

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Roland-Story Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Board of Education	
Mike Retallick	President	2015
Marc Soderstrum	Vice President	2015
Michaela Carlson	Board Member	2017
Boyd Brodie	Board Member	2017
Ted Hammes	Board Member	2015

School Officials

Matt Patton	Superintendent	2015
Candi Holm	Board Secretary/ District Treasurer	2015
Ahlers & Cooney	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, Roland-Story Community School 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

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roland-Story Community School District's basic financial statements. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2015, on our consideration of Roland-Story Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,663,106 in fiscal 2014 to \$10,057,849 in fiscal 2015, and General Fund expenditures increased from \$9,487,141 in fiscal 2014 to \$10,156,031 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$2,368,962, at June 30, 2014 to \$2,270,780, at June 30, 2015, a 4.14% decrease from the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Roland-Story Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Roland-Story Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Roland-Story Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Roland-Story Community School District Annual Financial Report

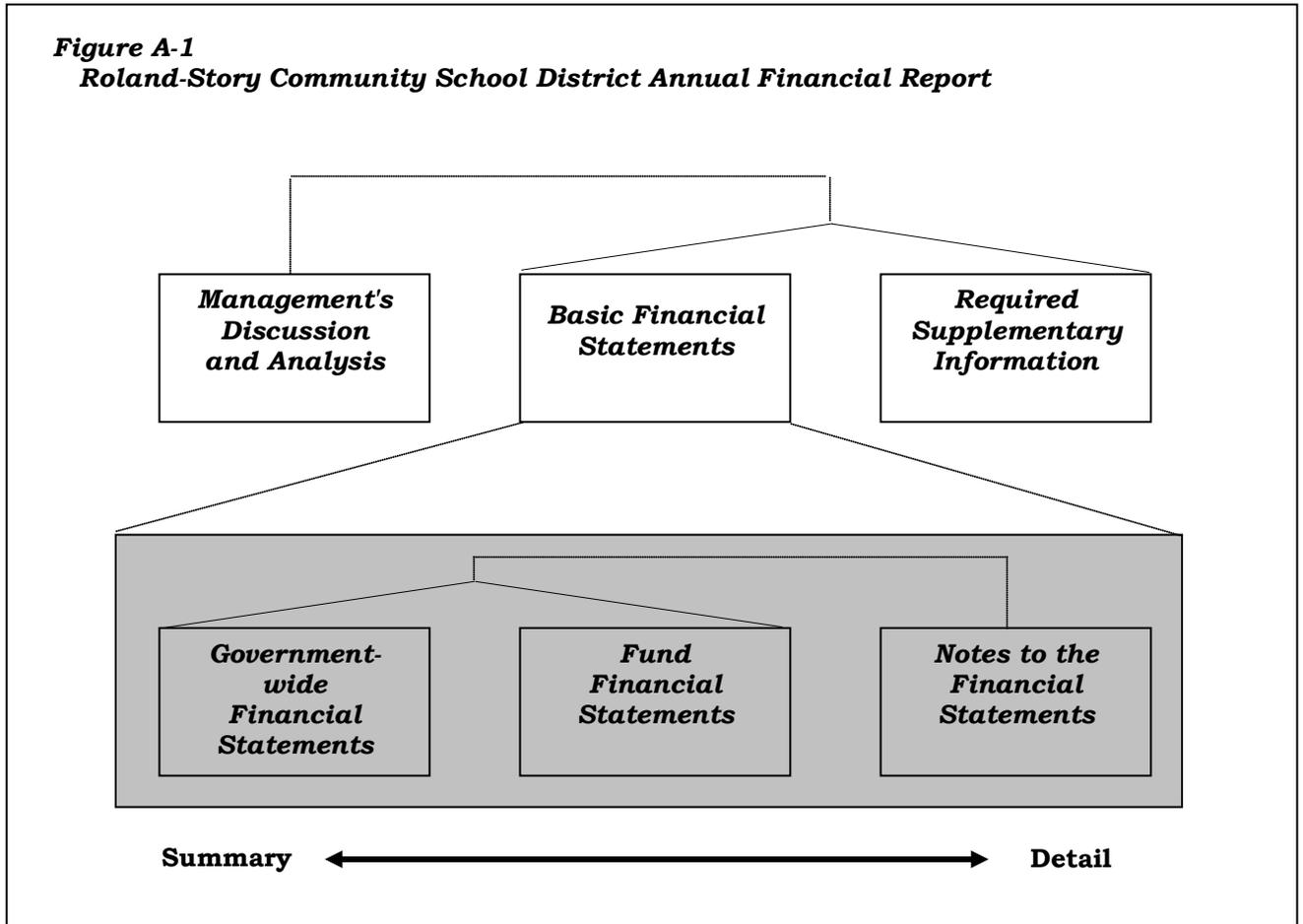


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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 or 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 three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* The Roland-Story Community School District Foundation was established to provide post high school scholarship support to graduates of the school and to enhance the overall education of students at the Roland Story Community School.

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District currently has one internal service fund accounting for the partially self-funded health insurance of the District

The required financial statements for the proprietary funds include a Statement of Net Position, 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-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)	June 30, 2014-2015	
	2015	2015	2015	2015	2015	2015	2015
Current and other assets	\$ 12,835,849	9,449,233	13,208	18,881	12,849,057	9,468,114	35.71%
Capital assets	14,142,064	11,751,190	14,954	17,554	14,157,018	11,768,744	20.29%
Total assets	26,977,913	21,200,423	28,162	36,435	27,006,075	21,236,858	27.17%
Deferred outflows of resources	770,702	-	17,018	-	787,720	-	100.00%
Long-term liabilities	8,303,282	337,436	83,018	1,698	8,386,300	339,134	2372.86%
Other liabilities	1,658,727	293,535	54,628	46,161	1,713,355	339,696	404.38%
Total liabilities	9,962,009	630,971	137,646	47,859	10,099,655	678,830	1387.80%
Deferred inflows of resources	4,874,247	3,389,441	33,231	-	4,907,478	3,389,441	44.79%
Net position:							
Net investment in capital assets	12,461,552	11,751,190	14,954	17,554	12,476,506	11,768,744	6.01%
Restricted	2,209,217	2,908,535	-	-	2,209,217	2,908,535	-24.04%
Unrestricted	(1,758,410)	2,520,286	(140,651)	(28,978)	(1,899,061)	2,491,308	-176.23%
Total net position	\$ 12,912,359	17,180,011	(125,697)	(11,424)	12,786,662	17,168,587	-25.52%

The District's combined net position decreased by \$4,381,925 or by 25.52%, over the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to 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 decreased \$699,318, or 24.04% over the prior year. The decrease is primarily due to the decrease in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax Fund excluding unspent bond proceeds.

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 - decreased \$4,390,369, or 176.23%. This decrease in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,650,754 and \$104,132, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2014	2014	2014	2014	2014	2014-2015
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,316,933	1,254,051	340,851	317,186	1,657,784	1,571,237	5.51%
Operating grants and contributions and restricted interest	847,122	1,335,452	180,862	185,263	1,027,984	1,520,715	-32.40%
General revenues:							
Property tax	3,416,749	3,707,514	-	-	3,416,749	3,707,514	-7.84%
Income surtax	547,724	564,630	-	-	547,724	564,630	-2.99%
Statewide sales, services and use tax	926,783	833,162	-	-	926,783	833,162	11.24%
Unrestricted state grants	5,191,991	4,118,127	-	-	5,191,991	4,118,127	26.08%
Unrestricted investment earnings	33,362	12,736	3	2	33,365	12,738	161.93%
Other	17,742	6,597	4,179	-	21,921	6,597	232.29%
Total revenues	12,298,406	11,832,269	525,895	502,451	12,824,301	12,334,720	3.97%
Program expenses:							
Instructional	8,079,727	6,872,466	-	-	8,079,727	6,872,466	17.57%
Support services	3,012,299	2,882,593	3,211	-	3,015,510	2,882,593	4.61%
Non-instructional programs	-	1,800	532,825	513,547	532,825	515,347	3.39%
Other expenditures	823,278	1,026,223	-	-	823,278	1,026,223	-19.78%
Total expenses	11,915,304	10,783,082	536,036	513,547	12,451,340	11,296,629	10.22%
Change in net position before contributed capital	383,102	1,049,187	(10,141)	(11,096)	372,961	1,038,091	-64.07%
Capital contribution	-	-	-	1,800	-	1,800	-100.00%
Change in net position	383,102	1,049,187	(10,141)	(9,296)	372,961	1,039,891	-64.13%
Net position beginning of year, as restated	12,529,257	16,130,824	(115,556)	(2,128)	12,413,701	16,128,696	-23.03%
Net position end of year	\$ 12,912,359	17,180,011	(125,697)	(11,424)	12,786,662	17,168,587	-25.52%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 81.99% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.20% of the revenue from business type activities.

The District's total revenues were approximately \$12.82 million of which approximately \$12.30 million was for governmental activities and approximately \$0.52 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.97% increase in revenues and a 10.22% increase in expenses. The increase in revenue is primarily due to the increase in unrestricted state grants while the increase in expenses was related to increases in expenditures in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$12,298,406 and expenses were \$11,915,304.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 8,079,727	6,872,466	17.57%	6,300,700	4,699,670	34.07%
Support services	3,012,299	2,882,593	4.50%	2,996,997	2,836,108	5.67%
Non-instructional programs	-	1,800	-100.00%	-	1,800	-100.00%
Other expenses	823,278	1,026,223	-19.78%	453,552	655,701	-30.83%
Totals	<u>\$ 11,915,304</u>	<u>10,783,082</u>	<u>10.50%</u>	<u>9,751,249</u>	<u>8,193,279</u>	<u>19.02%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,316,933.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$847,122.
- The net cost of governmental activities was financed with \$3,416,749 in property tax, \$547,724 in income surtax, \$926,783 in statewide sales, services and use tax, \$5,191,991 in unrestricted state grants, \$33,362 in interest income, and \$17,742 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$525,895 and expenses were \$536,036. 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 miscellaneous income and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,286,882, above last year's ending fund balances of \$5,298,199. The primary reason for the increase in combined fund balances in fiscal 2015 was due to the increase in the General and Capital Projects: Statewide Sales, Services and Use Tax and Capital Projects: Physical, Plant and Equipment Levy Funds.

Governmental Fund Highlights

- The General Fund Balance decreased from \$2,368,962 at June 30, 2014 to \$2,270,780 at June 30, 2015. The primary reason for the decrease in fund balance was the increase in expenses in the instruction functional area.
- The Capital Projects Fund balance increased from \$2,154,891 at June 30, 2014 to \$4,232,652 at June 30, 2015. The increase was primarily the result of a revenue bond issuance during the year that was not fully spent on new construction prior to the end of the fiscal year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a deficit \$115,556 at June 30, 2014 to a deficit \$125,697 at June 30, 2015, representing a decrease of 8.78%. Revenues increased over the prior year primarily due to increased revenue from charges for service, expenditures also increased during the year due to an increase in expenditures for salaries and supplies.

BUDGETARY HIGHLIGHTS

The District's revenues were \$206,023 more than budgeted revenues, a variance of 1.64%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$14,157,018, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$521,410.

The original cost of the District's capital assets was \$20,781,345. Governmental funds account for \$20,693,208 with the remainder of \$88,137 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,262,325 at June 30, 2015 as compared to \$66,900 at June 30, 2014, due primarily to renovations ongoing at the middle school and elementary buildings

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 411,753	411,753	-	-	411,753	411,753	0.00%
Construction in progress	2,262,325	66,900	-	-	2,262,325	66,900	97.04%
Buildings	10,603,083	10,352,308	-	-	10,603,083	10,352,308	2.37%
Land improvements	355,602	393,620	-	-	355,602	393,620	-10.69%
Machinery and equipment	509,301	526,609	14,954	17,554	524,255	544,163	-3.80%
Total	\$ 14,142,064	11,751,190	14,954	17,554	14,157,018	11,768,744	20.29%

Long-Term Debt

At June 30, 2015, the District had \$8,386,300 in revenue bonds payable and other long-term debt outstanding. This represents an increase of 48.75% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bonds payable of \$4,508,000 at June 30, 2015.

The District had total outstanding bus lease indebtedness of \$28,307 at June 30, 2015, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had obligations to three employees for termination benefits of \$63,061 at June 30, 2015 payable from the Management Fund.

The District had a net OPEB liability of \$95,746 at June 30, 2015. Governmental activities account for \$93,565 and business type activities account for \$2,181 of the total.

The District had a net pension liability of \$3,691,186 at June 30, 2015. Governmental activities account for \$3,610,349 and business type activities account for \$80,837 of the total.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Revenue bonds	\$ 4,508,000	-	-	-	4,508,000	-	100.00%
Bus lease	28,307	55,956	-	-	28,307	55,956	-49.41%
Termination benefits	63,061	211,603	-	-	63,061	211,603	-70.20%
Net OPEB liability	93,565	69,877	2,181	1,698	95,746	71,575	33.90%
Net pension liability	3,610,349	5,182,706	80,837	116,043	3,691,186	5,298,749	-30.34%
Total	\$ 8,303,282	5,520,142	83,018	117,741	8,386,300	5,637,883	48.75%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has a three-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 3.5% or \$207,891 for fiscal year 2016. Staff represented by RSEA makeup in wages and benefits 55% of all General fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.
- American Packaging, a local manufacturing firm, is currently advertising to expand their employee base by approximately 40-50 employees. It is anticipated that this will result in a modest increase in enrollment in the next few years. This increase in enrollment will help to increase funds available for the General Fund, since funding is based on the October certified enrollment each year.
- District enrollment increased for the fourth year in a row since October 2000. The increase was 14.2 students, bringing the District back to the level of certified students in 2007. School financing is highly dependent upon student enrollment. This increase will help with the budgeting for 2017.
- Even Though this year showed an increase in enrollment of 14.2 students this will only put a dent in the funding loss that has occurred over the past fourteen years. Over the past fourteen years the District's enrollment has decreased 129.55 students which has directly resulted in a funding loss of approximately \$824,715. A majority of the funding for the District's budget is based on certified enrollment due to the loss of funds over the past fourteen years it will be necessary for the District to maintain a close watch on expenditures and spending authority.
- Due to the fact that the District's enrollment has increased over the last four years, it is necessary to look at the facilities and begin planning for future expansion of classroom areas to insure that our classrooms do not become overcrowded.

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 Candi Holm, Board Secretary/District Treasurer, Roland-Story Community School District, 1009 Story Street, Story City, Iowa, 50248.

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Roland-Story Community School District Foundation
ASSETS				
Cash and pooled investments:	\$ 8,373,036	8,680	8,381,716	1,412,432
Receivables:				
Property tax:				
Delinquent	18,553	-	18,553	-
Succeeding year	3,390,107	-	3,390,107	-
Income surtax	500,094	-	500,094	-
Accounts	6,748	54	6,802	-
Due from other funds	42,042	-	42,042	-
Due from other governments	505,269	-	505,269	-
Inventories	-	4,474	4,474	-
Capital assets, net of accumulated depreciation	14,142,064	14,954	14,157,018	-
TOTAL ASSETS	26,977,913	28,162	27,006,075	1,412,432
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	770,702	17,018	787,720	-
LIABILITIES				
Due to other funds	-	42,042	42,042	-
Accounts payable	1,477,488	248	1,477,736	-
Salaries and benefits payable	134,827	-	134,827	-
Accrued interest payable	46,412	-	46,412	-
Unearned revenue	-	12,338	12,338	-
Long-term liabilities:				
Portion due within one year:				
Bus lease payable	28,307	-	28,307	-
Termination benefits payable	63,061	-	63,061	-
Portion due after one year:				
Revenue bonds payable	4,508,000	-	4,508,000	-
Net OPEB liability	93,565	2,181	95,746	-
Net pension liability	3,610,349	80,837	3,691,186	-
TOTAL LIABILITIES	9,962,009	137,646	6,408,469	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	3,390,107	-	3,390,107	-
Pension related deferred inflows	1,484,140	33,231	1,517,371	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,874,247	33,231	4,907,478	-
NET POSITION				
Net investment in capital assets	12,461,552	14,954	12,476,506	-
Restricted for:				
Scholarships and projects by donors	-	-	-	1,412,432
Categorical funding	158,383	-	158,383	-
Management levy purposes	436,974	-	436,974	-
Student activities	283,415	-	283,415	-
School infrastructure	129,813	-	129,813	-
Physical plant and equipment	897,021	-	897,021	-
Debt service	303,611	-	303,611	-
Unrestricted	(1,758,410)	(140,651)	(1,899,061)	-
TOTAL NET POSITION	\$ 12,912,359	(125,697)	12,786,662	1,412,432

SEE NOTES TO FINANCIAL STATEMENTS

**ROLAND-STORY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
				Governmental Activities	Business Type Activities	Total	Roland-Story community School District Foundation
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,436,433	736,296	150,151	(4,549,986)	-	(4,549,986)	-
Special	1,137,358	176,084	155,366	(805,908)	-	(805,908)	-
Other	1,505,936	389,251	171,879	(944,806)	-	(944,806)	-
	<u>8,079,727</u>	<u>1,301,631</u>	<u>477,396</u>	<u>(6,300,700)</u>	<u>-</u>	<u>(6,300,700)</u>	<u>-</u>
Support services:							
Student	262,594	-	-	(262,594)	-	(262,594)	-
Instructional staff	554,044	-	-	(554,044)	-	(554,044)	-
Administration	973,327	-	-	(973,327)	-	(973,327)	-
Operation and maintenance of plant	879,976	-	-	(879,976)	-	(879,976)	-
Transportation	342,358	15,302	-	(327,056)	-	(327,056)	-
	<u>3,012,299</u>	<u>15,302</u>	<u>-</u>	<u>(2,996,997)</u>	<u>-</u>	<u>(2,996,997)</u>	<u>-</u>
Long-term debt interest	46,745	-	-	(46,745)	-	(46,745)	-
Other expenditures:							
AEA flowthrough	369,726	-	369,726	-	-	-	-
Depreciation(unallocated)*	406,807	-	-	(406,807)	-	(406,807)	-
	<u>776,533</u>	<u>-</u>	<u>369,726</u>	<u>(406,807)</u>	<u>-</u>	<u>(406,807)</u>	<u>-</u>
Total governmental activities	11,915,304	1,316,933	847,122	(9,751,249)	-	(9,751,249)	-
Business type activities:							
Support services:							
Administration	468	-	-	-	(468)	(468)	-
Operation and maintenance of plant	2,743	-	-	-	(2,743)	(2,743)	-
Non-instructional programs:							
Nutrition services	532,825	340,851	180,862	-	(11,112)	(11,112)	-
Total business type activities	<u>536,036</u>	<u>340,851</u>	<u>180,862</u>	<u>-</u>	<u>(14,323)</u>	<u>(14,323)</u>	<u>-</u>
Total primary government	<u>\$ 12,451,340</u>	<u>1,657,784</u>	<u>1,027,984</u>	<u>(9,751,249)</u>	<u>(14,323)</u>	<u>(9,765,572)</u>	<u>-</u>
Total component unit	<u>\$ 27,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,563)</u>	<u>-</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,051,246	-	3,051,246	-
Capital outlay				365,503	-	365,503	-
Income surtax				547,724	-	547,724	-
Statewide sales, services and use tax				926,783	-	926,783	-
Unrestricted state grants				5,191,991	-	5,191,991	-
Unrestricted investment earnings				33,362	3	33,365	35,391
Other general revenues				17,742	4,179	21,921	368,533
Total general revenues				<u>10,134,351</u>	<u>4,182</u>	<u>10,138,533</u>	<u>403,924</u>
Change in net position				383,102	(10,141)	372,961	376,361
Net position beginning of year, as restated				12,529,257	(115,556)	12,413,701	1,036,071
Net position end of year				<u>\$ 12,912,359</u>	<u>(125,697)</u>	<u>12,786,662</u>	<u>1,412,432</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,123,990	5,412,738	790,156	8,326,884
Receivables:				
Property tax:				
Delinquent	14,695	1,935	1,923	18,553
Succeeding year	2,725,378	389,730	274,999	3,390,107
Income surtax	357,210	142,884	-	500,094
Accounts	1,439	-	5,010	6,449
Due from other funds	88,046	-	-	88,046
Due from other governments	361,505	143,752	12	505,269
TOTAL ASSETS	\$ 5,672,263	6,091,039	1,072,100	12,835,402
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	46,004	-	46,004
Accounts payable	184,158	1,279,769	13,561	1,477,488
Salaries and benefits payable	134,737	-	90	134,827
Total liabilities	318,895	1,325,773	13,651	1,658,319
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,725,378	389,730	274,999	3,390,107
Income surtax	357,210	142,884	-	500,094
Total deferred inflows of resources	3,082,588	532,614	274,999	3,890,201
Fund balances:				
Restricted for:				
Categorical funding	158,383	-	-	158,383
Management levy purposes	-	-	500,035	500,035
Student activities	-	-	283,415	283,415
School infrastructure	-	2,985,608	-	2,985,608
Physical plant and equipment	-	897,021	-	897,021
Debt service	-	350,023	-	350,023
Unassigned	2,112,397	-	-	2,112,397
Total fund balances	2,270,780	4,232,652	783,450	7,286,882
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,672,263	6,091,039	1,072,100	12,835,402

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds(page 20)		\$ 7,286,882
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		14,142,064
Blending of the Internal Service Fund to be reflected on an entity-wide basis		46,451
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(46,412)
Accounts receivable income surtax, are not yet available to pay current year expenditures and there fore, are recognized as deferred inflows of resources in the governmental funds.		500,094
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the curent year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 770,702	
Deferred inflows of resources	<u>(1,484,140)</u>	(713,438)
Long-term liabilities including net pension liability, lease payable, revenue bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,303,282)</u>
Net position of governmental activities(page 18)		<u><u>\$ 12,912,359</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,074,343	490,825	352,868	3,918,036
Tuition	799,086	-	-	799,086
Other	172,576	26,148	398,923	597,647
State sources	5,761,850	929,441	2,868	6,694,159
Federal sources	243,041	-	-	243,041
TOTAL REVENUES	10,050,896	1,446,414	754,659	12,251,969
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,935,148	220,154	140,414	5,295,716
Special	1,101,691	-	-	1,101,691
Other	1,033,831	-	416,576	1,450,407
	7,070,670	220,154	556,990	7,847,814
Support services:				
Student	297,132	-	-	297,132
Instructional staff	502,264	23,870	-	526,134
Administration	961,091	-	71,189	1,032,280
Operation and maintenance of plant	697,918	45,415	108,216	851,549
Transportation	257,230	89,000	9,160	355,390
	2,715,635	158,285	188,565	3,062,485
Capital outlay	-	3,469,232	-	3,469,232
Long-term debt:				
Principal	-	-	27,649	27,649
Interest and fiscal charges	-	-	1,333	1,333
	-	-	28,982	28,982
Other expenditures:				
AEA flowthrough	369,726	-	-	369,726
	369,726	-	-	369,726
TOTAL EXPENDITURES	10,156,031	3,847,671	774,537	14,778,239
Deficiency of revenues under expenditures	(105,135)	(2,401,257)	(19,878)	(2,526,270)
OTHER FINANCING SOURCES(USES):				
Transfer in	-	-	28,982	28,982
Transfer out	-	(28,982)	-	(28,982)
Sale of equipment	6,953	-	-	6,953
Bond issuance	-	4,508,000	-	4,508,000
Total other financing sources(uses)	6,953	4,479,018	28,982	4,514,953
Change in fund balances	(98,182)	2,077,761	9,104	1,988,683
Fund balance beginning of year	2,368,962	2,154,891	774,346	5,298,199
Fund balance end of year	\$ 2,270,780	4,232,652	783,450	7,286,882

SEE NOTES TO FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 22) \$ 1,988,683

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

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

Capital outlay	\$ 2,909,684	
Depreciation expense	(518,810)	2,390,874

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 24,157

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(4,508,000)	
Repaid	34,542	(4,473,458)

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. 46,437

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (45,412)

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. 572,133

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:

Termination benefits	148,542	
Pension expense	(245,166)	
Other postemployment benefits	(23,688)	(120,312)

Change in net position of governmental activities(page 19) \$ 383,102

SEE NOTES TO FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 8,680	46,152
Receivables:		
Accounts	54	299
Inventories	4,474	-
	<u>13,208</u>	<u>46,451</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	14,954	-
TOTAL ASSETS	<u>28,162</u>	<u>46,451</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	17,018	-
LIABILITIES		
Current liabilities		
Interfund payable	42,042	-
Accounts payable	248	-
Unearned revenue	12,338	-
Total current liabilities	<u>54,628</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	2,181	-
Net pension liability	80,837	-
Total noncurrent liabilities	<u>83,018</u>	<u>-</u>
TOTAL LIABILITIES	<u>137,646</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	33,231	-
NET POSITION		
Net investment in capital assets	14,954	-
Unrestricted	(140,651)	46,451
TOTAL NET POSITION	<u>\$ (125,697)</u>	<u>46,451</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 340,851	-
Miscellaneous	4,179	60,304
TOTAL OPERATING REVENUES	345,030	60,304
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	-	32,259
Services	468	3,993
Operation and maintenance of plant:		
Services	2,743	-
Total support services	3,211	36,252
Non-instructional programs:		
Food service operations:		
Salaries	167,196	-
Benefits	18,750	-
Services	7,363	-
Supplies	336,916	-
Depreciation	2,600	-
Total non-instructional programs	532,825	-
TOTAL OPERATING EXPENSES	536,036	36,252
OPERATING GAIN(LOSS)	(191,006)	24,052
NON-OPERATING REVENUES:		
State sources	4,715	-
Federal sources	176,147	-
Interest income	3	105
TOTAL NON-OPERATING REVENUES	180,865	105
Change in net position	(10,141)	24,157
Net position beginning of year, as restated	(115,556)	22,294
Net position end of year	\$ (125,697)	46,451

SEE NOTES TO FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 342,290	-
Cash received from miscellaneous activities	4,179	60,005
Cash payments to employees for services	(192,545)	(32,259)
Cash payments to suppliers for goods or services	(331,414)	(4,129)
Net cash provided by(used in) operating activities	(177,490)	23,617
Cash flows from non-capital financing activities:		
Transfer from General Fund	6,933	-
State grants received	4,715	-
Federal grants received	159,608	-
Net cash provided by non-capital financing activities	171,256	-
Cash flows from investing activities:		
Interest on investments	3	105
Net increase(decrease) in cash and cash equivalents	(6,231)	23,722
Cash and cash equivalents at beginning of year	14,911	22,430
Cash and cash equivalents at end of year	\$ 8,680	46,152
Reconciliation of operating loss to net cash used in operating activities:		
Operating gain(loss)	\$ (191,006)	24,052
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	16,539	-
Depreciation	2,600	-
Increase in inventories	(711)	-
Decrease(Increase) in accounts receivable	153	(299)
Increase(Decrease) in accounts payable	248	(136)
Increase in deferred revenue	1,286	-
Increase in other postemployment benefits	483	-
Decrease in net pension liability	(35,206)	-
Increase in deferred outflows of resources	(5,107)	-
Increase in deferred inflows of resources	33,231	-
Net cash used in operating activities	\$ (177,490)	23,617

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$16,539.

SEE NOTES TO FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The Roland-Story Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Roland and Story City, Iowa and the predominately agricultural territory in a portion of Boone, Hamilton, Hardin and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Roland-Story Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

Discretely Presented Component Unit - The Roland-Story Community School District Foundation was established to provide scholarships to students of the Roland-Story Community School for post high school education and to enhance the overall education of students at the Roland-Story Community School District. The Foundation has a December 31 year-end. The Foundation financial statements are presented as a component unit on the Statement of Net Position and the Statement of Activities. The Foundation financial statements are unaudited.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton, Hardin, Story and Boone 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.

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 plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's partially self-funded insurance plan.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangibles	3-10 years
Machinery and equipment	5-12 years

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

Salaries and Benefits Payable - Payroll and related expenditures for hourly workers for work performed during the month of June, which is payable in July, have been accrued as liabilities.

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amended certified budget.

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

The District's deposits 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. As of June 30, 2015, the District had no investments.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables for the year ended June 30, 2015 is as follows

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise: School Nutrition	\$ 42,042
General Fund	Capital Projects: Physical Plant and Equipment Levy	<u>46,004</u>
Total		<u><u>\$ 88,046</u></u>

The School Nutrition Fund is repaying the General Fund for the payment of salaries and benefits during the year and prior years.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for technology items purchased during the year.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u><u>\$ 28,982</u></u>

The Capital Projects: Physical Plant and Equipment Levy Fund transferred money to the Debt Service Fund for the principal and interest payments on the District's bus lease.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 88,137	-	-	88,137
Less accumulated depreciation	70,583	2,600	-	73,183
Business type activities capital assets, net	<u><u>\$ 17,554</u></u>	<u><u>(2,600)</u></u>	-	<u><u>14,954</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 411,753	-	-	411,753
Construction in progress	66,900	2,742,526	547,101	2,262,325
Total capital assets not being depreciated	<u>478,653</u>	<u>2,742,526</u>	<u>547,101</u>	<u>2,674,078</u>
Capital assets being depreciated:				
Buildings	15,215,697	619,564	18,289	15,816,972
Land improvements	731,069	-	-	731,069
Machinery and equipment	1,458,974	94,695	82,580	1,471,089
Total capital assets being depreciated	<u>17,405,740</u>	<u>714,259</u>	<u>100,869</u>	<u>18,019,130</u>
Less accumulated depreciation for:				
Buildings	4,863,389	368,789	18,289	5,213,889
Land improvements	337,449	38,018	-	375,467
Machinery and equipment	932,365	112,003	82,580	961,788
Total accumulated depreciation	<u>6,133,203</u>	<u>518,810</u>	<u>100,869</u>	<u>6,551,144</u>
Total capital assets being depreciated, net	<u>11,272,537</u>	<u>195,449</u>	<u>-</u>	<u>11,467,986</u>
Governmental activities capital assets, net	<u>\$ 11,751,190</u>	<u>2,937,975</u>	<u>547,101</u>	<u>14,142,064</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 38,520
Other	2,898
Support services:	
Instructional staff	1,079
Administration	5,631
Transportation	<u>63,875</u>
	112,003
Unallocated depreciation	<u>406,807</u>
Total governmental activities depreciation expense	<u>\$ 518,810</u>
Business type activities:	
Food service operations	<u>\$ 2,600</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year			Balance End of Year	Due Within One Year
	Restated	Additions	Reduction		
Governmental activities:					
Revenue bonds	\$ -	4,508,000	-	4,508,000	-
Bus lease	55,956	-	27,649	28,307	28,307
Termination benefits	211,603	63,061	211,603	63,061	63,061
Net OPEB liability	69,877	23,688	-	93,565	-
Net Pension liability	5,182,706	-	1,572,357	3,610,349	-
Total	\$ 5,520,142	4,594,749	1,811,609	8,303,282	91,368
Business type activities					
Net OPEB liability	\$ 1,698	483	-	2,181	-
Net Pension liability	116,043	-	35,206	80,837	-
Total	\$ 117,741	483	35,206	83,018	-

Revenue bonds

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

Year Ending June 30,	Revenue bond of December 23, 2014			
	Interest Rate	Principal	Interest	Total
2016	1.95%	\$ -	89,859	89,859
2017	1.95%	607,000	81,988	688,988
2018	1.95%	619,000	70,034	689,034
2019	1.95%	631,000	57,847	688,847
2020	1.95%	644,000	45,415	689,415
2021-2023	1.95%	2,007,000	59,212	2,066,212
		\$ 4,508,000	404,355	4,912,355

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,508,000 of bonds issued in December 2014. The bonds were issued for the purpose of financing a portion of the costs of renovations to school buildings. 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 2023. 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 are expected to require approximately 10% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,912,355. For the current year, no principle or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$926,783.

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

- a. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b. 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.
- c. 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.

Bus lease

During the year ended June 30, 2014, the District entered into a lease for the purchase of a school bus. Details of the Districts bus lease are as follows:

Year Ending June 30,	Bus lease of October 1, 2013			
	Interest Rate	Principal	Interest	Total
2016	2.38%	\$ 28,307	675	28,982

Termination benefits

During the year ended June 30, 2015, the District offered a voluntary early retirement plan to its employees. Eligible employees must have completed fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 45% of the employee’s base salary in effect during the employee’s last year of employment.

Early retirement benefits will be paid in one installment during the month of July following the start of retirement.

At June 30, 2015, the District had obligations to three participants with a total liability of \$63,061 for early retirement benefits. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$211,603.

(7) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$584,704.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$3,691,186 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 0.091206 percent, which was a decrease of 0.002378 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$250,655. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,116	\$ -
Changes of assumptions	162,900	-
Net difference between projected and actual earnings on pension plan investments	-	1,407,712
Changes in proportion and differences between District contributions and proportionate share of contributions	-	109,659
District contributions subsequent to the measurement date	584,704	-
Total	\$ 787,720	\$ 1,517,371

\$584,704 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (330,116)
2017	(330,116)
2018	(330,116)
2019	(330,116)
2020	6,109
	<u>\$ (1,314,355)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	\$ 6,974,392	\$ 3,691,186	\$ 919,820

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,474 for legally required employer contributions and \$982 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 50 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical 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 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 County's net OPEB obligation:

Annual required contribution	\$	28,312
Interest on net OPEB obligation		1,789
Adjustment to annual required contribution		<u>(4,608)</u>
Annual OPEB cost		25,493
Contributions made		<u>(1,322)</u>
Increase in net OPEB obligation		24,171
Net OPEB obligation beginning of year		<u>71,575</u>
Net OPEB obligation end of year	\$	<u><u>95,746</u></u>

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

For the ended June 30, 2015, the District contributed \$1,322 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 30,791	15.43%	\$ 49,397
2014	26,132	15.13%	71,575
2015	25,502	5.18%	95,746

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 \$152,471, with

no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$152,471. The covered payroll (annual payroll of active employees covered by the plan) was \$7,080,083 and the ratio of UAAL to covered payroll was 2.2%. 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, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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 entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy and a health cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$369,726 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.

(11) Construction Commitment

The District entered into contracts totaling \$3,669,226 for construction and renovation work on the buildings around the district. As of June 30, 2015, costs of \$2,262,325 had been incurred against the contracts. The balance of \$1,406,901 remaining at June 30, 2015 will be paid as work on the projects progress.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 4,421
Beginning teacher mentoring and induction	443
Teacher salary supplement	40,502
Market factor	6,018
Four year old preschool	24,989
Successful progression for early readers	17,690
Professional development for model core curriculum	2,436
Professional development	16,013
Market factor incentives	6,911
Teacher leadership grants	38,960
Total	<u>\$ 158,383</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	<u>Invested in</u>	<u>School</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Infrastructure</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,985,608	500,035	350,023	2,112,397
Invested in capital assets, net of accumulated depreciation	14,142,064	-	-	-	-
Revenue bond capitalized indebtedness	(4,508,000)	-	-	-	-
Bus lease indebtedness	(28,307)	-	-	-	-
Unexpended bond proceeds	2,855,795	(2,855,795)	-	-	-
Accrued interest payable	-	-	-	(46,412)	-
Termination benefits	-	-	(63,061)	-	-
Internal service fund balance	-	-	-	-	46,451
Income Surtax	-	-	-	-	500,094
Net OPEB liability	-	-	-	-	(93,565)
Pension related deferred outflows	-	-	-	-	770,702
Net pension liability	-	-	-	-	(3,610,349)
Pension related deferred inflows	-	-	-	-	(1,484,140)
Net position (Exhibit A)	<u>\$ 12,461,552</u>	<u>129,813</u>	<u>436,974</u>	<u>303,611</u>	<u>(1,758,410)</u>

(14) Accounting Change/Restatement

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

	<u>Governmental</u> <u>Activities</u>	<u>Business type</u> <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 17,180,011	\$ (11,424)
Net pension liability at June 30, 2014	(5,182,706)	(116,043)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>531,952</u>	<u>11,911</u>
Net position July 1, 2014, as restated	<u>\$ 12,529,257</u>	<u>\$ (115,556)</u>

(15) Deficit Unrestricted/Total Net Position

The Roland-Story Community School District had a deficit unrestricted net position of \$140,651 and a total deficit net position of \$125,697 in the Business Type Activity, Enterprise: School Nutrition Fund and a deficit unrestricted net position in its Governmental Activities of \$1,758,410 at June 30, 2015. (See comment II-R-15). The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 during fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 14, Accounting Change/Restatement).

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,314,769	345,033	5,659,802	6,480,217	6,480,217	(820,415)
State sources	6,694,159	4,715	6,698,874	5,860,624	5,860,624	838,250
Federal sources	243,041	176,147	419,188	231,000	231,000	188,188
Total revenues	12,251,969	525,895	12,777,864	12,571,841	12,571,841	206,023
Expenditures/expenses:						
Instruction	7,847,814	-	7,847,814	8,362,071	8,362,071	514,257
Support services	3,062,485	3,211	3,065,696	3,485,763	3,485,763	420,067
Non-instructional programs	-	532,825	532,825	583,083	583,083	50,258
Other expenditures	3,867,940	-	3,867,940	2,128,314	5,263,314	1,395,374
Total expenditures/expenses	14,778,239	536,036	15,314,275	14,559,231	17,694,231	2,379,956
Deficiency of revenues under expenditures/expenses	(2,526,270)	(10,141)	(2,536,411)	(1,987,390)	(5,122,390)	2,585,979
Other financing sources, net	4,514,953	-	4,514,953	-	-	4,514,953
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,988,683	(10,141)	1,978,542	(1,987,390)	(5,122,390)	7,100,932
Balance beginning of year	5,298,199	(115,556)	5,182,643	1,987,390	1,987,390	3,195,253
Balance end of year	\$ 7,286,882	(125,697)	7,161,185	-	(3,135,000)	10,296,185

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ROLAND-STORY 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 comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,135,000.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.091206%
District's proportionate share of the net pension liability	\$ 3,691
District's covered-employee payroll	\$ 6,090
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

Note: Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 585	544	525	486	378	357	372	334	301	290
Contributions in relation to the statutorily required contribution	<u>\$ (585)</u>	<u>(544)</u>	<u>(525)</u>	<u>(486)</u>	<u>(378)</u>	<u>(357)</u>	<u>(372)</u>	<u>(334)</u>	<u>(301)</u>	<u>(290)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,551	6,092	6,055	6,022	5,439	5,137	5,858	5,521	5,235	5,043
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 131,366	131,366	0.0%	\$ 1,640,000	8.0%
2011	July 1, 2009	-	120,550	120,550	0.0%	2,340,000	5.2%
2012	July 1, 2009	-	107,338	107,338	0.0%	2,460,000	4.4%
2013	July 1, 2012	-	181,223	181,223	0.0%	2,740,000	6.6%
2014	July 1, 2012	-	165,778	165,778	0.0%	3,230,000	5.1%
2015	July 1, 2012	-	152,471	152,471	0.0%	7,080,083	2.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Roland-Story Community School District

SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
ASSETS			
Cash and pooled investments	\$ 292,056	498,100	790,156
Receivables:			
Property tax:			
Delinquent	-	1,923	1,923
Succeeding year	-	274,999	274,999
Accounts	5,010	-	5,010
Due from other governments	-	12	12
TOTAL ASSETS	\$ 297,066	775,034	1,072,100
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 13,561	-	13,561
Salaries and benefits payable	90	-	90
Total Liabilities	13,651	-	13,651
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	274,999	274,999
Fund balances:			
Restricted for:			
Management levy purposes	-	500,035	500,035
Student activities	283,415	-	283,415
Total fund balances	283,415	500,035	783,450
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 297,066	775,034	1,072,100

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ROLAND-STORY 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 Fund	Total
	Student Activity	Manage- ment Levy	Total		
REVENUES:					
Local sources:					
Local tax	\$ -	352,868	352,868	-	352,868
Other	390,283	8,640	398,923	-	398,923
State sources	-	2,868	2,868	-	2,868
TOTAL REVENUES	390,283	364,376	754,659	-	754,659
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	-	140,414	140,414	-	140,414
Other	416,576	-	416,576	-	416,576
Support services:					
Administration	-	71,189	71,189	-	71,189
Operation and maintenance of plant	-	108,216	108,216	-	108,216
Transportation	-	9,160	9,160	-	9,160
Long-term debt:					
Principal	-	-	-	27,649	27,649
Interest and fiscal charges	-	-	-	1,333	1,333
TOTAL EXPENDITURES	416,576	328,979	745,555	28,982	774,537
Excess(Deficiency) of revenues over(under) expenditures	(26,293)	35,397	9,104	(28,982)	(19,878)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	28,982	28,982
Change in fund balances	(26,293)	35,397	9,104	-	9,104
Fund balance beginning of year	309,708	464,638	774,346	-	774,346
Fund balance end of year	\$ 283,415	500,035	783,450	-	783,450

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 4,285,427	1,127,311	5,412,738
Receivables:			
Property tax:			
Delinquent	-	1,935	1,935
Succeeding year	-	389,730	389,730
Income surtax	-	142,884	142,884
Due from other governments	143,741	11	143,752
TOTAL ASSETS	\$ 4,429,168	1,661,871	6,091,039
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	46,004	46,004
Accounts payable	1,093,537	186,232	1,279,769
Total Liabilities	1,093,537	232,236	1,325,773
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	389,730	389,730
Income surtax	-	142,884	142,884
Total liabilities	-	532,614	532,614
Fund balances:			
Restricted for:			
School infrastructure	2,985,608	-	2,985,608
Physical plant and equipment	-	897,021	897,021
Debt service	350,023	-	350,023
Total fund balances	3,335,631	897,021	4,232,652
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,429,168	1,661,871	6,091,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	490,825	490,825
Other	18,487	7,661	26,148
State sources	926,783	2,658	929,441
TOTAL REVENUES	945,270	501,144	1,446,414
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	3,513	216,641	220,154
Support services:			
Instructional	-	23,870	23,870
Operation and maintenance of plant	-	45,415	45,415
Transportation	-	89,000	89,000
Capital outlay	3,329,707	139,525	3,469,232
TOTAL EXPENDITURES	3,333,220	514,451	3,847,671
Deficiency of revenues under expenditures	(2,387,950)	(13,307)	(2,401,257)
OTHER FINANCING SOURCES (USES):			
Transfer out	-	(28,982)	(28,982)
Bond issuance	4,508,000	-	4,508,000
TOTAL OTHER FINANCING SOURCES (USES)	4,508,000	(28,982)	4,479,018
Change in fund balances	2,120,050	(42,289)	2,077,761
Fund balance beginning of year	1,215,581	939,310	2,154,891
Fund balance end of year	\$ 3,335,631	897,021	4,232,652

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
General athletics	\$ 14,194	35,433	35,815	13,812
Interest	11,102	502	3,489	8,115
Gifts/RIF	1	2,005	1,683	323
Elementary				
Student council	12,368	4,863	857	16,374
OCA	633	-	56	577
Helping hands	362	-	-	362
Pencil project	296	50	-	346
S.N. penny drive	252	200	255	197
Middle School				
Vocal music	652	1,094	1,462	284
Instrumental music	652	1,648	2,300	-
Student Council	1,538	7,298	7,803	1,033
High School				
Speech/drama/musical	20,881	13,417	11,907	22,391
Vocal music	18,198	2,764	612	20,350
Instrumental music	5,455	5,291	5,295	5,451
Cross country	255	2,174	2,429	-
Boys basketball	26,576	15,853	18,641	23,788
Boys football	41,012	32,029	39,032	34,009
Boys baseball	4,516	45,036	49,550	2
Boys track	3,840	14,067	11,824	6,083
Boys golf	122	520	642	-
Wrestling	14,593	15,449	24,119	5,923
Girls basketball	23,675	17,598	18,753	22,520
Girls volleyball	7,237	14,189	11,139	10,287
Girls softball	1,100	15,847	15,297	1,650
Girls track	1,306	6,197	3,534	3,969
Girls golf	-	1,139	1,139	-
Yearbook	4,326	3,584	3,491	4,419
FFA	22,656	32,048	27,976	26,728
FCCLA	1,613	2,098	2,942	769
Student council	2,252	1,685	2,754	1,183
Honor society	-	992	682	310
HOSA	606	1,815	2,349	72
Cheerleaders	2,821	6,142	6,645	2,318
Keyclub	2,201	2,253	2,274	2,180
Student awards	11,571	3,093	4,912	9,752
Pop fund	557	96	227	426
Academic letters	-	2	-	2
Concessions	47,589	67,261	82,515	32,335
Class of 2014	1	-	1	-
Class of 2015	1,818	1,694	3,512	-
Class of 2016	-	11,213	7,220	3,993
Music uniforms	881	1,644	1,443	1,082
Total	\$ 309,708	390,283	416,576	283,415

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,918,036	4,279,037	5,437,328	5,501,259	4,892,840	4,601,000	4,456,135	4,602,704	4,340,770	4,036,115
Tuition	799,086	729,601	665,524	653,774	605,015	490,977	515,731	527,063	463,916	364,822
Other	597,647	542,903	542,163	522,707	527,371	551,117	570,505	583,488	725,855	530,474
Intermediate sources	-	-	-	-	-	-	-	-	11,095	-
State sources	6,694,159	6,032,702	4,887,303	4,928,027	4,921,760	4,208,855	4,844,904	4,808,240	4,741,516	4,454,045
Federal sources	243,041	254,039	322,816	486,793	341,355	859,706	343,864	151,481	130,983	131,095
Total	\$ 12,251,969	11,838,282	11,855,134	12,092,560	11,288,341	10,711,655	10,731,139	10,672,976	10,414,135	9,516,551
Expenditures:										
Current:										
Instruction:										
Regular	\$ 5,295,716	4,756,700	4,500,907	5,253,236	4,574,659	4,485,682	4,498,312	4,245,924	3,986,764	3,802,510
Special	1,101,691	1,018,514	1,093,489	1,081,898	1,055,453	1,043,012	1,167,425	951,140	945,853	980,878
Other	1,450,407	1,299,704	1,291,443	1,075,617	1,144,661	1,100,353	1,058,789	1,126,408	1,104,630	940,131
Support services:										
Student	297,132	318,954	297,102	294,403	270,135	239,246	267,237	144,323	164,147	156,012
Instructional staff	526,134	443,366	428,098	365,783	327,292	355,651	349,856	310,104	280,103	309,591
Administration	1,032,280	962,398	903,235	881,679	858,678	840,628	846,970	821,056	777,993	737,648
Operation and maintenance of plant	851,549	822,569	693,623	668,038	686,314	662,647	659,132	680,945	649,469	617,655
Transportation	355,390	478,542	252,222	337,201	250,712	228,784	290,604	254,917	210,919	229,121
Non-instructional programs	-	1,800	13,591	-	-	-	38	2,757	2,051	235
Capital outlay	3,469,232	640,880	471,198	465,255	211,348	405,208	270,935	1,398,369	848,843	3,162,653
Long-term debt:										
Principal	27,649	743,982	690,000	665,000	645,000	620,000	955,000	945,000	975,000	660,000
Interest and fiscal charges	1,333	13,130	38,628	65,893	89,321	111,674	149,037	174,721	194,485	226,284
Other expenditures:										
AEA flow-through	369,726	351,122	334,265	333,300	374,891	362,163	328,715	316,694	306,665	288,699
Total	\$ 14,778,239	11,851,661	11,007,801	11,487,303	10,488,464	10,455,048	10,842,050	11,372,358	10,446,922	12,111,417

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education of the Roland-Story Community School District:

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roland-Story Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

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

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

Roland-Story Community School District's Responses to Findings

Roland-Story Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Roland-Story Community School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2015
Newton, Iowa

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - recording and reconciling cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Capital assets - purchasing, recording and reconciling.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Transfers - preparing and approving.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - We have implemented several monitoring procedures to compensate for lack of segregation of duties. The superintendent receives an e-mail from our accounting software provider every time that checks are reprinted, a wire transfer is made, or an ACH is initiated. We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Petty Cash - We noted during our audit that the District does not currently spot count the petty cash held in the various buildings

Recommendation - Better controls are achieved when spot counts of petty cash are done on an unannounced basis. The District should develop controls over the petty cash accounts to ensure they are reconciled to the same amount and are properly recorded and included as part of the District's cash reconciliation process.

Response - We will begin a process of spot checking the petty cash in the various buildings.

Conclusion - Response accepted.

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

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will work with the activities director to establish some procedures for handling gate admissions. Some of these procedures are already in practice such as having specific amounts in change boxes, having two or more individuals involved in cash collection. We will continue to work on establishing a method of taking tickets at an event.

Conclusion - Response accepted.

I-D-15 Payroll Procedures - we noted during our audit that employees of the District who were officiating athletic events were being paid through accounts payable instead of through payroll. Even though the employee is performing services outside of the normal contract they are still considered to be employees of the District and the District is still required to pay the appropriate taxes on the earnings of the employee. IRS publication 15 states that the employer will be liable for income tax and the employee social security and Medicare taxes if these taxes are not deducted and withheld.

Recommendation - The District should evaluate its procedures to determine the appropriate way to account for payments to employees and ensure that the District is appropriately reporting the tax liabilities.

Response - We will begin paying employees that are officiating through our payroll system.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the certified budget.

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

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. We did note instances of travel reimbursement that were not supported by receipts or lacked secondary approval.

Recommendation - The District should review its procedures to ensure all reimbursements are properly supported.

Response - We will review our payment procedures to ensure that proper documentation is received and supervisory approval is obtained prior to making payments for reimbursement of travel expenses.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Mike Retallick, Board President Owner Dinners by Dawn	Purchased meals	\$337

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

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note that the board minutes did not list the official depositories and the approved limits as required by Chapter 12C.2 of the Code of Iowa.
- Recommendation - The District should review its procedures to ensure compliance with the Code of Iowa
- Response - We will include in our board minutes the official depositories and the approved limits as required by Chapter 12C.2 of the Code of Iowa, rather than including it as supplementary information.
- Conclusion - Response accepted.
- II-G-15 Certified Enrollment - We noted enrollment data certified to the Iowa Department of Education was overstated by 0.44 students.
- Recommendation - The District should contract the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-15 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.254 students.
- Recommendation - The District should contract the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-I-15 Deposits and Investments - We noted no instances on 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 was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	1,215,581
Revenues:			
Sales tax revenues	\$	926,783	
Sale of long-term debt		4,508,000	
Other local revenues		18,487	5,453,270
			<u>6,668,851</u>
Expenditures:			
School infrastructure construction		3,325,216	
Equipment		8,004	3,333,220
			<u>3,333,220</u>
Ending balance		\$	<u><u>3,335,631</u></u>

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

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

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

Response - We will work with the activities director and coaches to obtain time sheets for non-certified coaches.

Conclusion - Response accepted.

II-N-15 Check Signatures - We noted during our audit an instance of a check clearing the bank with only the Board Secretary's signature. Chapter 291.1 of the Code of Iowa requires that either the president or the president's designee to sign all school district warrants in addition to the Board Secretary.

Recommendation - The District should review its procedures to ensure that all checks are prepared properly in accordance with the Code of Iowa.

Response - We will review our procedures to ensure that all checks are stamped with the president's signature.

Conclusion - Response accepted.

II-O-15 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - We will review our procedures, with the assistance of the activities director, to insure the board president signs all officiating contracts.

Conclusion - Response accepted.

II-P-15 Payment to Officials - We noted during our audit that the District was using an outside party to assign officials to work certain athletic events and was paying the officials the night of the event. Chapter 279.30 of the Code of Iowa provides the requirements of what bills may be paid when the Board of Directors is not in session. Payment to the officials without a valid contract does not appear to meet the requirements and thus the payment should be made after the services have been rendered and audited and allowed through the approval process similar to other bills.

Recommendation - The District should review its procedures to ensure compliance with the Code of Iowa.

Response - The board has approved board policy 705.3 which allows for prepayment of bills with notification of the board at the next board meeting. We feel that we are meeting these policy requirements.

Conclusion - Response accepted.

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

Questioned Accounts: We noted during our audit a Student Awards account which is managed by the high school principle and a Pop Fund account that is used to track the revenues and expenses associated with the pop machine in the teachers' lounge. We noted a Gifts/RIF account that is used to record the purchase of books for students with the revenue being donations from entities outside of the District. We noted a Pencil Project account that is being used to record the purchase of pencils at the elementary level. We also noted an S.N. Penny Drive account that is being used to educate students in how to handle money.

Recommendation - These accounts do not appear to be related to the cocurricular or extracurricular activities of the District. The District should review the accounts to determine the proper fund to account for the activity.

Response - These accounts will be transferred over to the General Fund.

Conclusion - Response accepted.

Target Donations: We noted during the audit that the District was receipting money from Target donations into the student activity fund. When donations are received they should be deposited into the fund that can expend the donations in accordance with the donor intent. Target donations are considered to be undesignated donations and should

be receipted into the general fund unless the Board of Directors designates them for a specific purpose.

Recommendation - The District should review its procedures to ensure proper accounting for donations.

Response - These donations will be deposited in the General Fund in the future.

Conclusion - Response accepted.

Commissions: We noted that the District recorded money from Pete Tekippe Photograph into the Student Activity Fund. Revenues of this nature would be considered to be commissions and commissions are not an allowable source of revenue for the Student Activity Fund under the Code of Iowa.

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

Response - These donations will be deposited in the General Fund in the future.

Conclusion - Response accepted.

Hosting Fees: We noted during our audit that the District received money from the IHSAA and IGHSAU for hosting regional and district athletic events. This money is considered to be rent and is not an allowable revenue source for the activity fund under Iowa Code and the accounting guidance provided by the Iowa Department of Education.

Recommendation - The District should review the propriety of this revenue and determine the appropriate fund to account for the revenue.

Response - We will work with our activities director and deposit them appropriately.

Conclusion - Response accepted.

PSAT: We noted during our audit that the District was recording revenues and expenses related to PSAT testing within the Student Activity Fund. PSAT is instructional in nature and is not related to the extracurricular and cocurricular activities of the District.

Recommendation - The District should review the propriety of the revenues and expenses recorded in the Student Activity Fund.

Response - These funds will be deposited in the General Fund in the future.

Conclusion - Response accepted

Testing Supplies: We noted during our audit that the District reimbursed an employee for supplies for IOWAs testing from the Student Activity Fund. This appears to be instructional in nature and would be more appropriately accounted for in the general fund.

Recommendation - The District should review the propriety of expenses of this nature and determine the appropriate fund to account for them in.

Response - We will work with our principals to take these expenses from the General Fund.

Conclusion - Response accepted.

Teacher Meetings: We noted during our audit that the District paid for the purchase of supplies for teacher meetings from the Student Activity Fund. Teacher meetings would appear to be instructional in nature and unrelated to the cocurricular and extracurricular activities of the District and would be more appropriately accounted for in the general fund.

Recommendation - The District should review the propriety of expenses of this nature and determine the appropriate fund to account for them in.

Response - We will work with the principals to take these expenses from the General Fund.

Conclusion - Response accepted.

Athletic Apparel: We noted during our audit that the District purchased apparel for workers at athletic events instead of paying the workers. This presents several issues, Article III Section 31 of the Iowa Constitution requires that public funds may only be spent for the public benefit. Student activity funds are public funds, so the District should determine the propriety and document the public purpose and public benefit to be derived from these purchases. Additionally the Internal Revenue Service provides guidelines on the value of apparel to be excluded from the wages of the worker, which require that the gift must be of “nominal value” and provided “infrequently”.

Recommendation - The District should review its policies and procedures for purchasing apparel for workers to ensure compliance with the requirements of the Constitution of the State of Iowa and the Internal Revenue Service guidelines.

Response - The board has reviewed its policy and adopted a Public Use of Funds policy. This is board policy 705.4.

Conclusion - Response accepted.

II-R-15 Financial Condition - During our audit we noted that the District had a deficit unrestricted net position of \$140,651 and a total deficit net position of \$125,697 in the School Nutrition Fund at June 30, 2015. The District also had a deficit unrestricted net position of \$1,758,410 in the Governmental Activities at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - We will continue to explain to our board the effects of implementing GASB statements 68 and 71 to our net position.

Conclusion - Response accepted.

II-S-15 Interfund Loan - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2015, the Nutrition Fund owed the General Fund \$42,042.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue external debt to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - We have increased prices for meals and will monitor, so that salaries are repaid to the General Fund in a timely basis.

Conclusion - Response accepted.