

REMSEN-UNION  
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings and Responses

June 30, 2015

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Remsen-Union 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 Remsen-Union Community School District (the District), Remsen, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Remsen-Union Community School District, Remsen, Iowa, 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 accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 10 to the financial statements, the District adopted new accounting guidance related to Governmental 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***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and the schedule of funding progress for the retiree health plan on pages 5 through 11 and 42 through 48 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 who 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 auditing standards generally accepted in the United States of America, 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 6, 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 auditing standards generally accepted in the United States of America. 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 7, 2016, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

March 7, 2016  
Sioux City, Iowa

A handwritten signature in black ink, appearing to read 'King Rensch Pappas &amp; Co LLP', written in a cursive style.

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

Remsen-Union Community School District (the 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 \$4,744,893 in fiscal year 2014 to \$4,883,795 in fiscal year 2015, and General Fund expenditures decreased from \$4,613,965 in fiscal year 2014 to \$4,472,283 in fiscal year 2015. The District's General Fund balance increased from \$394,692 in fiscal year 2014 to \$806,204 at the end of fiscal year 2015, a 104.3 percent increase.
- The increase in General Fund revenues was primarily attributable to an increase in students open enrolled and property taxes received due to an increase in property valuations. The decrease in General Fund expenditures was primarily due to cost saving measures implemented successfully by the District.

### **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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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 the related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Projects Funds.

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

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

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

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

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

The District has two 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 Fund, and the Capital Projects Funds.

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

Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund.

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.

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

### Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 (In Thousands)  
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	2014		2014		2014		<u>Percentage</u>
	<u>2015</u>	<u>(Not Restated)</u>	<u>2015</u>	<u>(Not Restated)</u>	<u>2015</u>	<u>(Not Restated)</u>	<u>Change</u>
Current and other assets	\$ 5,406	\$ 4,832	\$ 79	\$ 66	\$ 5,485	\$ 4,898	12.0%
Capital assets, net	<u>6,062</u>	<u>6,146</u>	<u>25</u>	<u>14</u>	<u>6,087</u>	<u>6,160</u>	(1.2%)
Total assets	<u>\$ 11,468</u>	<u>\$ 10,978</u>	<u>\$ 104</u>	<u>\$ 80</u>	<u>\$ 11,572</u>	<u>\$ 11,058</u>	<u>4.6%</u>
Deferred outflows of resources	\$ 324	\$ -	\$ 18	\$ -	\$ 342	\$ -	100.0%
Long-term liabilities	\$ 4,500	\$ 3,066	\$ 91	\$ -	\$ 4,591	\$ 3,066	49.7%
Other liabilities	<u>587</u>	<u>579</u>	<u>7</u>	<u>9</u>	<u>594</u>	<u>588</u>	<u>1.0%</u>
Total liabilities	<u>\$ 5,087</u>	<u>\$ 3,645</u>	<u>\$ 98</u>	<u>\$ 9</u>	<u>\$ 5,185</u>	<u>\$ 3,654</u>	<u>41.9%</u>
Deferred inflows of resources	\$ 3,222	\$ 2,551	\$ 34	\$ -	\$ 3,256	\$ 2,551	27.6%
Net position:							
Net investment in capital assets	\$ 3,257	\$ 3,216	\$ 25	\$ 14	\$ 3,282	\$ 3,230	1.6%
Restricted	1,148	1,074	-	-	1,148	1,074	6.9%
Unrestricted	<u>(922)</u>	<u>492</u>	<u>(35)</u>	<u>57</u>	<u>(957)</u>	<u>549</u>	<u>(274.3%)</u>
Total net position	<u>\$ 3,483</u>	<u>\$ 4,782</u>	<u>\$ (10)</u>	<u>\$ 71</u>	<u>\$ 3,473</u>	<u>\$ 4,853</u>	<u>(28.4%)</u>

The District's total net position decreased 28.4 percent or approximately \$1,380,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position 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 approximately \$74,000, or 6.9 percent over the prior year primarily due to the decrease in early retirement payable paid by the management levy. The management levy also increased greatly at the fund level.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net position decreased approximately \$1,506,000, or 274.3 percent from the prior year. This reduction in unrestricted net asset position was primarily a result of the net pension liability and 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 \$1,976,583 and \$112,828, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contribution 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 the 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-2 shows the changes in net position for the years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2 (In Thousands)  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014		2014		2014		
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 499	\$ 420	\$ 131	\$ 129	\$ 630	\$ 549	14.6%
Operating grants, contributions and restricted interest	799	782	85	77	884	859	2.9%
General revenues:							
Property tax	2,572	2,360	-	-	2,572	2,360	9.0%
Local surtax	235	221	-	-	235	221	6.3%
Statewide sales, services and use tax	369	391	-	-	369	391	(5.6%)
Unrestricted state grants	1,182	1,276	-	-	1,182	1,276	(7.4%)
Unrestricted investment earnings	10	5	-	-	10	5	100.0%
Other	-	8	-	-	-	8	(100.0%)
Total revenues	\$ 5,666	\$ 5,463	\$ 216	\$ 206	\$ 5,882	\$ 5,669	3.7%
Program expenses:							
Instruction	\$ 3,407	\$ 3,472	\$ -	\$ -	\$ 3,407	\$ 3,472	(1.9%)
Support services	1,281	1,383	-	-	1,281	1,383	(7.4%)
Non-instructional programs	-	-	184	193	184	193	(4.7%)
Other expenses	300	331	-	-	300	331	(9.4%)
Total expenses	\$ 4,988	\$ 5,186	\$ 184	\$ 193	\$ 5,172	\$ 5,379	(3.8%)
Change in net position	\$ 678	\$ 277	\$ 32	\$ 13	\$ 710	\$ 290	144.8%
Net position beginning of year, as restated	2,805	4,505	(42)	58	2,763	4,563	(39.4%)
Net position end of year	\$ 3,483	\$ 4,782	\$ (10)	\$ 71	\$ 3,473	\$ 4,853	(28.4%)

In fiscal year 2015, property tax and unrestricted state grants accounted for 66.3 percent of the total governmental activities revenue (66.6 percent in 2014) while charges for service and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2014). The District's total revenues were approximately \$5.9 million; of which approximately \$5.7 million were for governmental activities and less than \$1.0 million was for business type activities.

As shown in figure A-2, the District as a whole experienced a 3.7 percent increase in revenues and a 3.8 percent decrease in expenses. Statewide sales, services and use tax and unrestricted state grants decreased approximately \$116,000 as an offset to the \$212,000 increase in property taxes.

Governmental Activities - Revenues for governmental activities were \$5,666,431 and expenses were \$4,989,077. The District was able to keep expenses at a level less than revenues as planned.

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

Figure A-3 (In Thousands)  
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
			Change			Change
	2015	2014	2014-2015	2015	2014	2014-2015
		(Not Restated)		(Not Restated)		
Instruction	\$ 3,407	\$ 3,472	(1.9%)	\$ 2,386	\$ 2,524	(5.5%)
Support services	1,281	1,383	(7.4%)	1,193	1,314	(9.2%)
Other expenses	300	331	(9.4%)	112	146	(23.3%)
Totals	\$ 4,988	\$ 5,186	(3.8%)	\$ 3,691	\$ 3,984	(7.4%)

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$499,100 (\$419,542 in 2014).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$798,922 (\$782,247 in 2014).
- The net cost of governmental activities was financed with \$3,175,798 in property and other taxes (\$2,971,526 in 2014) and \$1,182,356 in unrestricted state grants (\$1,275,567 in 2014).

Business Type Activities - Revenues for business type activities were \$215,713, representing a 4.6 percent increase over the prior year, while expenses totaled \$183,815, a 4.5 percent decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2015, the District saw an increase in federal source income while keeping costs and participation consistent.

## **Individual Fund Analysis**

As previously noted, the 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 \$1,990,317, above last year's ending fund balances of \$1,524,734. The primary reason for the increase is due to the District's goal of returning the general fund to a financial healthy level.

### **Governmental Fund Highlights**

The General Fund balance increased from \$394,692 to \$806,204 due to cost saving measures implemented by the District including sharing costs with Marcus-Meriden-Cleghorn Community School District.

The Capital Projects Fund balance decreased from \$890,258 to \$871,798 due to the completion of larger projects during 2015 for new windows and parking lot improvements which used fund reserves.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$(41,782) at June 30, 2014 to \$(9,884) at June 30, 2015, representing an increase of approximately 76.3 percent. The increase in fund balance was primarily a result of increased federal source revenue while maintaining operating costs.

## **Budgetary Highlights**

The District's total revenues were \$362,499 less than total budgeted revenues, a variance of 5.8 percent. The largest difference was a result of state source revenues not meeting expectation due to enrollment levels falling short of anticipated counts.

Total expenditures were less than budgeted, primarily due to efforts to implement cost saving measures as a whole within the District including sharing of costs with Marcus-Meriden-Cleghorn Community School District. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **Capital Assets and Debt Administration**

*Capital Assets* - At June 30, 2015, the District had invested approximately \$6.1 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangibles. (See Figure A-4). This represents a net decrease of 1.2 percent from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation/amortization expense for the year was \$287,147.

The original cost of the District's capital assets was approximately \$9.27 million. Governmental funds account for approximately \$9.21 million, with the remainder of \$57,256 accounted for in the proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)  
Capital Assets, Net of Depreciation/Amortization

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	5,666	5,687	-	-	5,666	5,687	(0.4%)
Vehicles	85	117	-	-	85	117	(27.3%)
Furniture and equipment	255	292	25	14	280	306	(8.5%)
Intangibles	6	-	-	-	6	-	100.0%
Totals	<u>\$ 6,062</u>	<u>\$ 6,146</u>	<u>\$ 25</u>	<u>\$ 14</u>	<u>\$ 6,087</u>	<u>\$ 6,160</u>	<u>(1.2%)</u>

*Long-Term Debt* - At June 30, 2015, the District had \$2.8 million of total long-term debt outstanding. This represents a decrease of approximately 4.3 percent. Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Figure A-5 (In Thousands)  
Outstanding Long-Term Debt

	<u>June 30,</u>		<u>Percent Change</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Revenue bonds	<u>\$ 2,805</u>	<u>\$ 2,930</u>	<u>(4.3%)</u>

### **Economic Factors Bearing on the District's Future**

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

- Whole grade sharing was implemented by the District whereby pupils in high school and middle school between the District and Marcus-Meriden-Cleghorn Community School District will share an educational program. The implementation of whole grade sharing will provide cost savings to both districts by allowing them to pool resources. In theory, participating districts will save money while allowing them to provide programs they otherwise could not afford.
- The supplemental state aid allowable growth was set at 4.0 percent for fiscal year 2015, 1.25 percent for 2016 and 2.0 percent for 2017 as determined by legislative session in January 2016. The state's inability to set supplemental aid timely, and as required by statute, is and will continue to be problematic for all local districts' budgeting process.
- Total taxable valuations are expected to increase for property tax collected in fiscal year 2016 and forward due to a consistent trend in the past fiscal years.

### **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 Clint Leonard, Secretary/Treasurer and Business Manager, Remsen-Union Community School District, 511 Roosevelt Street, Remsen, Iowa 51050.

## **BASIC FINANCIAL STATEMENTS**

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash, cash equivalents and pooled investments	\$ 2,231,030	\$ 75,875	\$ 2,306,905
Receivables:			
Property tax:			
Delinquent	25,504	-	25,504
Succeeding year	2,617,449	-	2,617,449
Due from other governments	449,958	-	449,958
Prepaid expenses	29,057	-	29,057
Inventories	-	2,658	2,658
Other assets	52,880	-	52,880
Capital assets, net of accumulated depreciation/amortization	<u>6,062,177</u>	<u>25,493</u>	<u>6,087,670</u>
Total assets	<u>\$ 11,468,055</u>	<u>\$ 104,026</u>	<u>\$ 11,572,081</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>\$ 323,496</u>	<u>\$ 18,467</u>	<u>\$ 341,963</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 119,507	\$ -	\$ 119,507
Salaries and benefits payable	415,084	-	415,084
Accrued interest payable	52,266	-	52,266
Unearned revenue	-	7,364	7,364
Long-term liabilities:			
Portion due within one year:			
Early retirement	22,729	-	22,729
Revenue bonds	140,000	-	140,000
Portion due after one year:			
Early retirement	18,369	-	18,369
Revenue bonds	2,665,000	-	2,665,000
Net pension liability	1,585,389	90,500	1,675,889
Net OPEB liability	<u>68,518</u>	<u>-</u>	<u>68,518</u>
Total liabilities	<u>\$ 5,086,862</u>	<u>\$ 97,864</u>	<u>\$ 5,184,726</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable property tax revenue	\$ 2,617,449	\$ -	\$ 2,617,449
Pension related deferred inflows	<u>604,623</u>	<u>34,513</u>	<u>639,136</u>
Total deferred inflows of resources	<u>\$ 3,222,072</u>	<u>\$ 34,513</u>	<u>\$ 3,256,585</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 3,257,177	\$ 25,493	\$ 3,282,670
Restricted for:			
Categorical funding	3,314	-	3,314
Management levy purposes	185,437	-	185,437
Student activities	85,780	-	85,780
Debt service	437,910	-	437,910
School infrastructure	267,569	-	267,569
Physical plant and equipment	166,933	-	166,933
Unrestricted	<u>(921,503)</u>	<u>(35,377)</u>	<u>(956,880)</u>
Total net position	<u>\$ 3,482,617</u>	<u>\$ (9,884)</u>	<u>\$ 3,472,733</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Instruction:				
Regular	\$ 2,273,977	\$ 286,794	\$ 497,003	\$ -
Special	727,892	95,582	25,592	-
Other	<u>405,397</u>	<u>116,724</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,407,266</u>	<u>\$ 499,100</u>	<u>\$ 522,595</u>	<u>\$ -</u>
Support services:				
Student	\$ 75,971	\$ -	\$ -	\$ -
Instructional staff	206,865	-	-	-
Administration	473,980	-	-	-
Operation and maintenance of plant	282,389	-	-	-
Transportation	<u>241,876</u>	<u>-</u>	<u>88,063</u>	<u>-</u>
	<u>\$ 1,281,081</u>	<u>\$ -</u>	<u>\$ 88,063</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 2,788	\$ -	\$ -	\$ -
Long-term debt interest	109,678	-	-	-
AEA flow through	<u>188,264</u>	<u>-</u>	<u>188,264</u>	<u>-</u>
	<u>\$ 300,730</u>	<u>\$ -</u>	<u>\$ 188,264</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 4,989,077</u>	<u>\$ 499,100</u>	<u>\$ 798,922</u>	<u>\$ -</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 183,815	\$ 130,443	\$ 84,965	\$ -
Total business type activities	<u>\$ 183,815</u>	<u>\$ 130,443</u>	<u>\$ 84,965</u>	<u>\$ -</u>
Total	<u>\$ 5,172,892</u>	<u>\$ 629,543</u>	<u>\$ 883,887</u>	<u>\$ -</u>
<b>GENERAL REVENUES:</b>				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Local surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,490,180)	\$ -	\$ (1,490,180)
(606,718)	-	(606,718)
<u>(288,673)</u>	<u>-</u>	<u>(288,673)</u>
\$ (2,385,571)	\$ -	\$ (2,385,571)
\$ (75,971)	\$ -	\$ (75,971)
(206,865)	-	(206,865)
(473,980)	-	(473,980)
(282,389)	-	(282,389)
<u>(153,813)</u>	<u>-</u>	<u>(153,813)</u>
\$ (1,193,018)	\$ -	\$ (1,193,018)
\$ (2,788)	\$ -	\$ (2,788)
(109,678)	-	(109,678)
<u>-</u>	<u>-</u>	<u>-</u>
\$ (112,466)	\$ -	\$ (112,466)
\$ (3,691,055)	\$ -	\$ (3,691,055)
\$ -	\$ 31,593	\$ 31,593
\$ -	\$ 31,593	\$ 31,593
<u>(3,691,055)</u>	<u>31,593</u>	<u>(3,659,462)</u>
\$ 2,315,245	\$ -	\$ 2,315,245
179,183	-	179,183
77,293	-	77,293
234,852	-	234,852
369,225	-	369,225
1,182,356	-	1,182,356
<u>10,255</u>	<u>305</u>	<u>10,560</u>
\$ 4,368,409	\$ 305	\$ 4,368,714
\$ 677,354	\$ 31,898	\$ 709,252
<u>2,805,263</u>	<u>(41,782)</u>	<u>2,763,481</u>
\$ 3,482,617	\$ (9,884)	\$ 3,472,733

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash, cash equivalents and pooled investments	\$ 1,106,626	\$ 813,862	\$ 310,542	\$ 2,231,030
Receivables:				
Property tax:				
Delinquent	22,971	760	1,773	25,504
Succeeding year	2,355,333	78,641	183,475	2,617,449
Due from other governments	392,782	57,176	-	449,958
Prepaid expenses	<u>29,057</u>	<u>-</u>	<u>-</u>	<u>29,057</u>
Total assets	<u>\$ 3,906,769</u>	<u>\$ 950,439</u>	<u>\$ 495,790</u>	<u>\$ 5,352,998</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 119,507	\$ -	\$ -	\$ 119,507
Salaries and benefits payable	<u>415,084</u>	<u>-</u>	<u>-</u>	<u>415,084</u>
Total liabilities	<u>\$ 534,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,591</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,355,333	\$ 78,641	\$ 183,475	\$ 2,617,449
Other	<u>210,641</u>	<u>-</u>	<u>-</u>	<u>210,641</u>
Total deferred inflows of resources	<u>\$ 2,565,974</u>	<u>\$ 78,641</u>	<u>\$ 183,475</u>	<u>\$ 2,828,090</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 29,057	\$ -	\$ -	\$ 29,057
Restricted for:				
Categorical funding	3,314	-	-	3,314
Management levy purposes	-	-	226,535	226,535
Student activities	-	-	85,780	85,780
Debt service	-	437,296	-	437,296
School infrastructure	-	267,569	-	267,569
Physical plant and equipment	-	166,933	-	166,933
Unassigned	<u>773,833</u>	<u>-</u>	<u>-</u>	<u>773,833</u>
Total fund balances	<u>\$ 806,204</u>	<u>\$ 871,798</u>	<u>\$ 312,315</u>	<u>\$ 1,990,317</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,906,769</u>	<u>\$ 950,439</u>	<u>\$ 495,790</u>	<u>\$ 5,352,998</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2015

Total fund balances of governmental funds	\$ 1,990,317
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,062,177
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	210,641
Discounts on bonds are not financial resources and therefore are not reported as assets in the governmental funds.	52,880
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 governmental funds.	(52,266)
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	\$ 323,496
Deferred inflows of resources	<u>(604,623)</u> (281,127)
Long-term liabilities, including bonds, early retirement, 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>(4,500,005)</u>
Net position of governmental activities	<u>\$ 3,482,617</u>

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,512,100	\$ 77,293	\$ 179,183	\$ 2,768,576
Tuition	241,139	-	-	241,139
Other	149,278	1,517	117,420	268,215
State sources	1,824,331	369,225	-	2,193,556
Federal sources	156,947	-	-	156,947
Total revenues	<u>\$ 4,883,795</u>	<u>\$ 448,035</u>	<u>\$ 296,603</u>	<u>\$ 5,628,433</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 2,174,318	\$ -	\$ 41,052	\$ 2,215,370
Special	701,282	-	-	701,282
Other	268,566	-	122,011	390,577
	<u>\$ 3,144,166</u>	<u>\$ -</u>	<u>\$ 163,063</u>	<u>\$ 3,307,229</u>
Support services:				
Student	\$ 72,755	\$ -	\$ 439	\$ 73,194
Instructional staff	145,341	31,144	253	176,738
Administration	475,663	-	9,825	485,488
Operation and maintenance of plant	229,791	8,514	33,761	272,066
Transportation	216,303	-	16,731	233,034
	<u>\$ 1,139,853</u>	<u>\$ 39,658</u>	<u>\$ 61,009</u>	<u>\$ 1,240,520</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 195,556	\$ -	\$ 195,556
Long-term debt:				
Principal	-	-	125,000	125,000
Interest and fiscal charges	-	-	106,281	106,281
AEA flow through	188,264	-	-	188,264
	<u>\$ 188,264</u>	<u>\$ 195,556</u>	<u>\$ 231,281</u>	<u>\$ 615,101</u>
Total expenditures	<u>\$ 4,472,283</u>	<u>\$ 235,214</u>	<u>\$ 455,353</u>	<u>\$ 5,162,850</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 411,512</u>	<u>\$ 212,821</u>	<u>\$ (158,750)</u>	<u>\$ 465,583</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 231,281	\$ 231,281
Transfers out	-	(231,281)	-	(231,281)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (231,281)</u>	<u>\$ 231,281</u>	<u>\$ -</u>
Change in fund balances	\$ 411,512	\$ (18,460)	\$ 72,531	\$ 465,583
Fund balances beginning of year	<u>394,692</u>	<u>890,258</u>	<u>239,784</u>	<u>1,524,734</u>
Fund balances end of year	<u>\$ 806,204</u>	<u>\$ 871,798</u>	<u>\$ 312,315</u>	<u>\$ 1,990,317</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ 465,583

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/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 199,969	
Depreciation/amortization expense	<u>(284,190)</u>	(84,221)

Certain local taxes not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

37,998

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

125,000

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.

230,154

Governmental funds report the effect of discounts when new debt is issued, whereas, these amounts are amortized in the Statement of Activities.

(3,647)

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.

250

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:

Early retirement	\$ 23,954	
Pension expense	(120,087)	
Other postemployment benefits	<u>2,370</u>	<u>(93,763)</u>

Change in net position of governmental activities

\$ 677,354

See notes to financial statements.

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 75,875
Inventories	<u>2,658</u>
Total current assets	<u>\$ 78,533</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 25,493</u>
Total assets	<u>\$ 104,026</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>\$ 18,467</u>
LIABILITIES:	
Current liabilities:	
Unearned revenue	<u>\$ 7,364</u>
Noncurrent liabilities:	
Net pension liability	<u>\$ 90,500</u>
Total liabilities	<u>\$ 97,864</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	<u>\$ 34,513</u>
NET POSITION:	
Net investment in capital assets	\$ 25,493
Unrestricted	<u>(35,377)</u>
Total net position	<u>\$ (9,884)</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>130,443</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 69,554
Benefits	5,085
Supplies	106,219
Depreciation	<u>2,957</u>
Total operating expenses	\$ <u>183,815</u>
Operating loss	\$ <u>(53,372)</u>
Non-operating revenues:	
Interest income	\$ 305
State sources	1,600
Federal sources	<u>83,365</u>
Total non-operating revenues	\$ <u>85,270</u>
Increase in net position	\$ 31,898
Net position beginning of year, as restated	<u>(41,782)</u>
Net position end of year	<u><u>\$ (9,884)</u></u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 132,355
Cash paid to employees for services	(80,921)
Cash paid to suppliers for goods or services	<u>(92,827)</u>
Net cash used by operating activities	<u>\$ (41,393)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,600
Federal grants received	<u>70,499</u>
Net cash provided by non-capital financing activities	<u>\$ 72,099</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (14,581)</u>
Net cash used by capital and related financing activities	<u>\$ (14,581)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 305</u>
Net increase in cash, cash equivalents and pooled investments	\$ 16,430
Cash, cash equivalents and pooled investments beginning of year	<u>59,445</u>
Cash, cash equivalents and pooled investments end of year	<u><u>\$ 75,875</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (53,372)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,392
Depreciation	2,957
(Increase) decrease in accounts receivable	3,057
Increase (decrease) in unearned revenues	(1,145)
(Increase) decrease in deferred outflows of resources	(5,133)
Increase (decrease) in net pension liability	(35,662)
Increase (decrease) in deferred inflows of resources	<u>34,513</u>
Net cash used by operating activities	<u><u>\$ (41,393)</u></u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2015, the District received \$12,866 of federal commodities.

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Remsen-Union Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic area served includes the City of Remsen, Iowa, and the predominant agricultural territory in Plymouth County, Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan 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 (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

Jointly Governed Organization - 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 Plymouth County Assessor's Conference Board.

- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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.

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Net Position presents the District's non-fiduciary 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/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

Net position restricted through enabling legislation as of June 30, 2015 consists of \$185,437 for management levy, \$166,933 for physical plant and equipment levy and \$267,569 for statewide sales tax.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest 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. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 revenues 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 expenditures, 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 major proprietary fund:

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

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

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and special termination benefits 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

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

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 non-negotiable certificates of deposit which are stated at cost.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is 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 1-1/2 percent 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets - Capital assets, which include property, furniture and equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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 \$1,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50 years
Vehicles, furniture and equipment	5-15 years
Intangibles	5-10 years

Deferred Outflow of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 a 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 receivable and other receivables not collected within 60 days after year end.

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

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

Nonspendable - Amounts not in spendable form or amounts that are legally or contractually required to be maintained intact.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, no expenditures exceeded the amounts budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated/amortized	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	\$ 7,402,287	\$ 174,082	\$ -	\$ 7,576,369
Vehicles	641,581	-	-	641,581
Furniture and equipment	939,912	20,187	37,102	922,997
Intangibles	25,128	5,700	1,857	28,971
Total capital assets being depreciated/amortized	<u>\$ 9,008,908</u>	<u>\$ 199,969</u>	<u>\$ 38,959</u>	<u>\$ 9,169,918</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ 1,715,282	\$ 194,815	\$ -	\$ 1,910,097
Vehicles	524,126	32,619	-	556,745
Furniture and equipment	647,974	56,756	37,102	667,628
Intangibles	25,128	-	1,857	23,271
Total accumulated depreciation/amortization	<u>\$ 2,912,510</u>	<u>\$ 284,190</u>	<u>\$ 38,959</u>	<u>\$ 3,157,741</u>
Total capital assets being depreciated/amortized, net	<u>\$ 6,096,398</u>	<u>\$ (84,221)</u>	<u>\$ -</u>	<u>\$ 6,012,177</u>
Governmental activities capital assets, net	<u>\$ 6,146,398</u>	<u>\$ (84,221)</u>	<u>\$ -</u>	<u>\$ 6,062,177</u>
Business type activities:				
Furniture and equipment	\$ 42,675	\$ 14,581	\$ -	\$ 57,256
Less accumulated depreciation	<u>28,806</u>	<u>2,957</u>	<u>-</u>	<u>31,763</u>
Business type activities capital assets, net	<u>\$ 13,869</u>	<u>\$ 11,624</u>	<u>\$ -</u>	<u>\$ 25,493</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	139,090
Special		44,029
Other		24,522

Support services:

Student		4,595
Instructional staff		11,159
Administration		29,083
Operation and maintenance of plant		17,081
Transportation		<u>14,631</u>

Total depreciation/amortization expense - governmental activities \$ 284,190

Business type activities:

Food service operations	\$	<u>2,957</u>
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NOTE 4 - LONG-TERM LIABILITIES:

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

	Balance Beginning of <u>Year - Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Governmental activities:					
Revenue bonds	\$ 2,930,000	\$ -	\$ 125,000	\$ 2,805,000	\$ 140,000
Early retirement	65,052	-	23,954	41,098	22,729
Net pension liability	2,210,176	-	624,787	1,585,389	-
Net OPEB liability	<u>70,888</u>	<u>11,411</u>	<u>13,781</u>	<u>68,518</u>	<u>-</u>
Total	<u>\$ 5,276,116</u>	<u>\$ 11,411</u>	<u>\$ 787,522</u>	<u>\$ 4,500,005</u>	<u>\$ 162,729</u>
	Balance Beginning of <u>Year - Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Business type activities:					
Net pension liability	<u>\$ 126,162</u>	<u>\$ -</u>	<u>\$ 35,662</u>	<u>\$ 90,500</u>	<u>\$ -</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least 55 and must have completed 15 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits generally consist of annual cash payments and/or health insurance benefits until the retiree reaches age 65.

At June 30, 2015, the District had obligations to two participants with a total liability of \$41,098 extending through the year ending June 30, 2018. Early retirement benefits paid during the year ended June 30, 2015 totaled \$26,677. The total liability for early retirement is recorded in the governmental-wide financial statements and is calculated assuming an annual 10 percent increase in monthly premiums with a 5 percent discount rate.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	2.00%	\$ 140,000	\$ 101,131	\$ 241,131
2017	3.00%	145,000	97,556	242,556
2018	3.00%	150,000	93,131	243,131
2019	3.00%	155,000	88,556	243,556
2020	3.00%	155,000	83,906	238,906
Thereafter	3.00% - 4.375%	<u>2,060,000</u>	<u>483,495</u>	<u>2,543,495</u>
		<u>\$ 2,805,000</u>	<u>\$ 947,775</u>	<u>\$ 3,752,775</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in July 2011. The bonds were issued for the purpose of financing a portion of the costs of a new multi-purpose room addition and advance refunding the 2007 revenue bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,752,775. For the current year, \$228,781 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$369,225.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

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

- a) \$246,019 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2015.

NOTE 5 - PENSION PLAN:

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (CONTINUED):

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (CONTINUED):

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 \$243,292.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,675,889 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 0.0422574 percent, which was an increase of 0.001567 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$126,943. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 18,214	\$ -
Changes of assumptions	73,961	-
Net difference between projected and actual earnings on pension plan investments	-	639,136
Changes in proportion and differences between District contributions and proportionate share of contributions	6,496	-
District contributions subsequent to the measurement date	<u>243,292</u>	<u>-</u>
Total	<u>\$ 341,963</u>	<u>\$ 639,136</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (CONTINUED):

\$243,292 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:

<u>Year ended June 30,</u>	<u>Total</u>
2016	\$ (136,730)
2017	(136,730)
2018	(136,730)
2019	(136,730)
2020	<u>6,455</u>
Total	<u>\$ (540,465)</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.

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (CONTINUED):

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	<u>\$ 3,166,545</u>	<u>\$ 1,675,889</u>	<u>\$ 417,621</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (CONTINUED):

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 had remitted all legally required employer contributions and employee contributions withheld from employee wages to IPERS.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 50 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 8,111
Interest on net OPEB obligation	3,300
Adjustments to annual required contribution	<u>(2,466)</u>
Annual OPEB cost	\$ 8,945
Contributions made	<u>(11,315)</u>
Decrease in net OPEB obligation	\$ (2,370)
Net OPEB obligation beginning of year	<u>70,888</u>
Net OPEB obligation end of year	<u>\$ 68,518</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

For the year ended June 30, 2015, the District contributed \$11,315 to the medical plan. Plan members eligible for benefits did not contribute towards the premium costs.

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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 9,058	100.00%	\$ 73,343
2014	\$ 8,860	100.00%	\$ 70,888
2015	\$ 8,945	100.00%	\$ 68,518

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 \$64,205, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$64,205. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,700,000 and the ratio of the UAAL to covered payroll was 2.40 percent. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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 the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate based on the District's funding policy and projects annual medical insurance premium increases of 3 percent.

Mortality rates are from the Life Expectancy Table from National Center for Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities came from Table 1 in GASB Statement 45 paragraph 35(b). Active plan members were assumed to retire at age 60.

Projected claim costs of the medical plan are \$482 per month for retirees. The salary increase rate was assumed to be 5.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2015, \$231,281 was transferred from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt. Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 8 - RISK MANAGEMENT:

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$188,264 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 - ACCOUNTING CHANGE/RESTATEMENT:

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

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,781,846	\$ 71,046
Net pension liability at June 30, 2014	(2,210,176)	(126,162)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>233,593</u>	<u>13,334</u>
Net position July 1, 2014, as restated	<u>\$ 2,805,263</u>	<u>\$ (41,782)</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 - DEFICIT BALANCE:

The District's School Nutrition Fund had a deficit balance at June 30, 2015. The deficit balance was a result of recognizing the District's proportion of net pension expense in the current year and restatement of prior year fund balance to recognize the District's proportion of net pension liability. The deficit will be eliminated as operating revenues will be adjusted to better reflect operating expenses.

NOTE 12 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through March 7, 2016, which is the date the financial statements were available to be issued. During September 2015, the District voted to enter into a whole grade sharing agreement with Marcus-Meriden-Cleghorn Community School District commencing the 2016-2017 school year for a term of three years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

REMSSEN-UNION 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,277,930	\$ 130,748	\$ 3,408,678
State sources	2,193,556	1,600	2,195,156
Federal sources	<u>156,947</u>	<u>83,365</u>	<u>240,312</u>
Total revenues	<u>\$ 5,628,433</u>	<u>\$ 215,713</u>	<u>\$ 5,844,146</u>
Expenditures/expenses:			
Instruction	\$ 3,307,229	\$ -	\$ 3,307,229
Support services	1,240,520	-	1,240,520
Non-instructional programs	-	183,815	183,815
Other expenditures	<u>615,101</u>	<u>-</u>	<u>615,101</u>
Total expenditures/expenses	<u>\$ 5,162,850</u>	<u>\$ 183,815</u>	<u>\$ 5,346,665</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ 465,583	\$ 31,898	\$ 497,481
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 465,583	\$ 31,898	\$ 497,481
Balances beginning of year	<u>1,524,734</u>	<u>(41,782)</u>	<u>1,482,952</u>
Balances end of year	<u>\$ 1,990,317</u>	<u>\$ (9,884)</u>	<u>\$ 1,980,433</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 3,513,560	\$ 3,513,560	\$ (104,882)
2,527,085	2,527,085	(331,929)
<u>166,000</u>	<u>166,000</u>	<u>74,312</u>
<u>\$ 6,206,645</u>	<u>\$ 6,206,645</u>	<u>\$ (362,499)</u>
\$ 3,850,000	\$ 3,850,000	\$ 542,771
1,533,550	1,533,550	293,030
197,300	197,300	13,485
<u>885,534</u>	<u>885,534</u>	<u>270,433</u>
<u>\$ 6,466,384</u>	<u>\$ 6,466,384</u>	<u>\$ 1,119,719</u>
<u>\$ (259,739)</u>	<u>\$ (259,739)</u>	<u>\$ 757,220</u>

REMSEN-UNION 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2015, no expenditures exceeded the amounts budgeted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.0422574%
District's proportionate share of the net pension liability	\$ 1,676
District's covered-employee payroll	\$ 2,755
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.83%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 243	\$ 246	\$ 231	\$ 214	\$ 181	\$ 168	\$ 149	\$ 135	\$ 120	\$ 111
Contributions in relation to the statutorily required contribution	<u>(243)</u>	<u>(246)</u>	<u>(231)</u>	<u>(214)</u>	<u>(181)</u>	<u>(168)</u>	<u>(149)</u>	<u>(135)</u>	<u>(120)</u>	<u>(111)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	<u>\$ 2,721</u>	<u>\$ 2,755</u>	<u>\$ 2,664</u>	<u>\$ 2,652</u>	<u>\$ 2,604</u>	<u>\$ 2,526</u>	<u>\$ 2,346</u>	<u>\$ 2,231</u>	<u>\$ 2,087</u>	<u>\$ 1,930</u>
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

REMSEN-UNION 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF ASSUMPTIONS (CONTINUED):

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

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

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

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE

RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered Payroll</u> <u>((b-a)(c))</u>
2010	July 1, 2009	\$ -	\$ 294	\$ 294	0.0%	\$ 2,526	11.6%
2011	July 1, 2009	-	294	294	0.0%	2,604	11.3%
2012	July 1, 2009	-	294	294	0.0%	2,652	11.1%
2013	July 1, 2012	-	64	64	0.0%	2,664	2.4%
2014	July 1, 2012	-	64	64	0.0%	2,755	2.3%
2015	July 1, 2012	-	64	64	0.0%	2,721	2.4%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **SUPPLEMENTARY INFORMATION**

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 224,762	\$ 85,780	\$ -	\$ 310,542
Receivables:				
Property tax:				
Delinquent	1,773	-	-	1,773
Succeeding year	<u>183,475</u>	<u>-</u>	<u>-</u>	<u>183,475</u>
Total assets	<u>\$ 410,010</u>	<u>\$ 85,780</u>	<u>\$ -</u>	<u>\$ 495,790</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>\$ 183,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,475</u>
Total deferred inflows of resources	<u>\$ 183,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,475</u>
Fund balances:				
Restricted for:				
Management levy purposes	\$ 226,535	\$ -	\$ -	\$ 226,535
Student activities	<u>-</u>	<u>85,780</u>	<u>-</u>	<u>85,780</u>
Total fund balances	<u>\$ 226,535</u>	<u>\$ 85,780</u>	<u>\$ -</u>	<u>\$ 312,315</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 410,010</u>	<u>\$ 85,780</u>	<u>\$ -</u>	<u>\$ 495,790</u>

## REMSEN-UNION 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		
Revenues:				
Local sources:				
Local tax	\$ 179,183	\$ -	\$ -	\$ 179,183
Other	548	116,872	-	117,420
Total revenues	<u>\$ 179,731</u>	<u>\$ 116,872</u>	<u>\$ -</u>	<u>\$ 296,603</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 41,052	\$ -	\$ -	\$ 41,052
Other	3,232	118,779	-	122,011
	<u>\$ 44,284</u>	<u>\$ 118,779</u>	<u>\$ -</u>	<u>\$ 163,063</u>
Support services:				
Student	\$ 439	\$ -	\$ -	\$ 439
Instructional staff	253	-	-	253
Administration	9,825	-	-	9,825
Operation and maintenance of plant	33,761	-	-	33,761
Transportation	16,731	-	-	16,731
	<u>\$ 61,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,009</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 125,000	\$ 125,000
Interest and fiscal charges	-	-	106,281	106,281
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,281</u>	<u>\$ 231,281</u>
Total expenditures	<u>\$ 105,293</u>	<u>\$ 118,779</u>	<u>\$ 231,281</u>	<u>\$ 455,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 74,438</u>	<u>\$ (1,907)</u>	<u>\$ (231,281)</u>	<u>\$ (158,750)</u>
Other financing sources:				
Transfers in	\$ -	\$ -	\$ 231,281	\$ 231,281
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,281</u>	<u>\$ 231,281</u>
Change in fund balances	\$ 74,438	\$ (1,907)	\$ -	\$ 72,531
Fund balances beginning of year	<u>152,097</u>	<u>87,687</u>	<u>-</u>	<u>239,784</u>
Fund balances end of year	<u>\$ 226,535</u>	<u>\$ 85,780</u>	<u>\$ -</u>	<u>\$ 312,315</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTSYEAR ENDED JUNE 30, 2015

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 8,983	\$ 32,084	\$ 33,371	\$ 7,696
Boys Basketball	740	2,948	2,100	1,588
Class of 2009	68	-	-	68
Class of 2010	1,080	-	-	1,080
Class of 2011	43	-	-	43
Class of 2014	453	-	293	160
Class of 2015	1,348	3,604	4,919	33
Class of 2016	3,603	3,287	2,066	4,824
Class of 2017	3,421	2,019	45	5,395
Class of 2018	2,410	1,432	17	3,825
Class of 2019	730	3,133	1,586	2,277
Class of 2020	802	3,854	2,094	2,562
Class of 2021	-	4,638	2,964	1,674
Have Club	8,710	11,406	16,288	3,828
Annual	7,302	3,020	4,670	5,652
Student council	601	1,488	1,694	395
Middle school student council	350	-	43	307
Band/Choir trip	8,539	15,060	10,255	13,344
Cheerleaders	549	4,388	4,297	640
Drill team	462	2,177	1,247	1,392
National Honor Society	1,888	865	2,277	476
Miscellaneous	315	-	-	315
Europe trip	16,002	11,321	27,323	-
Quasquicentennial	-	10,000	-	10,000
Tag trip	1,117	-	1,117	-
Pep Club	50	-	-	50
Interest	3,017	148	-	3,165
Renaissance	15,104	-	113	14,991
Total	<u>\$ 87,687</u>	<u>\$ 116,872</u>	<u>\$ 118,779</u>	<u>\$ 85,780</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2015

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
<b>ASSETS:</b>			
Cash, cash equivalents and pooled investments	\$ 647,689	\$ 166,173	\$ 813,862
Receivables:			
Property tax:			
Delinquent	-	760	760
Succeeding year	-	78,641	78,641
Due from other governments	<u>57,176</u>	<u>-</u>	<u>57,176</u>
 Total assets	 <u>\$ 704,865</u>	 <u>\$ 245,574</u>	 <u>\$ 950,439</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 78,641	\$ 78,641
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 78,641</u>	<u>\$ 78,641</u>
 Fund balances:			
Restricted for:			
Debt service	\$ 437,296	\$ -	\$ 437,296
School infrastructure	267,569	-	267,569
Physical plant and equipment	<u>-</u>	<u>166,933</u>	<u>166,933</u>
Total fund balances	<u>\$ 704,865</u>	<u>\$ 166,933</u>	<u>\$ 871,798</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 704,865</u>	 <u>\$ 245,574</u>	 <u>\$ 950,439</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2015

	<u>Capital Projects</u>		
	Statewide	Physical	
	Sales, Services	Plant and	
	and Use Tax	Equipment	Total
		Levy	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 77,293	\$ 77,293
Other	903	614	1,517
State sources	<u>369,225</u>	<u>-</u>	<u>369,225</u>
Total revenues	<u>\$ 370,128</u>	<u>\$ 77,907</u>	<u>\$ 448,035</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	\$ -	\$ 31,144	\$ 31,144
Operation and maintenance of plant	<u>-</u>	<u>8,514</u>	<u>8,514</u>
	<u>\$ -</u>	<u>\$ 39,658</u>	<u>\$ 39,658</u>
Other expenditures:			
Facilities acquisition	<u>\$ 194,716</u>	<u>\$ 840</u>	<u>\$ 195,556</u>
Total expenditures	<u>\$ 194,716</u>	<u>\$ 40,498</u>	<u>\$ 235,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 175,412</u>	<u>\$ 37,409</u>	<u>\$ 212,821</u>
Other financing uses:			
Transfers out	<u>\$ (231,281)</u>	<u>\$ -</u>	<u>\$ (231,281)</u>
Total other financing uses	<u>\$ (231,281)</u>	<u>\$ -</u>	<u>\$ (231,281)</u>
Change in fund balances	\$ (55,869)	\$ 37,409	\$ (18,460)
Fund balances beginning of year	<u>760,734</u>	<u>129,524</u>	<u>890,258</u>
Fund balances end of year	<u>\$ 704,865</u>	<u>\$ 166,933</u>	<u>\$ 871,798</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Modified Accrual Basis									
<b>Revenues:</b>										
Local sources:										
Local tax	\$ 2,768,576	\$ 2,606,436	\$ 2,915,844	\$ 2,553,884	\$ 2,419,368	\$ 2,243,001	\$ 2,153,482	\$ 2,132,560	\$ 2,103,137	\$ 2,142,768
Tuition	241,139	190,739	159,946	184,979	141,210	99,828	101,327	102,560	79,246	76,666
Other	268,215	234,005	222,122	335,146	260,969	210,830	256,126	301,398	255,104	242,311
State sources	2,193,556	2,272,973	1,723,052	1,838,316	1,688,870	1,415,202	1,854,733	1,673,772	1,623,109	1,502,553
Federal sources	156,947	176,032	188,569	272,503	211,899	509,684	262,194	138,445	177,809	145,989
<b>Total</b>	<b>\$ 5,628,433</b>	<b>\$ 5,480,185</b>	<b>\$ 5,209,533</b>	<b>\$ 5,184,828</b>	<b>\$ 4,722,316</b>	<b>\$ 4,478,545</b>	<b>\$ 4,627,862</b>	<b>\$ 4,348,735</b>	<b>\$ 4,238,405</b>	<b>\$ 4,110,287</b>
<b>Expenditures:</b>										
Instruction:										
Regular	\$ 2,215,370	\$ 2,176,719	\$ 2,177,665	\$ 2,091,705	\$ 2,089,275	\$ 1,978,994	\$ 1,959,699	\$ 1,773,846	\$ 1,644,718	\$ 1,654,632
Special	701,282	751,336	704,115	680,772	555,594	604,583	523,834	523,586	447,486	398,928
Other	390,577	381,903	353,246	472,271	367,693	368,797	395,661	361,313	346,313	301,809
Support services:										
Student	73,194	110,877	102,137	97,335	92,765	89,014	89,179	84,791	79,926	74,742
Instructional staff	176,738	145,501	60,613	62,782	53,464	50,759	44,712	45,071	39,990	48,100
Administration	485,488	511,556	549,082	522,964	502,239	497,355	495,238	443,298	432,795	423,139
Operation and maintenance of plant	272,066	335,957	287,326	292,580	277,744	288,131	303,642	344,925	313,759	287,532
Transportation	233,034	273,823	211,912	219,394	289,901	214,481	229,649	206,111	182,487	185,669
Other expenditures:										
Facilities acquisition	195,556	41,559	425,646	1,939,819	317,016	246,949	548,624	1,073,546	254,908	233,337
Long-term debt:										
Principal	125,000	95,000	355,000	370,000	360,000	345,000	340,000	210,000	205,000	205,000
Interest and fiscal charges	106,281	108,481	117,994	150,642	47,943	59,008	78,263	39,290	43,288	46,773
AEA flow through	188,264	185,423	172,705	171,056	190,139	188,929	170,950	160,100	156,200	148,366
<b>Total</b>	<b>\$ 5,162,850</b>	<b>\$ 5,118,135</b>	<b>\$ 5,517,441</b>	<b>\$ 7,071,320</b>	<b>\$ 5,143,773</b>	<b>\$ 4,932,000</b>	<b>\$ 5,179,451</b>	<b>\$ 5,265,877</b>	<b>\$ 4,146,870</b>	<b>\$ 4,008,027</b>



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  
Remsen-Union Community School District

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Remsen-Union Community School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses as Item I-A-15 that we consider to be a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

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.

## Remsen-Union Community School District's Responses to Findings

The District's response to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

March 7, 2016  
Sioux City, Iowa

A handwritten signature in cursive script, appearing to read 'King Rensch' followed by some less legible characters.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-15     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts. For example, a different individual should (a) open the mail, (b) deposit cash receipts, and (c) record cash receipts to the general ledger.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-15     Certified Budget - No expenditures for the year ended June 30, 2015 exceeded the certified budget amounts.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-15 Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

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

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

Beginning balance		\$ 760,734
Revenues/transfers in:		
Sales tax revenues	\$ 369,225	
Other local revenues	<u>903</u>	<u>370,128</u>
		\$ 1,130,862
Expenditures/transfers out:		
Transfers to debt service fund	\$ 231,281	
Buildings and improvements	174,082	
Furniture and equipment	18,687	
Other	<u>1,947</u>	<u>425,997</u>
Ending Balance		<u>\$ 704,865</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 Deficit Balances - The School Nutrition Fund had a deficit balance at June 30, 2015.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the School Nutrition Fund at the end of the fiscal year.

Conclusion - Response accepted.