SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Sibley-Ocheyedan Community School District

Officials

Name	Title	Term Expires
	Board of Education	
Susie Bormann	President	2017
Tracy Van Diepen	Vice President	2017
Tasha Bos	Board Member	2017
Kyle Grimes	Board Member	2015
Dr. Daniel Berkland	Board Member	2015
	School Officials	
Bill Boer	Superintendent	2015
Kindra Reiter	District Secretary/Treasurer Business Manager	2015
Stephen Avery	Attorney	2015

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(A professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District, Sibley, Iowa as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Sibley-Ocheyedan Community School District as of June 30, 2015, and the respective changes in financial position and, when 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 15 to the financial statements, Sibley-Ocheyedan Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions 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 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley-Ocheyedan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2016 on our consideration so Sibley-Ocheyedan 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, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sibley-Ocheyedan Community School District's internal control over financial reporting and compliance.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $7,461,202 in fiscal year 2014 to $7,631,916 in fiscal year 2015, while General Fund expenditures decreased from $7,835,832 in fiscal year 2014 to $7,262,155 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from $1,137,775 at June 30, 2014 to $1,507,536 at June 30, 2015, which is a 32.50% increase from the prior year.

- The increase in General Fund revenues was mainly attributable to an increase in local tax sources received as compared to the previous year. The decrease in expenditures was due primarily to a decrease in instruction expenditures incurred compared to 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 Sibley-Ocheyedan 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 Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Sibley-Ocheyedan Community School District Annual Financial Report

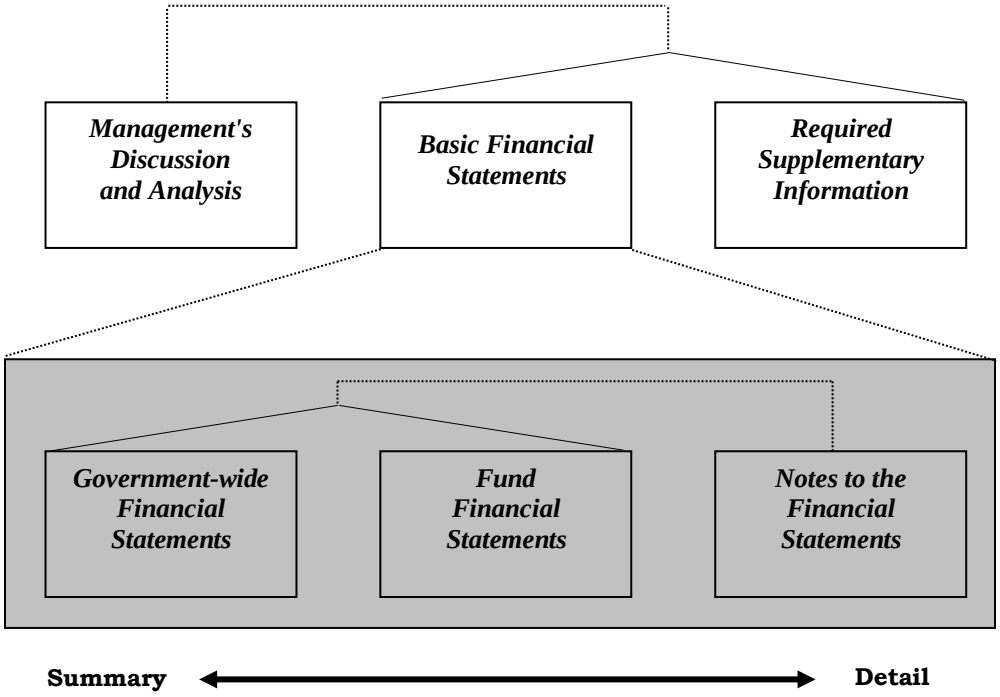

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is appicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

   The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	$ 6,696,521	6,105,515	175,312	128,108	6,871,833	6,233,623	10.24%
Capital assets	6,333,775	6,308,699	70,444	65,452	6,404,219	6,374,151	0.47%
Total assets	13,030,296	12,414,214	245,756	193,560	13,276,052	12,607,774	5.30%
Deferred outflows of resources	558,957	-	18,496	-	577,453	-	100.00%
Long-term obligations	4,616,828	1,352,996	119,779	25,277	4,736,607	1,378,273	243.66%
Other liabilities	734,526	747,926	7,670	5,747	742,196	753,673	-1.52%
Total liabilities	5,351,354	2,100,922	127,449	31,024	5,478,803	2,131,946	156.99%
Deferred inflows of resources	4,363,626	3,115,163	37,426	-	4,401,052	3,115,163	41.28%
Net position:							
Net investment in capital assets	5,426,839	5,628,699	70,444	65,452	5,497,283	5,694,151	-3.46%
Restricted	1,446,259	1,335,947	-	-	1,446,259	1,335,947	8.26%
Unrestricted	(2,998,825)	233,483	28,933	97,084	(2,969,892)	330,567	-998.42%
Total net position	$ 3,874,273	7,198,129	99,377	162,536	3,973,650	7,360,665	-46.02%

The District's combined net position decreased by 46.02%, or $3,387,015 from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 8.26%, or $110,312 from the prior year. This increase in restricted net position is mainly attributable to the increase in fund balance of the Management Levy and Capital Projects: Statewide Sales, Services and Use Tax Funds as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased $3,300,459, or 998.42%. The decrease in unrestricted net position was primarily the result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by $3,735,582 and $114,740, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	$ 527,149	595,872	286,006	259,755	813,155	855,627	-4.96%
Operating grants, contributions and restricted interest	716,880	1,531,498	236,335	220,608	953,215	1,752,106	-45.60%
General revenues:							
Property tax	3,120,488	3,481,406	-	-	3,120,488	3,481,406	-10.37%
Income surtax	280,392	266,610	-	-	280,392	266,610	5.17%
Statewide sales, services and use tax	731,108	656,970	-	-	731,108	656,970	11.28%
Unrestricted state grants	3,723,195	2,885,830	-	-	3,723,195	2,885,830	29.02%
Unrestricted investment earnings	565	550	79	62	644	612	5.23%
Other	116,589	88,459	3,809	667	120,398	89,126	35.09%
Total revenues	9,216,366	9,507,195	526,229	481,092	9,742,595	9,988,287	-2.46%
Program expenses:							
Instruction	5,366,087	5,622,601	-	-	5,366,087	5,622,601	-4.56%
Support services	2,738,852	2,853,608	11,151	10,692	2,750,003	2,864,300	-3.99%
Non-instructional programs	-	-	463,497	463,899	463,497	463,899	-0.09%
Other expenses	699,701	702,751	-	-	699,701	702,751	-0.43%
Total expenses	8,804,640	9,178,960	474,648	474,591	9,279,288	9,653,551	-3.88%
Change in net position	411,726	328,235	51,581	6,501	463,307	334,736	38.41%
Net position beginning of year, as restated	3,462,547	6,869,894	47,796	156,035	3,510,343	7,025,929	-50.04%
Net position end of year	$ 3,874,273	7,198,129	99,377	162,536	3,973,650	7,360,665	-46.02%

In fiscal year 2015, property tax and unrestricted state grants accounted for 74.26% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.26% of business type activities revenue.

The District's total revenues were approximately $9.74 million of which approximately $9.22 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 2.46% decrease in revenues and a 3.88% decrease in expenses.

Governmental Activities

Revenues for governmental activities were $9,216,366 and expenses were $8,804,640 for the year ended June 30, 2015.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	$ 5,366,087	5,622,601	-4.56%	4,458,363	3,822,963	16.62%
Support services	2,738,852	2,853,608	-4.02%	2,716,775	2,833,715	-4.13%
Other expenses	699,701	702,751	-0.43%	385,473	394,912	-2.39%
Total	$ 8,804,640	9,178,960	-4.08%	7,560,611	7,051,590	7.22%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was $527,149.
- Federal and state governments subsidized certain programs with grants and contributions totaling $716,880.
- The net cost of governmental activities was financed with $3,120,488 in property tax, $280,392 in income surtax, $731,108 in statewide sales, services and use tax, $3,723,195 in unrestricted state grants, $565 in interest income and $116,589 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were $526,229, representing a 9.38% increase over the prior year, while expenses totaled $474,648. The District's business type activities are comprised of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of $2,567,085, above last year's ending fund balances of $2,019,077. The primary reason for the increase in combined fund balances is due to the increase in fund balance of the General Fund balance during fiscal year 2015.

Governmental Fund Highlights

- The District's General Fund balance increased from $1,137,775 at June 30, 2014 to $1,507,536 at June 30, 2015. An increase in local tax sources as compared to the prior year resulted in an increase in revenues. The decrease in expenditures resulted from a decrease in instruction expenditures incurred compared to the prior year.

- The Management Fund balance increased from $194,287 at June 30, 2014 to $249,431 at June 30, 2015. The increase in fund balance can be attributed to increased local tax revenue received as compared to the previous year.

- The Capital Projects Fund balance increased from $593,200 at June 30, 2014 to $704,997 at June 30, 2015. The increase in fund balance is a result of an increase in statewide sales, services and use tax revenues received compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from $47,796 restated at July 1, 2014 to $99,377 at June 30, 2015, representing an increase of 107.92%.

BUDGETARY HIGHLIGHTS

The District's revenues were $165,689 more than budgeted revenues, a variance of 1.74%. The most significant variances resulted from the District receiving more in state sources than what was originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area during fiscal year 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested $6,404,219, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents an increase of 0.47% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $473,527.

The original cost of the District's capital assets was $14,566,633. Governmental funds account for $14,421,642 with the remainder of $144,991 in the Enterprise: School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled $599,114 at June 30, 2015 compared to $370,835 at June 30, 2014. This increase resulted from the purchase of buses.

Figure A-6 Capital Assets, Net of Depreciation	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014	Total District June 30, 2015	Total District June 30, 2014	Total Change June 30, 2014-15
Land	$ 25,000	25,000	-	-	25,000	25,000	0.00%
Buildings	5,693,696	5,893,859	-	-	5,693,696	5,893,859	-3.40%
Land improvements	86,409	84,457	-	-	86,409	84,457	2.31%
Machinery and equipment	528,670	305,383	70,444	65,452	599,114	370,835	61.56%
Total	$ 6,333,775	6,308,699	70,444	65,452	6,404,219	6,374,151	0.47%

Long-Term Debt

At June 30, 2015, the District had $4,736,607 in a total long-term debt outstanding. This represents an increase of 243.66% from the prior 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 capital leases totaling $281,936 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

- The District had $625,000 of outstanding capital loan note at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

- The District had a net pension liability of $2,946,066 at June 30, 2015. $2,858,273 is attributable to governmental activities with the remaining $87,793 attributable to the business activities of the District.

- The District had a net OPEB liability of $883,605 as of June 30, 2015. Governmental activities account for $851,619 while business type activities account for $31,986.

Figure A-7 Outstanding Long-Term Obligations	Governmental Activities June 30, 2015	Governmental Activities 2014 (Not restated)	Business Type Activities June 30, 2015	Business Type Activities 2014 (Not restated)	Total District June 30, 2015	Total District 2014 (Not restated)	Total Change June 30, 2014-15
Capital leases	$ 281,936	-	-	-	281,936	-	100.00%
Capital loan note	625,000	680,000	-	-	625,000	680,000	-8.09%
Net pension liability	2,858,273	-	87,793	-	2,946,066	-	100.00%
Net OPEB liability	851,619	672,996	31,986	25,277	883,605	698,273	26.54%
Total	$ 4,616,828	1,352,996	119,779	25,277	4,736,607	1,378,273	243.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- It is a concern of this District that certain costs continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to

approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the District.

- With the legislature not setting the allowable growth in a timely basis, the District will find it hard to make future funding predictions.

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 Kindra Reiter, District Secretary/Business Manager/Treasurer, Sibley-Ocheyedan Community School District, 120 11th Avenue NE, Sibley, Iowa, 51249.

BASIC FINANCIAL STATEMENTS

Exhibit A

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	$ 2,995,513	164,207	3,159,720
Receivables:			
Property tax:			
Delinquent	45,832	-	45,832
Succeeding year	3,145,174	-	3,145,174
Income surtax	258,022	-	258,022
Accounts	415	372	787
Due from other governments	251,565	-	251,565
Inventories	-	10,733	10,733
Capital assets, net of accumulated depreciation	6,333,775	70,444	6,404,219
TOTAL ASSETS	13,030,296	245,756	13,276,052
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	558,957	18,496	577,453
LIABILITIES			
Accounts payable	95,628	745	96,373
Salaries and benefits payable	630,612	1,257	631,869
Accrued interest payable	8,286	-	8,286
Unearned revenue	-	5,668	5,668
Long-term liabilities:			
Portion due within one year:			
Capital loan note payable	60,000	-	60,000
Capital leases payable	36,648	-	36,648
Portion due after one year:			
Capital loan note payable	565,000	-	565,000
Capital leases payable	245,288	-	245,288
Net pension liability	2,858,273	87,793	2,946,066
Net OPEB liability	851,619	31,986	883,605
TOTAL LIABILITIES	5,351,354	127,449	5,478,803
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,145,174	-	3,145,174
Pension related deferred inflows	1,218,452	37,426	1,255,878
TOTAL DEFERRED INFLOWS OF RESOURCES	4,363,626	37,426	4,401,052
NET POSITION			
Net investment in capital assets	5,426,839	70,444	5,497,283
Restricted for:			
Categorical funding	394,996	-	394,996
Debt service	3,973	-	3,973
Management levy purposes	249,431	-	249,431
School infrastructure	634,608	-	634,608
Physical plant and equipment	70,389	-	70,389
Student activities	92,862	-	92,862
Unrestricted	(2,998,825)	28,933	(2,969,892)
TOTAL NET POSITION	$ 3,874,273	99,377	3,973,650

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

SIBLEY-OCHEYEDAN 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	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 3,317,116	163,968	43,796	(3,109,352)	-	(3,109,352)
Special	759,078	68,660	68,204	(622,214)	-	(622,214)
Other	1,289,893	294,521	268,575	(726,797)	-	(726,797)
	5,366,087	527,149	380,575	(4,458,363)	-	(4,458,363)
Support services:						
Student	284,475	-	6,455	(278,020)	-	(278,020)
Instructional staff	293,076	-	10,384	(282,692)	-	(282,692)
Administration	849,070	-	-	(849,070)	-	(849,070)
Operation and maintenance of plant	916,780	-	-	(916,780)	-	(916,780)
Transportation	395,451	-	5,238	(390,213)	-	(390,213)
	2,738,852	-	22,077	(2,716,775)	-	(2,716,775)
Long-term debt interest	38,246	-	-	(38,246)	-	(38,246)
Other expenses:						
AEA flowthrough	314,228	-	314,228	-	-	-
Depreciation(unallocated)*	347,227	-	-	(347,227)	-	(347,227)
	661,455	-	314,228	(347,227)	-	(347,227)
Total governmental activities	8,804,640	527,149	716,880	(7,560,611)	-	(7,560,611)
Business type activities:						
Support services:						
Administration	3,999	-	-	-	(3,999)	(3,999)
Operation and maintenance of plant	7,152	-	-	-	(7,152)	(7,152)
Total support services	11,151	-	-	-	(11,151)	(11,151)
Non-instructional programs:						
Food service operations	463,497	286,006	236,335	-	58,844	58,844
Total business type activities	474,648	286,006	236,335	-	47,693	47,693
Total	$ 9,279,288	813,155	953,215	(7,560,611)	47,693	(7,512,918)
General Revenues:						
Property tax levied for:						
General purposes				$ 3,028,371	-	3,028,371
Capital outlay				92,117	-	92,117
Income surtax				280,392	-	280,392
Statewide sales, services and use tax				731,108	-	731,108
Unrestricted state grants				3,723,195	-	3,723,195
Unrestricted investment earnings				565	79	644
Other				116,589	3,809	120,398
Total general revenues				7,972,337	3,888	7,976,225
Change in net position				411,726	51,581	463,307
Net position beginning of year, as restated				3,462,547	47,796	3,510,343
Net position end of year				$ 3,874,273	99,377	3,973,650

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	$ 2,000,843	242,802	643,691	108,177	2,995,513
Receivables:					
Property tax:					
Delinquent	37,895	6,629	1,308	-	45,832
Succeeding year	2,599,925	449,999	95,250	-	3,145,174
Income surtax	258,022	-	-	-	258,022
Accounts	415	-	-	-	415
Due from other funds	24,489	-	-	-	24,489
Due from other governments	138,126	-	113,439	-	251,565
TOTAL ASSETS	$ 5,059,715	699,430	853,688	108,177	6,721,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 63,620	-	28,952	3,056	95,628
Salaries and benefits payable	630,612	-	-	-	630,612
Due to other funds	-	-	24,489	-	24,489
Total liabilities	694,232	-	53,441	3,056	750,729
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,599,925	449,999	95,250	-	3,145,174
Income surtax	258,022	-	-	-	258,022
Total deferred inflows of resources	2,857,947	449,999	95,250	-	3,403,196
Fund balances:					
Restricted for:					
Categorical funding	394,996	-	-	-	394,996
Debt service	-	-	-	12,259	12,259
Management levy purposes	-	249,431	-	-	249,431
School infrastructure	-	-	634,608	-	634,608
Physical plant and equipment	-	-	70,389	-	70,389
Student activities	-	-	-	92,862	92,862
Unassigned	1,112,540	-	-	-	1,112,540
Total fund balances	1,507,536	249,431	704,997	105,121	2,567,085
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,059,715	699,430	853,688	108,177	6,721,010

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

SIBLEY-OCHEYEDAN 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)		$ 2,567,085
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,333,775
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		258,022
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.		(8,286)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 558,957	
Deferred inflows of resources	(1,218,452)	(659,495)
Long-term liabilities, including capital leases payable, capital loan note payable, other postemployment benefits payable, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(4,616,828)
Net position of governmental activities(page 18)		$ 3,874,273

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	$ 2,825,948	450,783	92,117	-	3,368,848
Tuition	227,806	-	-	-	227,806
Other	84,803	8,903	45	342,379	436,130
State sources	4,163,839	3,737	731,868	-	4,899,444
Federal sources	252,106	-	-	-	252,106
TOTAL REVENUES	7,554,502	463,423	824,030	342,379	9,184,334
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,907,126	204,356	203,640	-	3,315,122
Special	755,998	-	-	-	755,998
Other	984,364	-	-	331,094	1,315,458
	4,647,488	204,356	203,640	331,094	5,386,578
Support services:					
Student	271,579	1,000	-	-	272,579
Instructional staff	264,807	5,338	11,484	-	281,629
Administration	829,637	10,000	31,935	15	871,587
Operation and maintenance of plant	659,797	157,888	30,642	-	848,327
Transportation	274,619	29,697	388,853	-	693,169
	2,300,439	203,923	462,914	15	2,967,291
Capital outlay	-	-	239,978	-	239,978
Long-term debt:					
Principal	-	-	-	98,335	98,335
Interest and fiscal charges	-	-	-	32,601	32,601
	-	-	-	130,936	130,936
Other expenditures:					
AEA flowthrough	314,228	-	-	-	314,228
TOTAL EXPENDITURES	7,262,155	408,279	906,532	462,045	9,039,011
Excess(Deficiency) of revenues over(under) expenditures	292,347	55,144	(82,502)	(119,666)	145,323
Other financing sources(uses):					
Transfer in	-	-	-	130,972	130,972
Transfer out	-	-	(130,972)	-	(130,972)
Proceeds from capital leases	-	-	325,271	-	325,271
Sale of equipment	77,414	-	-	-	77,414
Total other financing sources(uses)	77,414	-	194,299	130,972	402,685
Change in fund balances	369,761	55,144	111,797	11,306	548,008
Fund balances beginning of year	1,137,775	194,287	593,200	93,815	2,019,077
Fund balances end of year	$ 1,507,536	249,431	704,997	105,121	2,567,085

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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

Change in fund balances - total governmental funds(page 22)		$ 548,008
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures and loss on asset disposal in the current year are as follows:		
Capital outlay	$ 559,934	
Depreciation expense	(463,302)	
Loss on asset disposal	(71,556)	25,076
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:		
Issued	(325,271)	
Repaid	98,335	(226,936)
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.		(5,645)
Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		32,032
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.		401,751
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Pension expense	(183,937)	
Other postemployment benefits	(178,623)	(362,560)
Change in net position of governmental activities(page 19)		$ 411,726

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	$ 164,207
Accounts receivable	372
Inventories	10,733
Total current assets	175,312
Non-current assets:	
Capital assets, net of accumulated depreciation	70,444
TOTAL ASSETS	245,756
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	18,496
LIABILITIES	
Current liabilities:	
Accounts payable	745
Salaries and benefits payable	1,257
Unearned revenue	5,668
Total current liabilities	7,670
Non-current liabilities:	
Net pension liability	87,793
Net OPEB liability	31,986
Total non-current liabilities	119,779
TOTAL LIABILITIES	127,449
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	37,426
NET POSITION	
Net investment in capital assets	70,444
Unrestricted	28,933
TOTAL NET POSITION	$ 99,377

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

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

	Enterprise, School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	$ 286,006
Miscellaneous	3,809
TOTAL OPERATING REVENUES	289,815
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	3,999
Operation and maintenance of plant:	
Salaries	4,403
Benefits	1,712
Services	1,037
	7,152
Total support services	11,151
Non-instructional programs:	
Food service operations:	
Salaries	151,970
Benefits	56,233
Services	1,624
Supplies	243,445
Depreciation	10,225
	463,497
TOTAL OPERATING EXPENSES	474,648
OPERATING LOSS	(184,833)
NON-OPERATING REVENUES:	
State sources	3,710
Federal sources	232,625
Interest income	79
TOTAL NON-OPERATING REVENUES	236,414
Change in net position	51,581
Net position beginning of year, as restated	47,796
Net position end of year	$ 99,377

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from operating activities	$ 286,408
Cash received from miscellaneous	3,809
Cash payments to employees for services	(214,856)
Cash payments to suppliers for goods or services	(216,469)
Net cash used in operating activities	(141,108)
Cash flows from non-capital financing activities:	
Repayments from Activity Fund	80
State grants received	3,710
Federal grants received	193,898
Net cash provided by non-capital financing activities	197,688
Cash flows from capital financing activities:	
Purchase of capital assets	(15,217)
Cash flows from investing activities:	
Interest on investment	79
Net increase in cash and pooled investments	41,442
Cash and pooled investments at beginning of year	122,765
Cash and pooled investments at end of year	$ 164,207
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (184,833)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	38,727
Depreciation	10,225
Increase in inventories	(5,470)
Increase in accounts receivable	(372)
Increase in accounts payable	379
Increase in salaries and benefits payable	770
Increase in unearned revenues	774
Decrease in net pension liability	(39,882)
Increase in deferred outflows of resources	(5,561)
Increase in deferred inflows of resources	37,426
Increase in other postemployment benefits	6,709
Net cash used in operating activities	$ (141,108)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at $38,727.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	$ 14,309
LIABILITIES	-
NET POSITION	
Held in trust for scholarships	$ 14,309

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

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

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest	$ 48
Contributions	4,600
TOTAL ADDITIONS	4,648
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	5,250
Change in net position	(602)
Net position beginning of year	14,911
Net position end of year	$ 14,309

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Sibley-Ocheyedan 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 primarily includes the Cities of Sibley and Ocheyedan, Iowa and the predominately agricultural territory in Osceola County. 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, Sibley-Ocheyedan Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sibley-Ocheyedan Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 three categories:

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid 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. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Land improvements	10,000
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 over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	5-20 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay

liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

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

(2) Cash 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $36 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Physical Plant and Equipment Levy	$ 13,006
General	Capital Projects: Statewide Sales, Services and Use Tax	11,483
	Total	$ 24,489

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for expenditures that were paid out of the incorrect fund.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for expenditures that were paid out of the incorrect fund.

(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: Statewide Sales, Services and Use Tax	$ 130,972

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital leases and capital loan notes.

(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
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 25,000	-	-	25,000
Total capital assets not being depreciated	25,000	-	-	25,000
Capital assets being depreciated:				
Buildings	12,383,894	130,418	-	12,514,312
Land improvements	329,960	18,598	-	348,558
Machinery and equipment	1,390,697	410,918	267,843	1,533,772
Total capital assets being depreciated	14,104,551	559,934	267,843	14,396,642
Less accumulated depreciation for:				
Buildings	6,490,035	330,581	-	6,820,616
Land improvements	245,503	16,646	-	262,149
Machinery and equipment	1,085,314	116,075	196,287	1,005,102
Total accumulated depreciation	7,820,852	463,302	196,287	8,087,867
Total capital assets being depreciated, net	6,283,699	96,632	71,556	6,308,775
Governmental activities capital assets, net	$ 6,308,699	96,632	71,556	6,333,775
Business type activities:				
Machinery and equipment	$ 129,774	15,217	-	144,991
Less accumulated depreciation	64,322	10,225	-	74,547
Business type activities capital assets, net	$ 65,452	4,992	-	70,444

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Administration	$ 17,803
Operation and maintenance	13,696
Transportation	84,576
	116,075
Unallocated depreciation	347,227
Total governmental activities depreciation expense	$ 463,302
Business type activities:	
Food service operations	$ 10,225

(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, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital leases	$ -	325,271	43,335	281,936	36,648
Capital loan note	680,000	-	55,000	625,000	60,000
Net pension liability	4,156,724	-	1,298,451	2,858,273	-
Net OPEB liability	672,996	178,623	-	851,619	-
Total	$ 5,509,720	503,894	1,396,786	4,616,828	96,648
Business type activities:					
Net pension liability	$ 127,675	-	39,882	87,793	-
Net OPEB Liability	25,277	6,709	-	31,986	-
Total	$ 152,952	6,709	39,882	119,779	-

Capital Loan Note

Detail of the District's June 30, 2015 capital loan note indebtedness that is to be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, is as follows:

Year Ending June 30,	Note Dated December 18, 2008			
	Interest Rates	Principal	Interest	Total
2016	4.25 %	$ 60,000	29,350	89,350
2017	4.25	60,000	26,800	86,800
2018	4.25	65,000	24,250	89,250
2019	4.75	65,000	21,488	86,488
2020	4.75	70,000	18,400	88,400
2021-2024	4.75-5.00	305,000	38,825	343,825
Total		$ 625,000	159,113	784,113

Capital Leases

During the year ended June 30, 2015, the District entered into two bus leases. The leases are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2015 are as follows:

Year Ending June 30,	Bus Lease September 25, 2014		Bus Lease August 7, 2014		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	$ 16,994	3,216	19,654	3,785	36,648	7,001	43,649
2017	17,402	2,808	20,157	3,282	37,559	6,090	43,649
2018	99,608	2,392	108,121	2,767	207,729	5,159	212,888
Total	$ 134,004	8,416	147,932	9,834	281,936	18,250	300,186

(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 $415,418.

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 $2,946,066 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 0.072795 percent, which was a decrease of 0.002874 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $189,587. 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	$ 32,018	$ -
Changes of assumptions	130,017	-
Net difference between projected and actual earnings on pension plan investments	-	1,123,545
Changes in proportion and differences between District contributions and proportionate share of contributions	-	132,333
District contributions subsequent to the measurement date	415,418	-
Total	$ 577,453	$ 1,255,878

$415,418 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	$ (273,946)
2017	(273,946)
2018	(273,946)
2019	(273,946)
2020	1,941
	$ (1,093,843)

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:

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point 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	$ 5,566,509	$ 2,946,066	$ 734,141

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 $54,872 for legally required employer contributions and $36,561 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 benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 89 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully-insured medical plan, is administered by Wellmark Blue Cross Blue Shield. Certified teaching staff who retired during fiscal years 2002 through 2005 receive health coverage up to $550 per month until age 65 while certified teaching staff who retired in fiscal year 2007 and later receive coverage of up to $550 per month for 60 months. All other retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	$ 256,847
Interest on net OPEB obligation	17,457
Adjustment to annual required contribution	(52,140)
Annual OPEB cost	222,164
Contributions made	(36,832)
Increase in net OPEB obligation	185,332
Net OPEB obligation - beginning of year	698,273
Net OPEB obligation - end of year	$ 883,605

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

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 252,513	33.63%	$ 529,438
2014	216,622	22.06%	698,273
2015	222,164	16.58%	883,605

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately $1.558 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $1.558 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $4.522 million, and the ratio of the UAAL to the covered payroll was 34.5%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are $568 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa Star Schools 28E Retention Pool Trust. The Iowa Star Schools 28E Retention Pool Trust is a voluntary joint undertaking of units of government to create and maintain a fully-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Trust maintains a fully funded health benefits program. District contributions to Schools 28E Retention Pool Trust for the year ended June 30, 2015 were $897,787.

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

(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 $314,228 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) Deficit Unrestricted Net Position

At June 30, 2015, the District had a deficit unrestricted net position of $2,998,825 in its governmental activities.

(12) Categorical Funding

The District's ending balances for categorical funding as of June 30, 2015 are the following:

Program	Amount
Weighted limited english proficiency	$ 109,915
Gifted and talented	90,520
Four-year-old preschool state aid	65,464
At-risk supplementary weighting	650
Successful progression for early readers	22,266
Professional development for model core curriculum	46,815
Professional development	51,517
Teacher leadership grants	7,452
Beginning teacher mentoring and induction	397
Total	$ 394,996

(13) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	$ -	12,259	1,112,540
Capital assets, net of accumulated depreciation	6,333,775	-	-
Capital loan note capitalized indebtedness	(625,000)	-	-
Capital leases capitalized indebtedness	(281,936)	-	-
Accrued interest payable	-	(8,286)	-
Income surtax	-	-	258,022
Pension related deferred outflows	-	-	558,957
Pension related deferred inflows	-	-	(1,218,452)
Net pension liability	-	-	(2,858,273)
Net OPEB liability	-	-	(851,619)
Net position (Exhibit A)	$ 5,426,839	3,973	(2,998,825)

(14) Budget Overexpenditure

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

(15) Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	$ 7,198,129	$ 162,536
Net pension liability at June 30, 2014	(4,156,724)	(127,675)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	421,142	12,935
Net position July 1, 2014, as restated	$ 3,462,547	$ 47,796

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 4,032,784	289,894	4,322,678	4,933,131	4,933,131	(610,453)
State sources	4,899,444	3,710	4,903,154	4,186,743	4,186,743	716,411
Federal sources	252,106	232,625	484,731	425,000	425,000	59,731
Total revenues	9,184,334	526,229	9,710,563	9,544,874	9,544,874	165,689
Expenditures/Expenses:						
Instruction	5,386,578	-	5,386,578	5,700,000	5,700,000	313,422
Support services	2,967,291	11,151	2,978,442	3,150,000	3,150,000	171,558
Non-instructional programs	-	463,497	463,497	500,000	500,000	36,503
Other expenditures	685,142	-	685,142	680,759	680,759	(4,383)
Total expenditures/expenses	9,039,011	474,648	9,513,659	10,030,759	10,030,759	517,100
Excess(Deficiency) of revenues over(under) expenditures/expenses	145,323	51,581	196,904	(485,885)	(485,885)	682,789
Other financing sources, net	402,685	-	402,685	-	-	402,685
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	548,008	51,581	599,589	(485,885)	(485,885)	1,085,474
Balance beginning of year, as restated	2,019,077	47,796	2,066,873	1,891,956	1,891,956	174,917
Balance end of year	$ 2,567,085	99,377	2,666,462	1,406,071	1,406,071	1,260,391

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015
REQUIRED SUPPLEMENTARY INFORMATION

		2015
District's proportion of the net pension liability		0.072795%
District's proportionate share of the net pension liability	$	2,946,066
District's covered-employee payroll	$	4,651,941
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		63.33%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 415,418	434,077	424,332	386,022	319,803	303,332	302,429	271,085	244,946	231,338
Contributions in relation to the statutorily required contribution	(415,418)	(434,077)	(424,332)	(386,022)	(319,803)	(303,332)	(302,429)	(271,085)	(244,946)	(231,338)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 4,651,941	4,860,885	4,894,256	4,783,420	4,601,482	4,364,489	4,762,661	4,480,744	4,259,930	4,023,270
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.

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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	$ 443	$ 443	0.0%	$ 4,626	9.6%
2011	July 1, 2009	-	1,113	1,113	0.0%	4,692	23.7%
2012	July 1, 2009	-	1,113	1,113	0.0%	4,059	27.4%
2013	July 1, 2012	-	1,801	1,801	0.0%	4,366	41.3%
2014	July 1, 2012	-	1,672	1,672	0.0%	4,549	36.8%
2015	July 1, 2012	-	1,558	1,558	0.0%	4,522	34.5%

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.

Sibley-Ocheyedan Community School District

SUPPLEMENTARY INFORMATION

Schedule 1

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	$ 95,918	12,259	108,177
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,056	-	3,056
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	12,259	12,259
Student activities	92,862	-	92,862
Total fund balances	92,862	12,259	105,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 95,918	12,259	108,177

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

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

	Special Revenue		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Other	$ 342,379	-	342,379
EXPENDITURES:			
Current:			
Instruction:			
Other	331,094	-	331,094
Support services:			
Administration	-	15	15
Long-term debt:			
Principal	-	98,335	98,335
Interest and fiscal charges	-	32,601	32,601
TOTAL EXPENDITURES	331,094	130,951	462,045
Excess(Deficiency) of revenues over(under) expenditures	11,285	(130,951)	(119,666)
Other financing sources:			
Transfer in	-	130,972	130,972
Change in fund balances	11,285	21	11,306
Fund balances beginning of year	81,577	12,238	93,815
Fund balances end of year	$ 92,862	12,259	105,121

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	$ 556,185	87,506	643,691
Receivables:			
Property tax:			
Delinquent	-	1,308	1,308
Succeeding year	-	95,250	95,250
Due from other governments	113,439	-	113,439
TOTAL ASSETS	$ 669,624	184,064	853,688
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 23,533	5,419	28,952
Due to other funds	11,483	13,006	24,489
Total liabilities	35,016	18,425	53,441
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	95,250	95,250
Fund balances:			
Restricted for:			
School infrastructure	634,608	-	634,608
Physical plant and equipment	-	70,389	70,389
Total fund balances	634,608	70,389	704,997
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 669,624	184,064	853,688

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	$ -	92,117	92,117
Other	45	-	45
State sources	731,108	760	731,868
TOTAL REVENUES	731,153	92,877	824,030
EXPENDITURES:			
Current:			
Instruction:			
Regular	162,082	41,558	203,640
Support services:			
Instructional staff	11,484	-	11,484
Adminstration	18,929	13,006	31,935
Operation and maintenance of plant	29,767	875	30,642
Transportation	349,794	39,059	388,853
Capital outlay	234,559	5,419	239,978
TOTAL EXPENDITURES	806,615	99,917	906,532
Deficiency of revenues under expenditures	(75,462)	(7,040)	(82,502)
Other financing sources(uses):			
Transfer out	(130,972)	-	(130,972)
Proceeds from capital leases	325,271	-	325,271
Total other financing sources(uses)	194,299	-	194,299
Change in fund balances	118,837	(7,040)	111,797
Fund balances beginning of year	515,771	77,429	593,200
Fund balances end of year	$ 634,608	70,389	704,997

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

SIBLEY-OCHEYEDAN 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
Boys basketball	$	1,579	7,044	7,440	1,183
Band		-	17,618	17,618	-
Cross country		14	1,143	627	530
Football		1,771	14,287	10,919	5,139
Boys golf		1,662	505	212	1,955
Boys track		551	3,177	3,153	575
Baseball		554	6,190	6,289	455
Wrestling		559	7,275	7,207	627
Girls basketball		1,990	5,692	6,450	1,232
Softball		303	5,922	4,946	1,279
Girls track		171	2,990	3,060	101
Girls volleyball		161	4,331	4,096	396
Girls golf		420	544	369	595
Weightlifting		13	-	-	13
Dance team		747	1,353	924	1,176
Cheerleaders		1,062	1,418	1,182	1,298
Co-ed athletics		-	65	65	-
Concessions		2,472	28,315	21,198	9,589
Student Vending		-	2,923	2,869	54
Athletics		(5,044)	26,980	19,500	2,436
Athletics and Fitness		574	40	505	109
Student assistance		1,219	-	80	1,139
International club		2,418	1,159	1,497	2,080
Art club		2,833	634	463	3,004
Science club		663	950	656	957
Industrial tech club		2,696	-	1,492	1,204
Speech club		5,341	15,163	8,301	12,203
Quill club		64	-	-	64
Drama club		6,005	2,517	62	8,460
HS activity		-	686	507	179
FFA		35,159	133,271	152,409	16,021
MS band		-	1,743	1,499	244
HS band		265	2,149	2,414	-
Vocal music		1,534	6,748	6,203	2,079
MS activities		1,241	18,344	15,858	3,727
National honor society		512	691	698	505
HS student leadership		-	120	120	-
Annual club		5,987	5,640	7,103	4,524
Elementary activities		2,501	8,473	7,860	3,114
Prom		2,957	907	1,864	2,000
Class of 2013		3	-	-	3
Class of 2015		-	1,894	1,894	-
Care-E-Out		620	3,478	1,485	2,613
Total	$	81,577	342,379	331,094	92,862

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES 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	$ 3,368,848	3,739,429	4,338,786	4,396,542	4,150,745	3,751,485	3,613,910	3,222,773	3,146,175	3,057,682
Tuition	227,806	290,706	297,751	338,486	296,961	328,210	273,957	251,630	184,206	252,136
Other	436,130	419,694	395,320	453,808	428,385	446,877	461,457	524,755	462,940	441,271
State sources	4,899,444	4,781,678	3,840,658	4,116,649	3,808,346	3,507,678	4,435,413	4,420,383	2,876,109	3,892,147
Federal sources	252,106	267,101	266,260	369,025	479,190	743,282	231,027	239,551	230,034	309,049
Total	$ 9,184,334	9,498,608	9,138,775	9,674,510	9,163,627	8,777,532	9,015,764	8,659,092	6,899,464	7,952,285
Expenditures:										
Instruction:										
Regular	$ 3,315,122	3,450,960	3,445,974	3,689,847	3,225,005	3,143,148	3,138,026	3,238,813	2,972,147	2,965,110
Special	755,998	754,952	801,786	900,814	820,208	1,106,025	1,391,602	1,259,281	1,091,078	954,725
Other	1,315,458	1,301,166	1,198,060	1,209,865	1,236,736	915,486	821,885	785,195	924,693	862,477
Support services:										
Student	272,579	227,209	254,961	257,784	265,709	270,603	264,265	287,663	199,600	172,466
Instructional staff	281,629	345,568	306,889	301,607	262,609	153,184	170,012	174,299	319,025	210,667
Administration	861,587	943,541	848,943	843,037	707,795	749,817	820,030	836,214	805,178	725,969
Operation and maintenance of plant	848,327	898,088	772,973	766,430	806,082	734,281	780,494	699,473	834,642	892,056
Transportation	693,169	594,920	381,228	362,574	339,197	285,159	293,804	297,702	390,150	377,711
Capital outlay	239,978	55,467	58,810	52,932	140,690	969,199	970,280	873,761	302,002	50,379
Long-term debt:										
Principal	98,335	921,766	586,536	566,579	460,000	425,000	380,000	245,000	235,000	225,000
Interest and fiscal charges	32,601	67,048	89,939	111,622	112,019	144,314	95,683	113,209	111,865	121,428
Other expenditures:										
AEA flow-through	314,228	307,839	293,691	295,638	332,139	332,779	310,801	294,935	282,816	275,616
Total	$ 9,029,011	9,868,524	9,039,790	9,358,729	8,708,189	9,228,995	9,436,882	9,105,545	8,468,196	7,833,604

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of Sibley-Ocheyedan Community School District:

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

Internal Control Over Financial Reporting

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

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

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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sibley-Ocheyedan 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.

Sibley-Ocheyedan Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sibley-Ocheyedan 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016
Newton, Iowa

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

1) ***Cash*** - bank reconciliations, cash receipts and the disbursement function.
2) ***Investments*** - investing, detailed recordkeeping, custody of investments and reconciling earnings.
3) ***Inventories*** - handling inventory and recording inventory records.
4) ***Long-term debt*** - maintaining debt records and control of cash, reconciliations and approval.
5) ***Receipts*** - journalizing, posting and reconciling.
6) ***Disbursements*** - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
7) ***Wire transfers*** - processing and approving.
8) ***Payroll*** - approval of and recording employees added or deleted from the payroll system, entering contracts into the system and verifying accuracy, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
9) ***Financial reporting*** - preparing, reconciling and approving.
10) ***Computer systems*** - performing all general accounting functions and controlling all data input and output.
11) ***Journal entries*** - approval and posting.

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 - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will review its procedures and implement changes.

Conclusion - Response accepted.

I-B-15 Scholarship Awards - We noted during our audit that scholarship checks were being written to students from several different accounts in the Student Activity Fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - If these student activity groups intend on awarding scholarships each year, the District needs to make these groups aware that they need to fundraise specifically for the purpose of awarding a scholarship. Revenues and subsequent expenditures for scholarships from the activity fund groups would be more appropriately handled and recorded in the District's Private Purpose Trust Fund.

Response - The District understands the nature of the weakness. Due to the majority of the funds being raised through concession proceeds, the activity groups are unable to determine the amount of scholarship awards until the conclusion of the concession season. The District will inform each activity group who intends to award scholarships that they need to fundraise specifically for the purpose of awarding a scholarship. The District will handle the revenue and subsequent expenditures for scholarships from activity groups in the Private Purpose Trust Fund.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

Recommendation - The District should amend the budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceed the budget.

Response - The District understands the nature of the weakness. Due to the timing of expenditures at year-end there was not sufficient time to amend the certified budget by the deadline. The District will monitor expenditures more closely in regards to the certified budget.

Conclusion - Response accepted.

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.

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

Name, Title and Business Connection	Transaction Description	Amount
Tom Doeden, Transportation Director Son owns B. Doeden Manure Hauling	Snow removal	$4,836

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the son of an employee 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.

II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Iowa Department of Education was overstated by 0.22 students.

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

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

Conclusion - Response accepted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

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

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

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

Beginning Balance		$ 515,771
Revenues:		
Sales tax revenues	$ 731,108	
Other local revenues	45	
Proceeds of capital leases	325,271	1,056,424
Total revenues		1,572,195
Expenditures/transfer out:		
School infrastructure construction	232,796	
Equipment	541,643	
Other	32,176	
Transfers to other funds:		
Debt service fund	130,972	937,587
Ending balance		$ 634,608

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 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of $2,998,825 in its governmental activities. The primary reason for this deficit was due to the implementation of GASB Statement No. 68 and No. 71 during the year.

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

Response - The District understands the nature of the weakness. The business manager will take steps to inform the District's administration and Board of Education of the accounting changes created by GASB Statements No. 68 and 71.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted the following accounts which do not appear to be related to cocurricular or extracurricular activities.

Questioned Accounts: We noted during our audit the Care-E-Out, Elementary Activity and Student Assistance accounts within the Student Activity Fund which appear to be administratively maintained and therefore, would be more appropriately handled in the General Fund.

Recommendation - These accounts appear to be administratively maintained. The District should review these accounts and move the accounts to the appropriate fund, or to the appropriate account within the Student Activity. Donations received by the District should be receipted to the fund which can legally expend the proceeds.

Response - The District understands the nature of the weakness. The book fair portion of the Elementary Activity has been transferred to the General Fund. The District will review these accounts, consider alternatives, and make the appropriate changes.

Conclusion - Response accepted.