

OSAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Osage Community School District

Officials

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

Konnie Snider	President	2015
Herb Wright	Vice President	2015
Doug Lang	Board Member	2015
Rick Sletten	Board Member	2017
Tracey Mooberry	Board Member	2017

School Officials

Steve Bass	Superintendent	2015
Helen Burrington	Board Secretary/Treasurer	2015
Aaron Murphy	Attorney	2015
Ahlers & Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Osage 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 Osage Community School District, Osage, 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 Osage Education Foundation have not been audited, and we were not engaged to audit the Osage Education Foundation financial statements as part of our audit of the Osage Community School District's basic financial statements. The Osage Education 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 Osage Education Foundation's financial statements and because we did not apply any auditing procedures to the Osage Education 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 Osage 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 13 to the financial statements, Osage 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 combining statements for the discretely presented component unit on pages 7 through 16 and 44 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage 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 eight 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 year ended June 30, 2006 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of Osage Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Osage Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,090,812 in fiscal year 2014 to \$9,253,975 in fiscal year 2015, while General Fund expenditures increased from \$9,173,186 in fiscal year 2014 to \$9,608,715 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$2,905,636 at June 30, 2014 to \$2,550,896 at June 30, 2015, a 12.21% decrease from the prior year.
- An increase in state source revenues contributed to the increase in General Fund revenues as compared to the prior year while the increase in expenses was due primarily to an increase in negotiated salaries and benefits paid to District employees.
- The District received \$888,889 in statewide sales, services and use tax revenue during the year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Osage 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 Osage 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 Osage Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 and the financial statements for the discretely presented component unit.

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.

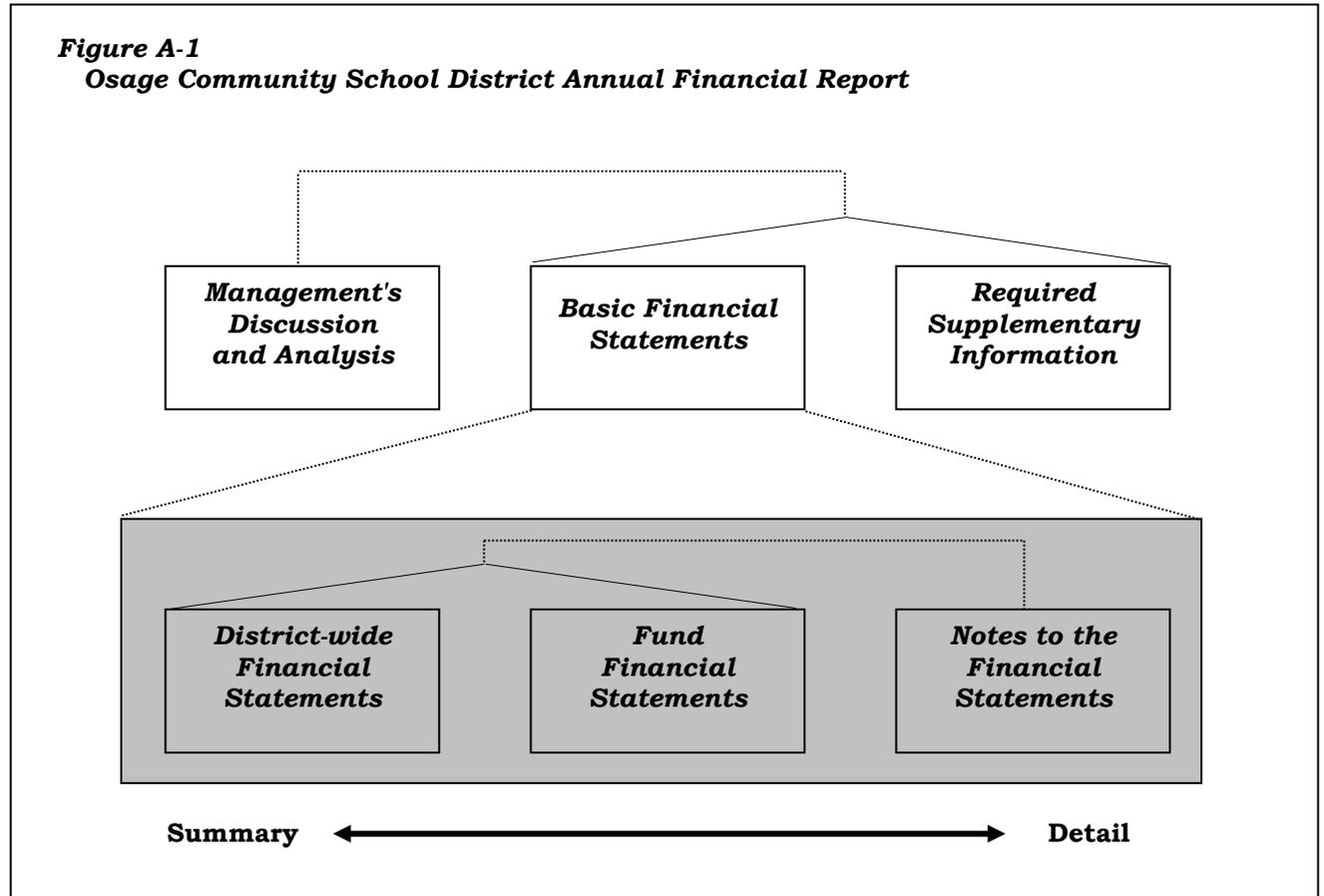


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are 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 program is included here.
- *Component Unit:* The Osage Education Foundation was established for the purpose of giving financial assistance to the Osage Community School District by providing post high school scholarship support to graduates of the school district.

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, the Special Revenue Funds, the Debt Service and the Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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's Enterprise Fund is the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one internal service fund which is used to account for the partially self-funded health insurance operations of the District.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 12,024,196	11,638,613	169,920	171,139	12,194,116	11,809,752	3.25%
Capital assets	8,141,589	8,361,547	95,913	82,241	8,237,502	8,443,788	-2.44%
Total assets	<u>20,165,785</u>	<u>20,000,160</u>	<u>265,833</u>	<u>253,380</u>	<u>20,431,618</u>	<u>20,253,540</u>	<u>0.88%</u>
Deferred outflows of resources	683,815	-	17,545	-	701,360	-	100.00%
Long-term liabilities	3,518,281	373,953	87,894	3,051	3,606,175	377,004	856.53%
Other liabilities	1,190,321	1,238,939	16,061	15,180	1,206,382	1,254,119	-3.81%
Total liabilities	<u>4,708,602</u>	<u>1,612,892</u>	<u>103,955</u>	<u>18,231</u>	<u>4,812,557</u>	<u>1,631,123</u>	<u>195.05%</u>
Deferred inflows of resources	5,138,991	3,857,293	30,604	-	5,169,595	3,857,293	34.02%
Net position:							
Net investment in capital assets	7,926,589	8,046,547	95,913	82,241	8,022,502	8,128,788	-1.31%
Restricted	3,654,253	2,941,419	-	-	3,654,253	2,941,419	24.23%
Unrestricted	(578,835)	3,542,009	52,906	152,908	(525,929)	3,694,917	-114.23%
Total net position	<u>\$ 11,002,007</u>	<u>14,529,975</u>	<u>148,819</u>	<u>235,149</u>	<u>11,150,826</u>	<u>14,765,124</u>	<u>-24.48%</u>

The District's total net position decreased by 24.48% or \$3,614,298, from the prior year. The largest portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents 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 \$712,834, or 24.23% from the prior year. The increase in restricted net position is primarily attributable to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$4,220,846 or 114.23%. 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 \$3,927,045 and \$99,867, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 859,978	825,547	250,330	248,085	1,110,308	1,073,632	3.42%	
Operating grants, contributions and restricted interest	809,628	766,464	223,315	219,723	1,032,943	986,187	4.74%	
General revenues:								
Property tax	3,866,869	3,849,441	-	-	3,866,869	3,849,441	0.45%	
Income surtax	134,938	179,004	-	-	134,938	179,004	-24.62%	
Statewide sales, services, and use tax	888,889	818,277	-	-	888,889	818,277	8.63%	
Unrestricted state grants	4,764,602	4,664,309	-	-	4,764,602	4,664,309	2.15%	
Unrestricted investment earnings	48,263	41,068	637	603	48,900	41,671	17.35%	
Other	26,442	65,807	7,013	3,078	33,455	68,885	-51.43%	
Total revenues	11,399,609	11,209,917	481,295	471,489	11,880,904	11,681,406	1.71%	
Program expenses:								
Instruction	7,260,351	6,555,012	-	-	7,260,351	6,555,012	10.76%	
Support services	3,009,950	2,898,129	2,346	4,285	3,012,296	2,902,414	3.79%	
Non-instructional programs	-	-	465,412	451,357	465,412	451,357	3.11%	
Other expenses	730,231	720,449	-	-	730,231	720,449	1.36%	
Total expenses	11,000,532	10,173,590	467,758	455,642	11,468,290	10,629,232	7.89%	
Change in net position	399,077	1,036,327	13,537	15,847	412,614	1,052,174	-60.78%	
Net position beginning of year, as restated	10,602,930	13,493,648	135,282	219,302	10,738,212	13,712,950	-21.69%	
Net position end of year	\$ 11,002,007	14,529,975	148,819	235,149	11,150,826	14,765,124	-24.48%	

In fiscal year 2015, property tax and unrestricted state grants accounted for 75.72% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 98.41% of the revenue from business type activities.

The District's total revenues were approximately \$11.88 million, of which approximately \$11.40 million was for governmental activities and approximately \$0.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.71% increase in revenues and a 7.89% increase in expenses. The increase in revenues can be attributed to an increase in unrestricted state grant revenues received while the increase in expenses occurred primarily in the instruction functional area compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$11,399,609 and expenses were \$11,000,532 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	\$ 7,260,351	6,555,012	10.76%	6,016,724	5,374,869	11.94%
Support services	3,009,950	2,898,129	3.86%	2,976,958	2,861,074	4.05%
Other expenses	730,231	720,449	1.36%	337,244	345,636	-2.43%
Totals	\$ 11,000,532	10,173,590	8.13%	9,330,926	8,581,579	8.73%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$859,978.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$809,628.
- The net cost of governmental activities was financed with \$3,866,969 in property tax, \$134,938 in income surtax, \$888,889 in statewide sales, services and use tax, \$4,764,602 in unrestricted state grants, \$48,263 in interest income and \$26,442 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015 were \$481,295 and expenses totaled \$467,758. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Osage 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 \$5,795,724, above last year's ending fund balances of \$5,451,984. This increase is primarily due to the increase in the fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,905,636 at June 30, 2014 to \$2,550,896 at June 30, 2015. The decrease in the District's General Fund financial position is the product of many factors. An increase in state source revenues during the year led to an increase in revenues. However, the increase in revenues was more than offset by the increase in expenditures caused primarily by an increase in negotiated salaries and benefits paid to District employees. Total expenditures outpaced total revenues during the resulting ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance increased from \$1,789,050 at June 30, 2014 to \$2,524,649 at June 30, 2015. An increase in sales tax revenue received as compared to the prior year contributed to revenues exceeding expenditures.

Proprietary Fund Highlights

- The Enterprise, School Nutrition Fund net position increased from \$135,282, restated as of July 1, 2014, to \$148,819 at June 30, 2015, representing an increase of approximately 10.01%. Revenues increased \$9,806 and expenses increased \$12,116 when compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Osage Community School District amended its budget one time to reflect increased costs in the support services and non-instructional programs functional areas.

The District's revenues were \$121,457 more than budgeted revenues, a variance of 1.03%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$8,237,502, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.44% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$527,653.

The original cost of the District's capital assets was \$15,933,433. Governmental funds accounted for \$15,668,419 with the remainder of \$265,014 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$16,506 at June 30, 2014, compared to \$0 reported at June 30, 2015. The decrease was caused by the reclassification of the middle school and gymnasium renovation projects completed during the year.

	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	\$ 422,000	422,000	-	-	422,000	422,000	0.00%
Construction in progress	-	16,506	-	-	-	16,506	-100.00%
Buildings	6,512,833	6,681,404	-	-	6,512,833	6,681,404	-2.52%
Land Improvements	362,584	387,768	-	-	362,584	387,768	-6.49%
Machinery and equipment	844,172	853,869	95,913	82,241	940,085	936,110	0.42%
Total	<u>\$ 8,141,589</u>	<u>8,361,547</u>	<u>95,913</u>	<u>82,241</u>	<u>8,237,502</u>	<u>8,443,788</u>	<u>-2.44%</u>

Long-Term Debt

At June 30, 2015, the District had \$3,606,175 in long-term debt outstanding. This represents an increase of 856.53% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

At June 30, 2015, the District had outstanding energy loan notes of \$215,000 payable from the General Fund.

At June 30, 2015, the District had total net pension liability of \$3,235,737. \$3,155,491 of this total was attributable to the District's governmental activities, while the remaining \$80,246 was attributable to the District's business type activities.

At June 30, 2015, the District had total net OPEB liability of \$155,438. \$147,790 of this total was attributable to the District's governmental activities, while the remaining \$7,648 was attributable to the District's business type activities.

	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
Energy loan notes	\$ 215,000	315,000	-	-	215,000	315,000	-31.75%
Net pension liability	3,155,491	-	80,246	-	3,235,737	-	100.00%
Net OPEB liability	147,790	58,953	7,648	3,051	155,438	62,004	150.69%
Total	<u>\$ 3,518,281</u>	<u>373,953</u>	<u>87,894</u>	<u>3,051</u>	<u>3,606,175</u>	<u>377,004</u>	<u>856.53%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low and unknown supplemental state aid rate over several years and enrollment fluctuations may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The legislature needs to set the cost per pupil as required to allow school districts to meet planning, budgeting, and bargaining deadlines, as well as fully engage in school reform efforts.

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 Helen Burrington, Board Secretary/Treasurer, Osage Community School District, 820 Sawyer Drive, Osage, Iowa, 50461.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Osage Education Foundation
Assets				
Cash and pooled investments	\$ 7,653,684	149,784	7,803,468	494,004
Receivables:				
Property tax:				
Delinquent	46,374	-	46,374	-
Succeeding year	3,935,578	-	3,935,578	-
Income surtax	115,062	-	115,062	-
Due from other governments	273,498	-	273,498	-
Inventories	-	20,136	20,136	-
Capital assets, net of accumulated depreciation	8,141,589	95,913	8,237,502	-
Total assets	20,165,785	265,833	20,431,618	494,004
Deferred Outflows of Resources				
Pension related deferred outflows	683,815	17,545	701,360	-
Liabilities				
Accounts payable	117,332	-	117,332	-
Salaries and benefits payable	1,072,200	6,957	1,079,157	-
Accrued interest payable	789	-	789	-
Unearned revenue	-	9,104	9,104	-
Long-term liabilities:				
Portion due within one year:				
Energy loan notes payable	105,000	-	105,000	-
Portion due after one year:				
Energy loan notes payable	110,000	-	110,000	-
Net pension liability	3,155,491	80,246	3,235,737	-
Net OPEB liability	147,790	7,648	155,438	-
Total liabilities	4,708,602	103,955	4,812,557	-
Deferred Inflows of Resources				
Unavailable property tax revenues	3,935,578	-	3,935,578	-
Pension related deferred inflows	1,203,413	30,604	1,234,017	-
Total deferred inflows of resources	5,138,991	30,604	5,169,595	-
Net Position				
Net investment in capital assets	7,926,589	95,913	8,022,502	-
Held in trust for scholarships	-	-	-	352,722
Restricted for:				
Categorical funding	409,425	-	409,425	-
Management levy purposes	548,335	-	548,335	-
Student activities	103,800	-	103,800	-
Support trust purposes	68,044	-	68,044	-
School infrastructure	1,836,988	-	1,836,988	-
Physical plant and equipment	687,661	-	687,661	-
Unrestricted	(578,835)	52,906	(525,929)	141,282
Total net position	\$ 11,002,007	148,819	11,150,826	494,004

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Net (Expense) Revenue and Changes in Net Position						Component Unit Osage Education Foundation
	Program Revenues			Primary Government			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 4,474,898	309,551	30,238	(4,135,109)	-	(4,135,109)	-
Special	1,117,581	42,117	85,795	(989,669)	-	(989,669)	-
Other	1,667,872	508,310	267,616	(891,946)	-	(891,946)	-
	<u>7,260,351</u>	<u>859,978</u>	<u>383,649</u>	<u>(6,016,724)</u>	<u>-</u>	<u>(6,016,724)</u>	<u>-</u>
Support services:							
Student	195,728	-	27,792	(167,936)	-	(167,936)	-
Instructional staff	371,353	-	5,200	(366,153)	-	(366,153)	-
Administration	1,065,430	-	-	(1,065,430)	-	(1,065,430)	-
Operation and maintenance of plant	850,144	-	-	(850,144)	-	(850,144)	-
Transportation	527,295	-	-	(527,295)	-	(527,295)	-
	<u>3,009,950</u>	<u>-</u>	<u>32,992</u>	<u>(2,976,958)</u>	<u>-</u>	<u>(2,976,958)</u>	<u>-</u>
Long-term debt interest	13,523	-	-	(13,523)	-	(13,523)	-
Other expenses:							
AEA flowthrough	392,987	-	392,987	-	-	-	-
Depreciation(unallocated)*	323,721	-	-	(323,721)	-	(323,721)	-
	<u>716,708</u>	<u>-</u>	<u>392,987</u>	<u>(323,721)</u>	<u>-</u>	<u>(323,721)</u>	<u>-</u>
Total governmental activities	<u>11,000,532</u>	<u>859,978</u>	<u>809,628</u>	<u>(9,330,926)</u>	<u>-</u>	<u>(9,330,926)</u>	<u>-</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	2,346	-	-	-	(2,346)	(2,346)	-
Non-instructional programs:							
Food service operations	465,412	250,330	223,315	-	8,233	8,233	-
Total business type activities	467,758	250,330	223,315	-	5,887	5,887	-
Total primary government	<u>\$ 11,468,290</u>	<u>1,110,308</u>	<u>1,032,943</u>	<u>(9,330,926)</u>	<u>5,887</u>	<u>(9,325,039)</u>	<u>-</u>
Total component unit	<u>\$ 58,668</u>	<u>-</u>	<u>87,635</u>				<u>28,967</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,359,683	-	3,359,683	-
Capital outlay				507,186	-	507,186	-
Income surtax				134,938	-	134,938	-
Statewide sales, services and use tax				888,889	-	888,889	-
Unrestricted state grants				4,764,602	-	4,764,602	-
Unrestricted investment earnings				48,263	637	48,900	4,916
Other				26,442	7,013	33,455	26,381
Total general revenues				<u>9,730,003</u>	<u>7,650</u>	<u>9,737,653</u>	<u>31,297</u>
Change in net position				399,077	13,537	412,614	60,264
Net position beginning of year, as restated				<u>10,602,930</u>	<u>135,282</u>	<u>10,738,212</u>	<u>433,740</u>
Net position end of year				<u>\$ 11,002,007</u>	<u>148,819</u>	<u>11,150,826</u>	<u>494,004</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 3,561,227	2,383,367	720,790	6,665,384
Receivables:				
Property tax:				
Delinquent	38,161	5,770	2,443	46,374
Succeeding year	3,219,233	516,345	200,000	3,935,578
Income surtax	57,531	57,531	-	115,062
Due from other governments	135,509	137,989	-	273,498
Total assets	\$ 7,011,661	3,101,002	923,233	11,035,896
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 112,338	2,477	2,517	117,332
Salaries and benefits payable	1,071,663	-	537	1,072,200
Total liabilities	1,184,001	2,477	3,054	1,189,532
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,219,233	516,345	200,000	3,935,578
Income surtax	57,531	57,531	-	115,062
Total deferred inflows of resources	3,276,764	573,876	200,000	4,050,640
Fund balances:				
Restricted for:				
Categorical funding	409,425	-	-	409,425
Management levy purposes	-	-	548,335	548,335
Student activities	-	-	103,800	103,800
Support trust purposes	-	-	68,044	68,044
School infrastructure	-	1,836,988	-	1,836,988
Physical plant and equipment	-	687,661	-	687,661
Assigned	73,856	-	-	73,856
Unassigned	2,067,615	-	-	2,067,615
Total fund balances	2,550,896	2,524,649	720,179	5,795,724
Total liabilities, deferred inflows of resources and fund balances	\$ 7,011,661	3,101,002	923,233	11,035,896

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE 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)		\$ 5,795,724
<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.		8,141,589
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(789)
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		988,300
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.		115,062
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	\$ 683,815	
Deferred inflows of resources	<u>(1,203,413)</u>	(519,598)
Long-term liabilities, including energy loan notes payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,518,281)</u>
Net position of governmental activities(page 18)		<u><u>\$ 11,002,007</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,218,209	566,030	200,318	3,984,557
Tuition	265,889	-	-	265,889
Other	215,695	10,733	461,061	687,489
State sources	5,295,009	893,347	1,694	6,190,050
Federal sources	254,374	-	-	254,374
Total revenues	<u>9,249,176</u>	<u>1,470,110</u>	<u>663,073</u>	<u>11,382,359</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,160,591	273,944	109,322	4,543,857
Special	1,136,921	-	-	1,136,921
Other	1,237,869	-	457,260	1,695,129
	<u>6,535,381</u>	<u>273,944</u>	<u>566,582</u>	<u>7,375,907</u>
Support services:				
Student	202,471	-	-	202,471
Instructional staff	374,472	-	-	374,472
Administration	931,318	153,990	13,651	1,098,959
Operation and maintenance of plant	607,010	8,278	104,939	720,227
Transportation	451,187	20,481	15,020	486,688
	<u>2,566,458</u>	<u>182,749</u>	<u>133,610</u>	<u>2,882,817</u>
Capital outlay	-	292,802	-	292,802
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	13,889	13,889
	<u>-</u>	<u>-</u>	<u>113,889</u>	<u>113,889</u>
Other expenditures:				
AEA flowthrough	392,987	-	-	392,987
Total expenditures	<u>9,494,826</u>	<u>749,495</u>	<u>814,081</u>	<u>11,058,402</u>
Excess(Deficiency) of revenues over(under) expenditures	(245,650)	720,615	(151,008)	323,957
Other financing sources(uses):				
Transfer in	-	-	113,889	113,889
Transfer out	(113,889)	-	-	(113,889)
Sale of equipment	1,940	-	-	1,940
Insurance proceeds	2,859	14,984	-	17,843
Total other financing sources(uses)	<u>(109,090)</u>	<u>14,984</u>	<u>113,889</u>	<u>19,783</u>
Change in fund balances	(354,740)	735,599	(37,119)	343,740
Fund balances beginning of year	<u>2,905,636</u>	<u>1,789,050</u>	<u>757,298</u>	<u>5,451,984</u>
Fund balances end of year	<u>\$ 2,550,896</u>	<u>2,524,649</u>	<u>720,179</u>	<u>5,795,724</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE 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) \$ 343,740

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

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

Capital outlay	\$ 293,706	
Depreciation expense	<u>(513,664)</u>	(219,958)

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance on an entity-wide basis. (5,440)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of net Position. 100,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 366

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 17,250

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. 492,326

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

Pension expense	(240,370)	
Other postemployment benefits	<u>(88,837)</u>	<u>(329,207)</u>

Change in net position of governmental activities(page 19) \$ 399,077

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 149,784	988,300
Inventories	20,136	-
	<u>169,920</u>	<u>988,300</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	95,913	-
Total assets	<u>265,833</u>	<u>988,300</u>
Deferred Outflows of Resources		
Pension related deferred outflows	17,545	-
Liabilities		
Current liabilities:		
Salaries and benefits payable	6,957	-
Unearned revenue	9,104	-
	<u>16,061</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	80,246	
Net OPEB liability	7,648	-
	<u>87,894</u>	<u>-</u>
Total liabilities	<u>103,955</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	30,604	-
Net Position		
Net investment in capital assets	95,913	-
Unrestricted	52,906	988,300
Total net position	<u>\$ 148,819</u>	<u>988,300</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE 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	
Operating revenues:		
Local sources:		
Charges for service	\$ 250,330	-
Miscellaneous	7,013	-
Total operating revenues	<u>257,343</u>	<u>-</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant:		
Services	2,346	-
Non-instructional programs:		
Food service operations:		
Salaries	149,349	-
Benefits	81,047	-
Services	1,630	-
Supplies	219,397	-
Other	-	-
Depreciation	13,989	-
	<u>465,412</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	5,440
Total operating expenses	<u>467,758</u>	<u>5,440</u>
Operating loss	(210,415)	(5,440)
Non-operating revenues:		
Interest income	637	-
State sources	4,036	-
Federal sources	219,279	-
Total non-operating revenues	<u>223,952</u>	<u>-</u>
Change in net position	13,537	(5,440)
Net position beginning of year, as restated	<u>135,282</u>	<u>993,740</u>
Net position end of year	<u>\$ 148,819</u>	<u>988,300</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE 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	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 251,296	-
Cash received from miscellaneous operating activities	7,013	-
Cash payments to employees for services	(232,446)	-
Cash payments to suppliers for goods or services	(171,723)	(5,440)
Net cash used in operating activities	<u>(145,860)</u>	<u>(5,440)</u>
Cash flows from non-capital financing activities:		
State grants received	4,036	-
Federal grants received	169,434	-
Net cash provided by non-capital financing activities	<u>173,470</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(27,661)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>637</u>	<u>-</u>
Net increase(decrease) in cash and pooled investments	586	(5,440)
Cash and pooled investments beginning of year	<u>149,198</u>	<u>993,740</u>
Cash and pooled investments end of year	<u>\$ 149,784</u>	<u>988,300</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (210,415)	(5,440)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	49,845	-
Depreciation	13,989	-
Decrease in inventories	1,805	-
Decrease in salaries and benefits payable	(85)	-
Decrease in net pension liability	(31,445)	-
Increase in deferred outflows of resources	(5,721)	-
Increase in deferred inflows of resources	30,604	-
Increase in other postemployment benefits	4,597	-
Net cash used in operating activities	<u>\$ (146,826)</u>	<u>(5,440)</u>

Non-cash investing, capital and related financing:

During the year ended June 30, 2015, the District received \$49,845 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private- Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	<u>\$ 819,964</u>
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u><u>\$ 819,964</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private- Purpose Trust Scholarships
Additions:	
Local sources:	
Interest income	\$ 10,708
Donations	79
	10,787
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	20,600
Change in net position	(9,813)
Net position beginning of year	829,777
Net position end of year	\$ 819,964

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

Osage Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Osage, Orchard and Mitchell, Iowa and the predominate agricultural territory in Mitchell and Floyd 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, Osage 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 Osage Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Osage Education Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of giving financial assistance to the Osage Community School District and granting scholarships to its students who will attend community colleges and universities. The Foundation is governed by a Board of Directors approved by the Osage Community School Board.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mitchell and Floyd 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 the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the partially self-funded health insurance operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is as follows:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible

within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments - 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, 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	\$ 500
Buildings	500
Land improvements	500
Intangibles	75,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 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 annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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.

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

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

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

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

Assigned - Amounts the Board intends to use for specific purposes.

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 amounts budget in the other expenditures functional area.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$20,066 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

(3) **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	\$ 422,000	-	-	422,000
Construction in progress	16,506	113,460	129,966	-
Total capital assets not being depreciated	<u>438,506</u>	<u>113,460</u>	<u>129,966</u>	<u>422,000</u>
Capital assets being depreciated:				
Buildings	11,104,716	129,966	-	11,234,682
Land improvements	501,514	-	-	501,514
Machinery and equipment	3,374,877	180,246	44,900	3,510,223
Total capital assets being depreciated	<u>14,981,107</u>	<u>310,212</u>	<u>44,900</u>	<u>15,246,419</u>
Less accumulated depreciation for:				
Buildings	4,423,312	298,537	-	4,721,849
Land improvements	113,746	25,184	-	138,930
Machinery and equipment	2,521,008	189,943	44,900	2,666,051
Total accumulated depreciation	<u>7,058,066</u>	<u>513,664</u>	<u>44,900</u>	<u>7,526,830</u>
Total capital assets being depreciated, net	<u>7,923,041</u>	<u>(203,452)</u>	<u>-</u>	<u>7,719,589</u>
Governmental activities capital assets, net	<u>\$ 8,361,547</u>	<u>(89,992)</u>	<u>129,966</u>	<u>8,141,589</u>
Business type activities:				
Machinery and equipment	\$ 237,353	27,661	-	265,014
Less accumulated depreciation	155,112	13,989	-	169,101
Business type activities capital assets, net	<u>\$ 82,241</u>	<u>13,672</u>	<u>-</u>	<u>95,913</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 80,892
Other	16,980
Support services:	
Administration	4,983
Operation and maintenance of plant	22,237
Transportation	64,851
	<u>189,943</u>
Unallocated depreciation	<u>323,721</u>
Total governmental activities depreciation expense	<u>\$ 513,664</u>
Business type activities:	
Food service operations	<u>\$ 13,989</u>

(4) Long-Term Liabilities

A summary of changes in long-term debt 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:					
Energy loan notes	\$ 315,000	-	100,000	215,000	105,000
Net pension liability	4,391,978	-	1,236,487	3,155,491	-
Net OPEB liability	58,953	88,837	-	147,790	-
Total	\$ 4,706,978	-	1,336,487	3,518,281	105,000
Business type activities:					
Net pension liability	\$ 111,691	-	31,445	80,246	-
Net OPEB liability	3,051	4,597	-	7,648	-
Total	\$ 114,742	4,597	31,445	87,894	-

Energy Loan Notes

Details of the District's June 30, 2015 energy loan notes indebtedness is as follows:

Year Ending June 30,	Energy Loan Notes dated March 1, 2007			
	Interest Rate	Principal	Interest	Total
2016	4.40%	\$ 105,000	9,460	114,460
2017	4.40	110,000	4,840	114,840
Total		\$ 215,000	14,300	229,300

(5) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 113,889

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the District's energy loan note indebtedness.

(6) **Pension Plan**

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on

the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$505,002.

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 \$3,235,737 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 0.079952 percent, which was an increase of 0.000410 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$246,484. 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	\$ 35,166	\$ -
Changes of assumptions	142,800	-
Net difference between projected and actual earnings on pension plan investments	-	1,234,017
Changes in proportion and differences between District contributions and proportionate share of contributions	18,392	-
District contributions subsequent to the measurement date	<u>505,002</u>	-
Total	<u>\$ 701,360</u>	<u>\$ 1,234,017</u>

\$505,002 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	\$ (262,626)
2017	(262,626)
2018	(262,626)
2019	(262,626)
2020	12,845
	<u>\$ (1,037,659)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 6,113,835	\$ 3,235,737	\$ 806,325

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 \$69,462 for legally required employer contributions and \$46,282 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 97 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability. Participants in the District's early retirement program receive District contributions toward health insurance premiums until the retiree becomes eligible for Medicare which result in an explicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 135,363
Interest on net OPEB obligation	1,550
Adjustment to annual required contribution	<u>6,115</u>
Annual OPEB cost	143,028
Contributions made	<u>(49,594)</u>
Increase in net OPEB obligation	93,434
Net OPEB obligation beginning of year	<u>62,004</u>
Net OPEB obligation end of year	<u><u>\$ 155,438</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 148,745	40.71%	\$ (26,467)
2014	137,530	35.67	62,004
2015	143,028	34.67	155,438

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 \$817,093, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$817,093. The covered payroll (annual payroll of active employees covered by the plan) was \$5,441,571 and the ratio of the UAAL to covered payroll was 15.02%. As of June 30, 2015, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$392,987 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.

(10) Budget Overexpenditure

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

(11) Categorical Funding

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

Program	Amount
Gifted and talented program	\$ 111,481
Teacher salary supplement	11,739
Successful progression for early readers	35,197
Professional development for model core curriculum	88,954
Professional development	151,278
Market factor incentives	2,305
Teacher leadership grants	8,471
Total	\$ 409,425

(12) Reconciliation of Governmental Fund Balance to Net Position

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

	Net Investment in Capital Assets	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,067,615
Capital assets, net of accumulated depreciation	8,141,589	-
Energy loan note capitalized indebtedness	(215,000)	-
Accrued interest payable	-	(789)
Income surtax receivable	-	115,062
Pension related deferred outflows	-	683,815
Pension related deferred inflows	-	(1,203,413)
Net pension liability	-	(3,155,491)
Net OPEB liability	-	(147,790)
Assigned fund balance	-	73,856
Internal service fund	-	988,300
Net position (Exhibit A)	<u>\$ 7,926,589</u>	<u>(578,835)</u>

(13) Accounting Change/Restatement Note

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

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 14,529,975	\$ 235,149
Net pension liability at June 30, 2014	(4,391,978)	(111,691)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	464,933	11,824
Net position July 1, 2014, as restated	<u>\$ 10,602,930</u>	<u>\$ 135,282</u>

(14) Deficit Balance

At June 30, 2015, the District had deficit unrestricted net position of \$578,835 in the governmental activities.

OSAGE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,937,935	257,980	5,195,915	6,025,288	6,025,288	(829,373)
State sources	6,190,050	4,036	6,194,086	5,323,909	5,323,909	870,177
Federal sources	254,374	219,279	473,653	393,000	393,000	80,653
Total revenues	<u>11,382,359</u>	<u>481,295</u>	<u>11,863,654</u>	<u>11,742,197</u>	<u>11,742,197</u>	<u>121,457</u>
Expenditures/Expenses:						
Instruction	7,375,907	-	7,375,907	7,885,250	7,885,250	509,343
Support services	2,882,817	2,346	2,885,163	3,030,800	3,200,000	314,837
Non-instructional programs	-	465,412	465,412	460,000	485,000	19,588
Other expenditures	799,678	-	799,678	788,400	788,400	(11,278)
Total expenditures/expenses	<u>11,058,402</u>	<u>467,758</u>	<u>11,526,160</u>	<u>12,164,450</u>	<u>12,358,650</u>	<u>832,490</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	323,957	13,537	337,494	(422,253)	(616,453)	953,947
Other financing sources, net	<u>19,783</u>	<u>-</u>	<u>19,783</u>	<u>-</u>	<u>-</u>	<u>19,783</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	343,740	13,537	357,277	(422,253)	(616,453)	973,730
Balances beginning of year, as restated	<u>5,451,984</u>	<u>135,282</u>	<u>5,587,266</u>	<u>4,862,512</u>	<u>4,862,512</u>	<u>724,754</u>
Balances end of year	<u>\$ 5,795,724</u>	<u>148,819</u>	<u>5,944,543</u>	<u>4,440,259</u>	<u>4,246,059</u>	<u>1,698,484</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE 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 expenditures by \$194,200.

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

OSAGE 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	0.079952%
District's proportionate share of the net pension liability	\$ 3,235,737
District's covered-employee payroll	\$ 5,655,120
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.22%
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.

OSAGE 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	\$ 505,002	476,757	446,028	408,435	341,481	368,465	345,635	309,507	287,139	272,762
Contributions in relation to the statutorily required contribution	(505,002)	(476,757)	(446,028)	(408,435)	(341,481)	(368,465)	(345,635)	(309,507)	(287,139)	(272,762)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,655,120	5,338,824	5,144,498	5,061,152	4,913,396	5,301,655	5,443,071	5,115,818	4,993,722	4,743,687
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.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

OSAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 949,154	949,154	0.00%	\$ 5,241,565	18.11%
2011	July 1, 2009	-	949,154	949,154	0.00%	5,058,171	18.76%
2012	July 1, 2009	-	949,154	949,154	0.00%	5,061,147	18.75%
2013	July 1, 2012	-	922,634	922,634	0.00%	5,058,982	18.24%
2014	July 1, 2012	-	872,522	872,522	0.00%	5,159,289	16.91%
2015	July 2, 2012	-	817,093	817,093	0.00%	5,441,571	15.02%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2015

	Osage Education Foundation
Assets	
Cash and pooled investments	\$ 494,004
Liabilities	-
Net Position	
Held in trust for scholarships	352,722
Unrestricted	141,282
Total net position	\$ 494,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

	Osage Education Foundation
Support and revenues:	
Interest	\$ 4,916
Scholarship contributions	87,635
Other	26,381
Total support and revenues	118,932
Expenses:	
Publishing	4,288
Supplies	144
Scholarships	27,500
Grants	12,000
Other	14,736
Total expenses	58,668
Change in net position	60,264
Net position beginning of year	433,740
Net position end of year	\$ 494,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
Assets				
Cash and pooled investments	\$ 546,085	106,661	68,044	720,790
Receivables:				
Property tax:				
Delinquent	2,443	-	-	2,443
Succeeding year	200,000	-	-	200,000
Total assets	\$ 748,528	106,661	68,044	923,233
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	2,517	-	2,517
Salaries and benefits payable	193	344	-	537
Total liabilities	193	2,861	-	3,054
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	200,000	-	-	200,000
Fund balances:				
Restricted for:				
Management levy purposes	548,335	-	-	548,335
Student activities	-	103,800	-	103,800
Support trust purposes	-	-	68,044	68,044
Total fund balances	548,335	103,800	68,044	720,179
Total liabilities, deferred inflows of resources and fund balances	\$ 748,528	106,661	68,044	923,233

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Debt Service	Total
	Management Levy	Student Activity	Support Trust	Total		
Revenues:						
Local sources:						
Local tax	\$ 200,318	-	-	200,318	-	200,318
Other	10,704	444,450	5,907	461,061	-	461,061
State sources	1,694	-	-	1,694	-	1,694
Total revenues	212,716	444,450	5,907	663,073	-	663,073
Expenditures:						
Current:						
Instruction:						
Regular	102,912	-	6,410	109,322	-	109,322
Other	-	457,260	-	457,260	-	457,260
Support services:						
Administration	13,651	-	-	13,651	-	13,651
Operation and maintenance of plant	104,939	-	-	104,939	-	104,939
Transportation	15,020	-	-	15,020	-	15,020
Long-term debt:						
Principal	-	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	-	13,889	13,889
Total expenditures	236,522	457,260	6,410	700,192	113,889	814,081
Deficiency of revenues under expenditures	(23,806)	(12,810)	(503)	(37,119)	(113,889)	(151,008)
Other financing sources:						
Transfer in	-	-	-	-	113,889	113,889
Change in fund balances	(23,806)	(12,810)	(503)	(37,119)	-	(37,119)
Fund balances beginning of year	572,141	116,610	68,547	757,298	-	757,298
Fund balances end of year	\$ 548,335	103,800	68,044	720,179	-	720,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,698,999	684,368	2,383,367
Receivables:			
Property tax:			
Delinquent	-	5,770	5,770
Succeeding year	-	516,345	516,345
Income surtax	-	57,531	57,531
Due from other governments	137,989	-	137,989
Total assets	\$ 1,836,988	1,264,014	3,101,002
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,477	2,477
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	516,345	516,345
Income surtax	-	57,531	57,531
Total deferred inflows of resources	-	573,876	573,876
Fund balances:			
Restricted for:			
School infrastructure	1,836,988	-	1,836,988
Physical plant and equipment	-	687,661	687,661
Total fund balances	1,836,988	687,661	2,524,649
Total liabilities, deferred inflows of resources and fund balances	\$ 1,836,988	1,264,014	3,101,002

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	566,030	566,030
Other	7,991	2,742	10,733
State sources	888,889	4,458	893,347
Total revenues	<u>896,880</u>	<u>573,230</u>	<u>1,470,110</u>
Expenditures:			
Current:			
Instruction:			
Regular	20,760	253,184	273,944
Support services:			
Administration	64,294	89,696	153,990
Operation and maintenance of plant	-	8,278	8,278
Transportation	-	20,481	20,481
Capital outlay	264,360	28,442	292,802
Total expenditures	<u>349,414</u>	<u>400,081</u>	<u>749,495</u>
Excess of revenues over expenditures	547,466	173,149	720,615
Other financing sources:			
Insurance proceeds	14,984	-	14,984
Change in fund balances	562,450	173,149	735,599
Fund balances beginning of year	<u>1,274,538</u>	<u>514,512</u>	<u>1,789,050</u>
Fund balances end of year	<u>\$ 1,836,988</u>	<u>687,661</u>	<u>2,524,649</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
M.S. Special Olympics	\$ 8,362	1,570	1,536	8,396
Magazine Sales	11,875	7,743	5,830	13,788
M.S. Student Council	5,547	4,722	7,862	2,407
Dramatics	3,116	18,486	19,095	2,507
Speech	9	344	353	-
Cheerleaders	3,223	6,365	7,400	2,188
SADD	772	-	175	597
Project Prom	5,756	9,446	10,487	4,715
Computer Club	370	-	-	370
Class of 2014	283	-	283	-
Class of 2015	490	2,427	2,917	-
Class of 2016	-	3,627	3,574	53
FCCLA	1,386	-	-	1,386
FFA	24,659	94,571	100,233	18,997
Future Teachers	338	710	484	564
Spanish Club	2,252	-	2,225	27
Annual	6,015	6,495	6,065	6,445
Student Council	2,244	13,692	11,735	4,201
IT Club	-	301	297	4
Math Club	168	-	-	168
Weightlifting Club	1,047	1,616	1,211	1,452
Model UN	-	345	308	37
Band Trip	14,718	97,508	101,434	10,792
Chorus Trip	1,752	-	1,742	10
Concession Stand	-	36,373	36,373	-
Boys Basketball Camp	1,534	75	647	962
Boys Track Camp	129	810	939	-
Girls Track Camp	5,665	9,865	11,632	3,898
Football Camp	180	11,168	10,358	990
Baseball Camp	-	8,425	6,580	1,845
Boys Cross Country Camp	3,904	-	460	3,444
Golf Camp	1,502	1,891	1,039	2,354
Wrestling Camp	64	9,817	8,198	1,683
Girls Basketball Camp	5,826	598	1,532	4,892
Volleyball Camp	499	272	679	92
Softball Camp	2,254	7,602	7,803	2,053
Girls Cross Country Camp	197	3,910	3,485	622
Girls Tennis Camp	474	1,332	1,280	526
Athletics	-	82,344	81,009	1,335
Total	<u>\$ 116,610</u>	<u>444,450</u>	<u>457,260</u>	<u>103,800</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund			
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
Assets				
Cash and pooled investments	\$ 816,262	1,602	2,100	819,964
Liabilities				
	-	-	-	-
Net Position				
Held in trust for scholarships	\$ 816,262	1,602	2,100	819,964

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund			
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
Additions:				
Local sources:				
Interest income	\$ 10,700	-	8	10,708
Donations	-	-	79	79
	<u>10,700</u>	<u>-</u>	<u>87</u>	<u>10,787</u>
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	19,500	1,000	100	20,600
Change in net position	(8,800)	(1,000)	(13)	(9,813)
Net position beginning of year	825,062	2,602	2,113	829,777
Net position end of year	<u>\$ 816,262</u>	<u>1,602</u>	<u>2,100</u>	<u>819,964</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,984,557	4,194,561	5,258,960	4,988,583	4,853,515	4,047,345	3,950,449	3,603,586	3,701,018	3,329,036
Tuition	265,889	308,065	323,143	237,696	240,060	289,057	310,603	284,780	269,587	356,273
Other	687,489	652,866	697,122	664,361	692,348	630,213	901,546	796,975	896,666	805,274
Intermediate sources	-	-	-	-	1,300	-	-	13,500	5,320	60,393
State sources	6,190,050	6,003,402	4,925,616	4,931,900	4,727,890	4,321,318	5,009,633	4,809,155	4,481,766	4,236,604
Federal sources	254,374	217,139	199,808	316,871	496,765	856,346	313,052	229,919	294,409	276,208
Total	<u>\$ 11,382,359</u>	<u>11,376,033</u>	<u>11,404,649</u>	<u>11,139,411</u>	<u>11,011,878</u>	<u>10,144,279</u>	<u>10,485,283</u>	<u>9,737,915</u>	<u>9,648,766</u>	<u>9,063,788</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,543,857	4,058,200	3,833,828	3,793,121	3,889,013	3,995,367	4,106,799	3,825,992	3,577,442	3,247,202
Special	1,136,921	1,143,829	1,086,845	1,033,714	949,475	1,050,526	1,258,870	1,183,503	1,170,500	1,166,899
Other	1,695,129	1,537,577	1,694,961	1,447,377	1,474,549	1,488,766	1,500,093	1,335,884	1,470,359	1,296,333
Support services:										
Student	202,471	211,278	203,507	229,819	249,955	248,460	191,890	241,288	259,527	277,336
Instructional staff	374,472	389,172	227,782	235,303	186,098	311,547	316,816	299,352	506,278	294,270
Administration	1,098,959	1,037,945	892,450	866,358	773,571	921,508	932,912	917,423	658,137	799,481
Operation and maintenance										
of plant	720,227	594,297	562,648	523,496	531,577	632,102	690,287	653,128	640,493	631,683
Transportation	486,688	541,299	498,423	509,434	369,562	415,195	485,642	388,917	478,265	469,451
Non-instructional programs	-	-	-	-	-	750	-	-	-	-
Capital outlay	292,802	242,347	378,140	536,309	203,774	273,448	1,156,038	1,222,873	817,998	347,813
Long-term debt:										
Principal	100,000	425,000	415,000	406,667	373,333	520,000	300,000	145,000	140,000	130,000
Interest	13,889	25,441	43,266	61,446	72,476	94,583	114,878	74,558	24,295	37,493
Other expenditures:										
AEA flow-through	392,987	374,813	363,732	374,005	412,962	411,195	355,317	333,811	318,582	298,926
Total	<u>\$ 11,058,402</u>	<u>10,581,198</u>	<u>10,200,582</u>	<u>10,017,049</u>	<u>9,486,345</u>	<u>10,363,447</u>	<u>11,409,542</u>	<u>10,621,729</u>	<u>10,061,876</u>	<u>8,996,887</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Osage Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting and depositing; recording, journalizing, posting and reconciling.
- 4) Disbursements - check preparation, recording and reconciling.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting and depositing; journalizing, posting, reconciling, and check preparation.

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.

Response - The District will continue to review procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Gate Receipts - We noted that the District does not always utilize pre-numbered tickets at all events which charge admissions.

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 - The District will continue to monitor and utilize the Osage gate reconciliation verification process for handling and reconciling cash at events.

Conclusion - Response accepted.

I-C-15 Supporting Documentation - During our audit we noted instances of purchases that lacked an invoice or detailed receipt to be used as supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District will continue to review procedures to ensure that all bills have appropriate supporting documentation.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - The District will continue to monitor expenditures and amend the budget when necessary.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted reimbursements to employees for items purchased with personal credit cards for the full purchase price, including sales tax. As the District is a tax-exempt entity, reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will review procedures to ensure compliance with the Attorney General's opinion dated April 25, 1979.

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 - We noted business transactions between the District and District officials as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jolene Hemann, Food Service Director Spouse owns Brumm Construction	Purchased services	\$1,576
Carrie Mayer, Teacher Spouse owns Mayer's Digging	Purchased services	\$6,678

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 - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 2 students.

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

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-H-15 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instance 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 allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 1,274,538
Revenues:		
Sales tax revenues	\$ 888,889	
Other local revenues	22,975	911,864
		<u>2,186,402</u>
Expenditures/transfer out:		
School infrastructure	264,360	
Equipment	64,294	
Other	20,760	349,414
		<u>349,414</u>
Ending balance		<u><u>\$ 1,836,988</u></u>

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

- II-M-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. We noted during our audit that the District records expenses for PSAT/NMSQT exam fees within the Student Activity Fund. PSAT/NMSQT exam fee expenses appear to be more related to instructional purposes rather than co-curricular or extra-circularly related and, therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures for Middle School exam fees appear to be instructional in nature and revenues and expenditures for instructional purposes are more appropriately handled in the General Fund.

Response - Future expenditures for exam fees will be handled in the General Fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - The District had deficit unrestricted net position of \$578,835 in the governmental activities. The primary reason for this deficit unrestricted 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.