-numbered receipt given for cash received.

Conclusion - Response accepted.

I-C-15 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an 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 the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

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 the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at 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 - We will implement internal control procedures for handling cash for all activity events.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We have implemented procedures to notify families that their lunch balance is getting low to try to prevent negative balances from happening. We have also set up a system to work with families with negative balances to complete a free and reduced lunch application.

Conclusion - Response accepted.

I-E-15 Board Policies - We noted during our audit the District’s board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take

steps to review board policies in a timelier manner and document when the policy were reviewed and approved in the District's board minutes and on the policies themselves.

Response - We have set-up a review schedule for board policies. The last series of policies have been updated since 2015 audit.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the support service 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 - We will amend our budget in the future if needed.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted during our audit a disbursement for prizes to be awarded to students who were top sellers for fundraiser. Giving prizes to students for being top sellers does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students to be in compliance with Attorney General's opinion dated April 25, 1979.

Response - We will not disburse prizes to award students who were top sellers for a fundraiser.

Conclusion - Response accepted.

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

II-D-15 Business Transactions - No business transactions between the District and District officials were noted.

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

II-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated 0.609 for the fall of 2014.

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

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

Conclusion - Response accepted.

- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.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		\$ 181,454
Revenues:		
Sales Tax Revenues	\$ 874,811	
Other Local Revenues	2,976	
Sales of Long-Term Debt	2,060,801	
Transfer from Other Funds	390,890	
Other	104,393	
	3,433,871	3,615,325
Expenditures/Transfers out:		
School Infrastructure Construction	\$ 229,361	
Equipment	21,646	
Other	4,699	
Transfers to Other Funds		
Debt Service Fund	2,653,036	2,908,742
	2,908,742	
Ending balance		\$ 706,583

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

- II-M-15 Student Activity - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library

book fines, fees, rents, or sales, textbook/library book purchases, sale of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in the department of education administrative rules (298A.8). More detailed examples of our findings are as follows:

Inactive Accounts: Noted a six accounts in the Student Activity Fund that are carrying a balance with no activity for the past two years. The accounts include the MS Spirit Club, MS Builders Club, MS Archery Club, K-Kids Club, Science Club and Student Council Milk Club.

Recommendation - The District should evaluate these accounts to determine if these clubs are still active. If these clubs are determined to be inactive the remaining balance should be reallocated to other accounts within the Student Activity Fund with the approval of the Board of Directors.

Response - We will evaluate the six accounts noted to determine if they are still active. If it is determined they are not active we will reallocate the funds within the Student Activity Fund as approved by the board.

Conclusion - Response accepted.

Questioned Accounts: We noted during our audit the District is maintaining an OES Character Counts, Needs Fund, Needs Fund-Athletics, Academic Awards, Elementary account within the Student Activity Fund. These accounts do not appear to be student run organizations and do not appear to be extracurricular in nature.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. The accounts mentioned above appear to be administratively maintained, rather than maintained by a club or organization. These accounts would appear to be more appropriately accounted for in the District's General Fund.

Response - We will evaluate the accounts listed to determine if they would be more appropriately accounted for in the General Fund.

Conclusion - Response accepted.

II-N-15 **Financial Condition** - The District's governmental activities had deficit unrestricted net position of \$3,405,743 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 - The deficit in the governmental activities is due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.