

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Southeast Warren Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Ron Miller	President	2017
Bruce Williams	Vice President	2015
Rande Seufferer	Board Member	2017
Larrie Williams	Board Member	2015
Jennifer Mihalovich	Board Member	2015
<b>School Officials</b>		
Delane Galvin	Superintendent	2015
Julie Wilson	Board Secretary and Business Manager	2015
Ahlers & Cooney Law Firm	Attorney	2015

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**Certified Public Accountants**  
**(a professional corporation)**  
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**INDEPENDENT AUDITOR'S REPORT**

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

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

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

**Auditor's Responsibility**

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

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 Southeast Warren Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, Southeast Warren 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 in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of Southeast Warren Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southeast Warren Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,871,727 in fiscal 2014 to \$5,942,198 in fiscal 2015, while General Fund expenditures increased from \$6,044,964 in fiscal 2014 to \$6,229,071 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$921,399 at June 30, 2014 to \$634,526 at June 30, 2015, a 31.13% decrease from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state source revenue received in fiscal 2015 as compared to fiscal 2014. The increase in expenditures was due primarily to the increase in the instruction functional area.

### 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 Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the 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-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.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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, daycare and student construction services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has 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 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 three enterprise funds, the School Nutrition Fund, Day Care Fund and Student Construction 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 fund is the Agency Fund.

- *Agency Fund* - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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 total net position at June 30, 2015 compared June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
Current and other assets	\$ 5,528,527	5,378,420	55,026	68,173	5,583,553	5,446,593	2.51%
Capital assets	5,993,461	5,987,648	58,283	54,221	6,051,744	6,041,869	0.16%
Total assets	11,521,988	11,366,068	113,309	122,394	11,635,297	11,488,462	1.28%
Deferred outflows of resources	452,577	-	16,746	-	469,323	-	100.00%
Long-term liabilities	4,387,087	2,700,499	87,919	4,925	4,475,006	2,705,424	65.41%
Other liabilities	1,201,861	1,056,960	34,873	38,405	1,236,734	1,095,365	12.91%
Total liabilities	5,588,948	3,757,459	122,792	43,330	5,711,740	3,800,789	50.28%
Deferred inflows of resources	3,149,499	2,242,164	31,319	-	3,180,818	2,242,164	41.86%
Net position:							
Net investment in capital assets	3,728,461	3,377,648	58,283	54,221	3,786,744	3,431,869	10.34%
Restricted	1,505,640	1,381,190	-	-	1,505,640	1,381,190	9.01%
Unrestricted	(1,997,983)	607,607	(82,339)	24,843	(2,080,322)	632,450	-428.93%
Total net position	\$ 3,236,118	5,366,445	(24,056)	79,064	3,212,062	5,445,509	-41.01%

The District's combined net position decreased by 41.01% or \$2,233,447 compared to the prior year. The largest portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$124,450 or 9.01% over the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$2,712,772 or 428.93%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,486,513 and \$101,179, 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 as compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 467,350	458,191	366,523	207,714	833,873	665,905	25.22%
Operating grants, contributions and restricted interest	467,515	475,239	130,681	123,639	598,196	598,878	-0.11%
Capital grants, contributions and restricted interest	-	30,617	-	-	-	30,617	-100.00%
<b>General revenues:</b>							
Property tax	2,259,596	2,193,608	-	-	2,259,596	2,193,608	3.01%
Income surtax	242,990	215,691	-	-	242,990	215,691	12.66%
Statewide sales, services and use tax	521,471	482,354	-	-	521,471	482,354	8.11%
Unrestricted state grants	3,265,519	3,185,713	-	-	3,265,519	3,185,713	2.51%
Unrestricted investment earnings	2,856	3,877	10	23	2,866	3,900	-26.51%
Other	42,969	31,337	437	814	43,406	32,151	35.01%
<b>Total revenues</b>	<b>7,270,266</b>	<b>7,076,627</b>	<b>497,651</b>	<b>332,190</b>	<b>7,767,917</b>	<b>7,408,817</b>	<b>4.85%</b>
<b>Program expenses:</b>							
Instruction	4,625,166	4,551,705	143,838	-	4,769,004	4,551,705	4.77%
Support services	1,757,069	1,916,398	-	10,466	1,757,069	1,926,864	-8.81%
Non-instructional programs	13,013	9,450	373,312	346,886	386,325	356,336	8.42%
Other expenses	501,274	497,682	-	-	501,274	497,682	0.72%
<b>Total expenses</b>	<b>6,896,522</b>	<b>6,975,235</b>	<b>517,150</b>	<b>357,352</b>	<b>7,413,672</b>	<b>7,332,587</b>	<b>1.11%</b>
Excess(Deficiency) of revenues over(under) expenses	373,744	101,392	(19,499)	(25,162)	354,245	76,230	364.71%
Transfers	(17,558)	-	17,558	-	-	-	0.00%
<b>Change in net position</b>	<b>356,186</b>	<b>101,392</b>	<b>(1,941)</b>	<b>(25,162)</b>	<b>354,245</b>	<b>76,230</b>	<b>364.71%</b>
Net position beginning of year, as restated	2,879,932	5,265,053	(22,115)	104,226	2,857,817	5,369,279	-46.77%
<b>Net position end of year</b>	<b>\$ 3,236,118</b>	<b>5,366,445</b>	<b>(24,056)</b>	<b>79,064</b>	<b>3,212,062</b>	<b>5,445,509</b>	<b>-41.01%</b>

In fiscal 2015, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 86.51% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.91% of the revenue from business type activities.

The District's total revenues were approximately \$7.77 million of which approximately \$7.27 million was for governmental activities and approximately \$0.50 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.85% in revenues and a 1.11% increase in expenses. The increase in revenues can be attributable to the increase in charges for service revenues received during fiscal 2015. The increase in expenses was due primarily to an increase in the instruction and support services functional area.

### Governmental Activities

Revenues for governmental activities were \$7,270,266 and expenses were \$6,896,522.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
	(Not restated)			(Not restated)		
Instruction	\$ 4,625,166	4,551,705	1.61%	3,957,888	3,870,969	2.25%
Support services	1,757,069	1,916,398	-8.31%	1,714,815	1,848,345	-7.22%
Non-instructional programs	13,013	9,450	37.70%	13,013	7,002	85.85%
Other expenses	501,274	497,682	0.72%	275,941	284,872	-3.14%
Totals	\$ 6,896,522	6,975,235	-1.13%	5,961,657	6,011,188	-0.82%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$467,350.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$467,515.
- The net cost of governmental activities was financed with \$2,259,596 in property tax, \$242,990 in income surtax, \$521,471 in statewide sales, services and use tax, \$3,265,519 in unrestricted state grants, \$2,856 in interest income and \$42,969 of other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$497,651 and expenses were \$517,150. The District's business type activities include the School Nutrition Fund, the Day Care Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren 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 \$1,731,421, below last year's ending fund balance of \$1,891,647. This decrease was primarily the result of the decrease in the fund balance of the General Fund.

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## **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Revenues increased due to increases in local tax and state source revenues. The increase in expenses was due primarily to an increase in instruction expenditures.
- The Capital Projects Fund balance increased from a balance of \$624,908 at June 30, 2014 to \$670,702 at June 30, 2015. The increase in fund balance was primarily a result of decreased instruction and support services expenditures.
- The Debt Service Fund balance increased from \$42,792 at June 30, 2014 to \$44,180 at June 30, 2015.

## **Proprietary Fund Highlights**

The School Nutrition Fund restated net position of \$10,096 at July 1, 2014 increased to \$13,015 at June 30, 2015, representing a increase of approximately 28.91%. The Day Care Fund net position decreased from \$32,292, restated deficit net position at July 1, 2014 to \$38,314 deficit net position at June 30, 2015, representing a decrease of 18.65%. The Student Construction Fund increased from \$81 at June 30, 2014 to \$1,243 at June 30, 2015, representing an increase of 1434.57%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the South Warren Community School District amended its budget one time to reflect additional revenue and expenditures associated with the construction of the daycare facility.

The District's revenues were \$166,320 less than budgeted revenues, a variance of 2.10%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested approximately \$6.05 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.16% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$346,033.

The original cost of the District's capital assets was \$10,262,086. Governmental funds account for \$10,337,590 with the remainder of \$240,896 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014 compared to \$146,874 at June 30, 2015. This is due to start of the construction of the daycare building.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
Land	\$ 58,474	30,174	-	-	58,474	30,174	93.79%
Construction in progress	146,874	-	-	-	146,874	-	100.00%
Buildings	5,031,010	5,114,794	-	-	5,031,010	5,114,794	-1.64%
Land improvements	360,616	386,861	-	-	360,616	386,861	-6.78%
Machinery and equipment	396,487	455,819	58,283	54,221	454,770	510,040	-10.84%
Total	\$ 5,993,461	5,987,648	58,283	54,221	6,051,744	6,041,869	0.16%

### Long-Term Debt

At June 30, 2015, the District had \$4,475,006 in total long-term debt outstanding. This represents an increase of 65.14% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$995,000 at June 30, 2015.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$1,270,000 at June 30, 2015.

The District had total outstanding compensated absences, payable from the General Fund of \$12,608 at June 30, 2015.

The District had a net OPEB liability of \$97,092 at June 30, 2015. \$91,296 is accounted for in the governmental activities and \$5,796 is accounted for in the business type activities.

The District had a net pension liability of \$2,100,306 at June 30, 2015. \$2,018,183 is accounted for in the governmental activities and \$82,123 is accounted for in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
General Obligation Bonds	\$ 995,000	1,270,000	-	-	995,000	1,270,000	-21.65%
Revenue Bonds	1,270,000	1,340,000	-	-	1,270,000	1,340,000	-5.22%
Compensated Absences	12,608	12,923	-	-	12,608	12,923	-2.44%
Net pension liability	2,018,183	-	82,123	-	2,100,306	-	100.00%
Net OPEB Liability	91,296	77,576	5,796	4,925	97,092	82,501	17.69%
Total	\$ 4,387,087	2,700,499	87,919	4,925	4,475,006	2,705,424	65.41%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Low supplemental state aid over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2015, the Southeast Warren Community School District had 131 students enrolled out of the district and 25 students enrolled into the district. The increase in the number of students open enrolled out of the district is negatively impacting the District's revenues.
- Construction has started on the new daycare facility. Hopefully this will help draw in more children who continue to stay with the District when they become school age.

## **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 Julie Wilson, District Business Manager/Board Secretary, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,695,138	45,752	2,740,890
Receivables:			
Property tax:			
Delinquent	45,703	-	45,703
Succeeding year	2,379,822	-	2,379,822
Income surtax	221,427	-	221,427
Accounts	15,670	391	16,061
Due from other governments	170,767	-	170,767
Inventories	-	8,883	8,883
Capital assets, net of accumulated depreciation	5,993,461	58,283	6,051,744
<b>TOTAL ASSETS</b>	<b>11,521,988</b>	<b>113,309</b>	<b>11,635,297</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	452,577	16,746	469,323
<b>LIABILITIES</b>			
Accounts payable	548,819	1,111	549,930
Salaries and benefits payable	646,192	30,000	676,192
Advances from grantors	846	-	846
Accrued interest payable	6,004	-	6,004
Unearned revenue	-	3,762	3,762
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	280,000	-	280,000
Revenue bonds payable	70,000	-	70,000
Compensated absences payable	12,608	-	12,608
Portion due after one year:			
General obligation bonds payable	715,000	-	715,000
Revenue bonds payable	1,200,000	-	1,200,000
Net pension liability	2,018,183	82,123	2,100,306
Net OPEB liability	91,296	5,796	97,092
<b>TOTAL LIABILITIES</b>	<b>5,588,948</b>	<b>122,792</b>	<b>5,711,740</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	769,677	31,319	800,996
Unavailable property tax revenue	2,379,822	-	2,379,822
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,149,499</b>	<b>31,319</b>	<b>3,180,818</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,728,461	58,283	3,786,744
Restricted for:			
Categorical funding	414,749	-	414,749
Debt service	164,176	-	164,176
School infrastructure	469,005	-	469,005
Physical plant and equipment	75,697	-	75,697
Management levy purposes	306,282	-	306,282
Student activities	75,731	-	75,731
Unrestricted	(1,997,983)	(82,339)	(2,080,322)
<b>TOTAL NET POSITION</b>	<b>\$ 3,236,118</b>	<b>(24,056)</b>	<b>3,212,062</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,724,918	157,195	64,722	(2,503,001)	-	(2,503,001)
Special	952,827	42,889	24,925	(885,013)	-	(885,013)
Other	947,421	225,012	152,535	(569,874)	-	(569,874)
	4,625,166	425,096	242,182	(3,957,888)	-	(3,957,888)
Support services:						
Student	142,743	-	-	(142,743)	-	(142,743)
Instructional staff	199,020	-	-	(199,020)	-	(199,020)
Administration	541,993	40,000	-	(501,993)	-	(501,993)
Operation and maintenance of plant	535,330	-	-	(535,330)	-	(535,330)
Transportation	337,983	2,254	-	(335,729)	-	(335,729)
	1,757,069	42,254	-	(1,714,815)	-	(1,714,815)
Non-instructional programs:						
Food service operations	6,547	-	-	(6,547)	-	(6,547)
Other enterprise operations	6,466	-	-	(6,466)	-	(6,466)
	13,013	-	-	(13,013)	-	(13,013)
Long-term debt interest	97,464	-	-	(97,464)	-	(97,464)
Other expenses:						
AEA flowthrough	225,333	-	225,333	-	-	-
Depreciation(unallocated)*	178,477	-	-	(178,477)	-	(178,477)
	403,810	-	225,333	(178,477)	-	(178,477)
Total governmental activities	6,896,522	467,350	467,515	(5,961,657)	-	(5,961,657)
Business type activities:						
Instructional:						
Regular	143,838	145,000	-	-	1,162	1,162
Non-instructional programs:						
Food service operations	280,936	139,152	127,144	-	(14,640)	(14,640)
Day care operations	92,376	82,371	3,537	-	(6,468)	(6,468)
	373,312	221,523	130,681	-	(21,108)	(21,108)
Total business type activities	517,150	366,523	130,681	-	(19,946)	(19,946)
Total	\$ 7,413,672	833,873	598,196	(5,961,657)	(19,946)	(5,981,603)
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 1,895,514	-	1,895,514
Capital outlay				43,619	-	43,619
Debt service				320,463	-	320,463
Income surtax				242,990	-	242,990
Statewide sales, services and use tax				521,471	-	521,471
Unrestricted state grants				3,265,519	-	3,265,519
Unrestricted investment earnings				2,856	10	2,866
Other				42,969	437	43,406
Transfers				(17,558)	17,558	-
Total general revenues and transfers				6,317,843	18,005	6,335,848
Change in net position				356,186	(1,941)	354,245
Net position beginning of year, as restated				2,879,932	(22,115)	2,857,817
Net position end of year				\$ 3,236,118	(24,056)	3,212,062

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,529,651	652,130	134,551	378,806	2,695,138
Receivables:					
Property tax:					
Delinquent	34,702	882	6,482	3,637	45,703
Succeeding year	1,807,617	45,680	316,525	210,000	2,379,822
Income surtax	221,427	-	-	-	221,427
Accounts	10,749	-	-	4,921	15,670
Due from other governments	88,115	82,652	-	-	170,767
<b>TOTAL ASSETS</b>	<b>\$ 3,692,261</b>	<b>781,344</b>	<b>457,558</b>	<b>597,364</b>	<b>5,528,527</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	381,653	64,962	96,853	5,351	548,819
Salaries and benefits payable	646,192	-	-	-	646,192
Advances from grantors	846	-	-	-	846
Total liabilities	1,028,691	64,962	96,853	5,351	1,195,857
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,807,617	45,680	316,525	210,000	2,379,822
Income surtax	221,427	-	-	-	221,427
Total deferred inflows of resources	2,029,044	45,680	316,525	210,000	2,601,249
Fund balances:					
Restricted for:					
Categorical funding	414,749	-	-	-	414,749
Debt service	-	126,000	44,180	-	170,180
School infrastructure	-	469,005	-	-	469,005
Physical plant and equipment	-	75,697	-	-	75,697
Management levy purposes	-	-	-	306,282	306,282
Student activities	-	-	-	75,731	75,731
Unassigned	219,777	-	-	-	219,777
Total fund balances	634,526	670,702	44,180	382,013	1,731,421
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,692,261</b>	<b>781,344</b>	<b>457,558</b>	<b>597,364</b>	<b>5,528,527</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>			\$ 1,731,421
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			5,993,461
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(6,004)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.			221,427
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	\$	452,577	
Deferred inflows of resources		<u>(769,677)</u>	(317,100)
Long-term liabilities, including bonds payable, other postemployment benefits payable, net pension liability, and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.			<u>(4,387,087)</u>
<b>Net position of governmental activities(page 18)</b>			<u><u>\$ 3,236,118</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,932,469	43,619	320,463	179,808	2,476,359
Tuition	175,191	-	-	-	175,191
Other	117,455	662	1,011	236,210	355,338
State sources	3,580,266	521,569	720	404	4,102,959
Federal sources	134,192	-	-	-	134,192
<b>TOTAL REVENUES</b>	<b>5,939,573</b>	<b>565,850</b>	<b>322,194</b>	<b>416,422</b>	<b>7,244,039</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,768,539	-	-	12,001	2,780,540
Special	974,172	-	-	-	974,172
Other	729,819	-	-	221,899	951,718
	<u>4,472,530</u>	<u>-</u>	<u>-</u>	<u>233,900</u>	<u>4,706,430</u>
Support services:					
Student	147,559	-	-	-	147,559
Instructional staff	161,010	41,254	-	-	202,264
Administration	544,807	-	2,000	13,358	560,165
Operation and maintenance of plant	448,269	-	-	47,273	495,542
Transportation	229,563	72,118	-	28,413	330,094
	<u>1,531,208</u>	<u>113,372</u>	<u>2,000</u>	<u>89,044</u>	<u>1,735,624</u>
Non-instructional programs:					
Food service operations	-	-	-	6,466	6,466
Other enterprise operations	-	-	-	6,547	6,547
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,013</u>	<u>13,013</u>
Capital outlay	-	281,479	-	-	281,479
Long-term debt:					
Principal	-	-	345,000	-	345,000
Interest and fiscal charges	-	-	99,011	-	99,011
	<u>-</u>	<u>-</u>	<u>444,011</u>	<u>-</u>	<u>444,011</u>
Other expenditures:					
AEA flowthrough	225,333	-	-	-	225,333
<b>TOTAL EXPENDITURES</b>	<b>6,229,071</b>	<b>394,851</b>	<b>446,011</b>	<b>335,957</b>	<b>7,405,890</b>
Excess(Deficiency) of revenues over(under) expenditures	(289,498)	170,999	(123,817)	80,465	(161,851)
Other financing sources(uses):					
Sale of equipment	1,625	-	-	-	1,625
Transfer in	1,000	-	125,205	-	126,205
Transfer out	-	(125,205)	-	(1,000)	(126,205)
Total other financing sources(uses)	<u>2,625</u>	<u>(125,205)</u>	<u>125,205</u>	<u>(1,000)</u>	<u>1,625</u>
Change in fund balances	(286,873)	45,794	1,388	79,465	(160,226)
Fund balance beginning of year	921,399	624,908	42,792	302,548	1,891,647
Fund balance end of year	<u>\$ 634,526</u>	<u>670,702</u>	<u>44,180</u>	<u>382,013</u>	<u>1,731,421</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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)** \$ (160,226)

*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. The amount of capital outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 345,499	
Depreciation expense	(335,497)	
Loss on asset disposal	<u>(4,189)</u>	5,813

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. 345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,547

Income surtax account receivable that is 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. 26,227

The current year District employee share of IPERS contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position 309,726

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	(158,496)	
Compensated absences	315	
Other postemployment benefits	<u>(13,720)</u>	<u>(171,901)</u>

**Change in net position of governmental activities(page 19)** \$ 356,186

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 35,572	8,937	1,243	45,752
Accounts receivable	391	-	-	391
Inventories	8,883	-	-	8,883
Total current assets	44,846	8,937	1,243	55,026
Non-current assets:				
Capital assets, net of accumulated depreciation	57,567	716	-	58,283
<b>TOTAL ASSETS</b>	102,413	9,653	1,243	113,309
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	9,255	7,491	-	16,746
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	1,111	-	1,111
Salaries and benefits payable	22,364	7,636	-	30,000
Unearned revenues	3,762	-	-	3,762
Total current liabilities	26,126	8,747	-	34,873
Non-current liabilities:				
Net pension liability	48,308	33,815	-	82,123
Net OPEB liability	5,796	-	-	5,796
Total non-current liabilities	54,104	33,815	-	87,919
<b>TOTAL LIABILITIES</b>	80,230	42,562	-	122,792
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows	18,423	12,896	-	31,319
<b>NET POSITION</b>				
Net investment in capital assets	57,567	716	-	58,283
Unrestricted	(44,552)	(39,030)	1,243	(82,339)
<b>TOTAL NET POSITION</b>	\$ 13,015	(38,314)	1,243	(24,056)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for service	\$ 139,152	82,371	145,000	366,523
Miscellaneous	-	437	-	437
<b>TOTAL OPERATING REVENUES</b>	<b>139,152</b>	<b>82,808</b>	<b>145,000</b>	<b>366,960</b>
<b>OPERATING EXPENSES:</b>				
Instruction:				
Services	-	-	89,371	89,371
Supplies	-	-	54,235	54,235
Other	-	-	232	232
<b>Total Instruction</b>	<b>-</b>	<b>-</b>	<b>143,838</b>	<b>143,838</b>
Non-instructional programs:				
Food service operations:				
Salaries	80,607	-	-	80,607
Benefits	35,693	-	-	35,693
Services	22	-	-	22
Supplies	144,600	-	-	144,600
Other	5,000	-	-	5,000
Depreciation	10,213	-	-	10,213
	<b>276,135</b>	<b>-</b>	<b>-</b>	<b>276,135</b>
Other enterprise operations:				
Salaries	-	65,689	-	65,689
Benefits	-	11,307	-	11,307
Services	-	391	-	391
Supplies	-	14,666	-	14,666
Depreciation	-	323	-	323
<b>Total non-instructional programs</b>	<b>-</b>	<b>92,376</b>	<b>-</b>	<b>92,376</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>276,135</b>	<b>92,376</b>	<b>143,838</b>	<b>512,349</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(136,983)</b>	<b>(9,568)</b>	<b>1,162</b>	<b>(145,389)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Loss on disposal	(4,801)	-	-	(4,801)
State sources	2,274	-	-	2,274
Federal sources	124,870	3,537	-	128,407
Interest income	1	9	-	10
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>122,344</b>	<b>3,546</b>	<b>-</b>	<b>125,890</b>
Change in net position before capital contributions	(14,639)	(6,022)	1,162	(19,499)
Capital contributions	17,558	-	-	17,558
Change in net position	2,919	(6,022)	1,162	(1,941)
Net position beginning of year, as restated	10,096	(32,292)	81	(22,115)
Net position end of year	<b>\$ 13,015</b>	<b>(38,314)</b>	<b>1,243</b>	<b>(24,056)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
Cash flows from operating activities:				
Cash received from operating activities*	\$ 139,617	82,371	145,000	366,988
Cash received from miscellaneous operating activities	-	437	-	437
Cash payments to employees for services	(122,398)	(78,900)	-	(201,298)
Cash payments to suppliers for goods or services	(130,575)	(14,472)	(1,058)	(146,105)
Net cash provided by (used in) operating activities	<u>(113,356)</u>	<u>(10,564)</u>	<u>143,942</u>	<u>20,022</u>
Cash flows from non-capital financing activities:				
Borrowings from General Fund	-	-	(142,702)	(142,702)
State grants received	2,274	3,537	-	5,811
Federal grants received	104,624	664	-	105,288
Net cash provided by (used in) non-capital financing activities	<u>106,898</u>	<u>4,201</u>	<u>(142,702)</u>	<u>(31,603)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,841)	-	-	(1,841)
Cash flows from investing activities:				
Interest on investments	1	9	-	10
Net increase (decrease) in cash and cash equivalents	(8,298)	(6,354)	1,240	(13,412)
Cash and cash equivalents at beginning of year	43,870	15,291	3	59,164
Cash and cash equivalents at end of year	<u>\$ 35,572</u>	<u>8,937</u>	<u>1,243</u>	<u>45,752</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (136,983)	(9,568)	1,162	(145,389)
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Commodities used	20,246	-	-	20,246
Depreciation	10,213	323	-	10,536
Decrease(Increase) in inventories	(1,096)	-	142,780	141,684
Decrease in accounts receivable	89	-	-	89
Increase(Decrease) in accounts payable	(103)	585	-	482
Increase(Decrease) in salaries and benefits payable	(4,928)	538	-	(4,390)
Decrease in net pension liability	(18,327)	(12,829)	-	(31,156)
Increase in deferred outflows of resources	(2,137)	(2,509)	-	(4,646)
Increase in deferred inflows of resources	18,423	12,896	-	31,319
Increase in other postemployment benefits	871	-	-	871
Increase in unearned revenue	376	-	-	376
Net cash provided by (used in) operating activities	<u>\$ (113,356)</u>	<u>(10,564)</u>	<u>143,942</u>	<u>20,022</u>

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

\* Cash received from operating activities is comprised of cash received from the sale of lunches and breakfasts in the School Nutrition Fund, fees charged by the District to users of the District provided daycare program and charges for Student Construction Services.

During the year ended June 30, 2015, the District received Federal commodities valued at \$20,246.

During the year ended June 30, 2015, the District received capital contributions from the Capital Projects: Statewide Sales, Services and Use Fund of \$17,558.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Agency</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 13,686
Accounts receivable	448
<b>TOTAL ASSETS</b>	<u>\$ 14,134</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 752
Due to other groups	13,382
<b>TOTAL LIABILITIES</b>	<u>\$ 14,134</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Warren and Lucas counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Southeast Warren 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 Southeast Warren 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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren and Lucas Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Day Care Fund and the Student Construction Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for childcare services provided by the District to employees and other families in the community. The Student Construction Fund is used to account for the costs associated with the building trades class projects.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary 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 his purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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 property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash and Pooled Investments**

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

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

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,986,424 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
General Fund	Management Levy Fund	\$ 1,000
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	125,205
		<u>\$ 126,205</u>

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

The transfer from Management Levy Fund to General Fund was for repayment of an insurance deductible claim paid by the General Fund.

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 30,174	28,300	-	58,474
Construction in progress	-	146,874	-	146,874
	<u>30,174</u>	<u>175,174</u>	<u>-</u>	<u>205,348</u>
Capital assets being depreciated:				
Buildings	7,628,280	68,448	-	7,696,728
Improvements other than buildings	543,094	-	-	543,094
Machinery and equipment	1,824,232	101,877	33,689	1,892,420
Total capital assets being depreciated	<u>9,995,606</u>	<u>170,325</u>	<u>33,689</u>	<u>10,132,242</u>
Less accumulated depreciation for:				
Buildings	2,513,486	152,232	-	2,665,718
Improvements other than buildings	156,233	26,245	-	182,478
Machinery and equipment	1,368,413	157,020	29,500	1,495,933
Total accumulated depreciation	<u>4,038,132</u>	<u>335,497</u>	<u>29,500</u>	<u>4,344,129</u>
Total capital assets being depreciated, net	<u>5,957,474</u>	<u>(165,172)</u>	<u>4,189</u>	<u>5,788,113</u>
Governmental activities capital assets, net	<u>\$ 5,987,648</u>	<u>10,002</u>	<u>4,189</u>	<u>5,993,461</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 236,306	19,399	14,809	240,896
Less accumulated depreciation	182,085	10,536	10,008	182,613
Business type activities capital assets, net	<u>\$ 54,221</u>	<u>8,863</u>	<u>4,801</u>	<u>58,283</u>

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:	
Other	19,753
Support services:	
Instructional Staff	5,536
Administration	600
Operation and maintenance of plant	24,600
Transportation	106,531
	<u>157,020</u>
Unallocated depreciation	<u>178,477</u>
Total governmental activities depreciation expense	<u>\$ 335,497</u>

**Business type activities:**

Food services operations	\$ 10,213
Day care operations	323
Total business type activities depreciation expense	<u>\$ 10,536</u>

**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 1,270,000	-	275,000	995,000	280,000
Revenue Bonds	1,340,000	-	70,000	1,270,000	70,000
Compensated Absences	12,923	12,608	12,923	12,608	12,608
Net pension liability	2,783,874	-	765,691	2,018,183	-
Net OPEB Liability	77,576	13,720	-	91,296	-
Total	<u>\$ 5,484,373</u>	<u>26,328</u>	<u>1,123,614</u>	<u>4,387,087</u>	<u>362,608</u>
<b>Business Type Activities:</b>					
Net pension liability	\$ 113,279	-	31,156	82,123	-
Net OPEB Liability	4,925	871	-	5,796	-
Total	<u>\$ 118,204</u>	<u>871</u>	<u>31,156</u>	<u>87,919</u>	<u>-</u>

**General Obligation Bonds**

Details of the District's June 30, 2015 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2016	3.50	% \$ 280,000	36,025	316,025
2017	3.50	295,000	26,225	321,225
2018	3.70	300,000	15,900	315,900
2019	4.00	120,000	4,800	124,800
Total		<u>\$ 995,000</u>	<u>82,950</u>	<u>1,077,950</u>

**Revenue Bonds**

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

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2016	2.25	% \$ 70,000	52,130	122,130
2017	2.75	75,000	50,205	125,205
2018	3.00	75,000	47,955	122,955
2019	3.00	80,000	45,705	125,705
2020	3.20	80,000	43,145	123,145
2021-2025	3.40-4.50	455,000	166,850	621,850
2026-2029	4.50-5.00	435,000	55,500	490,500
Total		\$ 1,270,000	461,490	1,731,490

The District has pledged future statewide sales, services and use tax revenues to repay \$1,500,000 of bonds issued in April 2011. The bonds were issued for the purpose of financing future school infrastructure projects in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 23 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,731,474. For the current year, \$70,000 in principal and \$53,705 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$521,471.

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

- a) \$126,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent in the District’s name.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Note 6. Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$320,660.

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 \$2,100,306 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 0.051896 percent, which was an increase of .000728 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$164,947. 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	\$ 22,826	\$ -
Changes of assumptions	92,691	-
Net difference between projected and actual earnings on pension plan investments	-	800,996
Changes in proportion and differences between District contributions and proportionate share of contributions	33,146	-
District contributions subsequent to the measurement date	320,660	-
Total	<u>\$ 469,323</u>	<u>\$ 800,996</u>

\$320,660 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	\$ (165,515)
2017	(165,515)
2018	(165,515)
2019	(165,515)
2020	9,726
	<u>\$ (652,334)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,968,469	\$ 2,100,306	\$ 523,383

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](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$45,257 for legally required employer contributions and \$30,155 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### **Note 7. Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 91 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 61,000
Interest on net OPEB obligation	3,713
Adjustment to annual required contribution	<u>(3,122)</u>
Annual OPEB cost	61,591
Contributions made	<u>(47,000)</u>
Increase in net OPEB obligation	14,591
Net OPEB obligation beginning of year	<u>82,501</u>
Net OPEB obligation end of year	<u>\$ 97,092</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$47,000 to the medical plan. Plan members eligible for benefits contributed \$49,000, or 51.04% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 61,387	71.68%	\$ 70,000
2014	61,501	79.67%	82,501
2015	61,591	76.31%	97,092

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was \$555,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$555,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,366,737, and the ratio of the UAAL to covered payroll was 23.45%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as

required supplementary information in the section following the Notes to Financial Statements, 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 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 Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.50% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical and dental plan for retirees under age 65 are illustrated per month in the following table.

100		200		500		750		1,000	
\$	978	\$	950	\$	893	\$	839	\$	796

The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

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

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$225,333 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

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

Programs	Amount
Home school assistance	\$ 1,800
At-risk supplemental weighting	67,047
Talented and gifted	64,143
Returning dropouts and dropout prevention programs	24,435
Teacher salary supplement	17,664
Early intervention	50,434
Four-year-old preschool	110,587
Successful progression for early readers	30,012
Professional development for model core curriculum	37,346
Professional development	11,281
Total	<u>\$ 414,749</u>

**Note 11. Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	170,180	219,777
Capital assets, net of accumulated depreciation	5,993,461	-	-
General obligation bond capitalized indebtedness	(995,000)	-	-
Revenue bond capitalized indebtedness	(1,270,000)	-	-
Accrued interest payable	-	(6,004)	-
Income surtax receivable	-	-	221,427
Pension related deferred inflows	-	-	(769,677)
Pension related deferred outflows	-	-	452,577
Net pension liability	-	-	(2,018,183)
Net OPEB liability	-	-	(91,296)
Compensated absences	-	-	(12,608)
<b>Net position (Exhibit A)</b>	<u>\$ 3,728,461</u>	<u>164,176</u>	<u>(1,997,983)</u>

**Note 12. Accounting Change/Restatement Note**

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

	Governmental Activities	Business Type Activities			
		School Nutrition	Day Care	Student Construction	Total
Net position June 30, 2014, as previously reported	\$ 5,366,445	\$ 69,613	9,370	81	79,064
Net pension liability at June 30, 2014	(2,783,874)	(66,635)	(46,644)	-	(113,279)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	297,361	7,118	4,982	-	12,100
Net position July 1, 2014, as restated	<u>\$ 2,879,932</u>	<u>\$ 10,096</u>	<u>(32,292)</u>	<u>81</u>	<u>(22,115)</u>

**Note 13. Construction Commitment**

The District entered into a contract totaling \$666,900 for the construction of a new daycare building. As of June 30, 2015, costs of \$146,874 had been incurred against the contract. The balance of \$520,026 remaining at June 30, 2015 will be paid as work on the project progresses.

**Note 14. Deficit Balances**

At June 30, 2015, the District had deficit unrestricted net position of \$44,552 in the School Nutrition Fund. The Day Care Fund had deficit unrestricted net position and deficit total net position of \$39,030 and \$38,314, respectively. Total business type activities had a deficit unrestricted net position of \$82,339 and governmental activities had a deficit unrestricted net position of \$1,997,983.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,006,888	366,970	3,373,858	3,436,639	3,436,639	(62,781)
State sources	4,102,959	2,274	4,105,233	4,212,871	4,212,871	(107,638)
Federal sources	134,192	128,407	262,599	258,500	258,500	4,099
Total revenues	<u>7,244,039</u>	<u>497,651</u>	<u>7,741,690</u>	<u>7,908,010</u>	<u>7,908,010</u>	<u>(166,320)</u>
Expenditures/Expenses:						
Instruction	4,706,430	143,838	4,850,268	5,410,000	5,410,000	559,732
Support services	1,735,624	-	1,735,624	2,128,250	2,128,250	392,626
Non-instructional programs	13,013	373,312	386,325	474,000	474,000	87,675
Other expenditures	950,823	-	950,823	1,334,070	1,734,070	783,247
Total expenditures/expenses	<u>7,405,890</u>	<u>517,150</u>	<u>7,923,040</u>	<u>9,346,320</u>	<u>9,746,320</u>	<u>1,823,280</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(161,851)	(19,499)	(181,350)	(1,438,310)	(1,838,310)	1,656,960
Other financing sources, net	1,625	17,558	19,183	2,000	2,000	17,183
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(160,226)	(1,941)	(162,167)	(1,436,310)	(1,836,310)	1,674,143
Balance beginning of year, as restated	1,891,647	(22,115)	1,869,532	1,754,133	1,754,133	115,399
Balance end of year	<u>\$ 1,731,421</u>	<u>(24,056)</u>	<u>1,707,365</u>	<u>317,823</u>	<u>(82,177)</u>	<u>1,789,542</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$400,000.

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

	2015
District's proportion of the net pension liability	0.051896%
District's proportionate share of the net pension liability	\$ 2,100,306
District's covered-employee payroll	\$ 3,590,813
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\*  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 321	309	287	258	214	211	198	195	178	170
Contributions in relation to the statutorily required contribution	<u>(321)</u>	<u>(309)</u>	<u>(287)</u>	<u>(258)</u>	<u>(214)</u>	<u>(211)</u>	<u>(198)</u>	<u>(195)</u>	<u>(178)</u>	<u>(170)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 3,595	3,460	3,310	3,197	3,079	3,036	3,118	3,223	3,096	2,957
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.

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

*Changes of benefit terms:*

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

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

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

*Changes of assumptions:*

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 430,673	\$ 430,673	0.00%	\$ 2,933,775	14.68%
2011	July 1, 2009	-	430,673	430,673	0.00%	2,952,877	14.58%
2012	July 1, 2009	-	430,673	430,673	0.00%	3,197,155	13.47%
2013	July 1, 2012	-	555,000	555,000	0.00%	2,159,477	25.70%
2014	July 1, 2012	-	555,000	555,000	0.00%	2,271,148	24.44%
2015	July 1, 2012	-	555,000	555,000	0.00%	2,366,737	23.45%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 302,645	76,161	378,806
Receivables:			
Property tax:			
Delinquent	3,637	-	3,637
Succeeding year	210,000	-	210,000
Accounts	-	4,921	4,921
<b>TOTAL ASSETS</b>	<b>\$ 516,282</b>	<b>81,082</b>	<b>597,364</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	5,351	5,351
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	210,000	-	210,000
Fund balances:			
Restricted for:			
Management levy purposes	306,282	-	306,282
Student activities	-	75,731	75,731
Total fund balances	306,282	75,731	382,013
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 516,282</b>	<b>81,082</b>	<b>597,364</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 179,808	-	179,808
Other	6,535	229,675	236,210
State sources	404	-	404
<b>TOTAL REVENUES</b>	<b>186,747</b>	<b>229,675</b>	<b>416,422</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	12,001	-	12,001
Other	-	221,899	221,899
Support services:			
Administration	13,358	-	13,358
Operation and maintenance of plant	47,273	-	47,273
Transportation	28,413	-	28,413
Non-instructional programs:			
Food service operations	6,466	-	6,466
Other enterprise operations	6,547	-	6,547
<b>TOTAL EXPENDITURES</b>	<b>114,058</b>	<b>221,899</b>	<b>335,957</b>
Excess of revenues over expenditures	72,689	7,776	80,465
Other financing uses:			
Transfer out	(1,000)	-	(1,000)
Change in fund balances	71,689	7,776	79,465
Fund balances beginning of year	234,593	67,955	302,548
Fund balances end of year	<b>\$ 306,282</b>	<b>75,731</b>	<b>382,013</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 577,315	74,815	652,130
Receivables:			
Property tax:			
Delinquent	-	882	882
Succeeding year	-	45,680	45,680
Due from other governments	82,652	-	82,652
<b>TOTAL ASSETS</b>	<b>\$ 659,967</b>	<b>121,377</b>	<b>781,344</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	64,962	-	64,962
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	45,680	45,680
Fund balances:			
Restricted for:			
Debt service	126,000	-	126,000
School infrastructure	469,005	-	469,005
Physical plant and equipment	-	75,697	75,697
Total fund balances	595,005	75,697	670,702
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 659,967</b>	<b>121,377</b>	<b>781,344</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	43,619	43,619
Other	18	644	662
State sources	521,471	98	521,569
TOTAL REVENUES	<u>521,489</u>	<u>44,361</u>	<u>565,850</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	41,254	-	41,254
Transportation	72,118	-	72,118
Capital outlay	239,820	41,659	281,479
TOTAL EXPENDITURES	<u>353,192</u>	<u>41,659</u>	<u>394,851</u>
Excess of revenues over expenditures	168,297	2,702	170,999
Other financing uses:			
Transfer out	(125,205)	-	(125,205)
Change in fund balances	43,092	2,702	45,794
Fund balances beginning of year	<u>551,913</u>	<u>72,995</u>	<u>624,908</u>
Fund balances end of year	<u>\$ 595,005</u>	<u>75,697</u>	<u>670,702</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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	Intra- Fund Transfers	Balance End of Year
JR High Sports Fundraiser	\$ 21	1,539	1,532	-	28
Drama	2,474	2,828	4,232	-	1,070
Speech	635	300	288	-	647
Vocal Music	137	1,071	1,032	-	176
Vocal Trip	423	18,006	13,391	-	5,038
Instrumental Music	1,000	8,374	6,687	-	2,687
Band Trip-HS	370	-	-	-	370
Band Trip-JH	108	-	-	-	108
Colorguard	73	-	73	-	-
History Trip	856	38,594	39,421	-	29
Spanish Trip	44	7,332	4,711	-	2,665
Cheerleaders	90	2,427	1,954	-	563
Dance Team	4,393	2,464	2,614	-	4,243
JR High Dance	879	-	879	-	-
Athletic Gates	-	31,499	28,928	(2,571)	-
Tournaments	-	2,053	1,846	-	207
Uniforms	5,228	1,500	4,940	-	1,788
Basketball-Boys	1,799	107	1,425	-	481
Basketball-Girls	660	45	100	-	605
Volleyball	634	2,213	1,904	-	943
Track	119	2,802	2,921	-	-
Cross Country	953	471	698	-	726
Golf	98	120	120	-	98
Football	12,514	13,449	19,711	-	6,252
Rugby	-	2,170	1,429	-	741
Baseball	-	5,281	5,142	-	139
Wrestling	2,745	13,676	13,337	-	3,084
Softball	384	5,319	4,358	-	1,345
Class of 2014	-	-	-	200	200
Class of 2015	848	1,920	2,768	-	-
Class of 2016	2,646	3,868	6,143	-	371
Class of 2017	58	970	325	-	703
Class of 2018	40	360	330	-	70
Class of 2016 Trip	-	1,237	-	2,371	3,608
Academic Bowl	-	536	505	-	31
FBLA	444	-	-	-	444
FFA	17,724	28,847	20,752	-	25,819
FFA Trap	1,730	5,758	6,153	-	1,335
FCCLA	753	1,240	693	-	1,300
Nat. Honor Society	155	312	276	-	191
Spanish Club	75	285	284	-	76
Yearbook	-	7,942	7,942	-	-
SH Student Council	915	6,006	5,689	-	1,232
Angel Tree	1,426	1,129	548	-	2,007
JH Student Council	54	-	54	-	-
ELP Trips	804	-	270	-	534
High School Fundraiser	25	4,196	3,809	-	412
Rock Stars	648	53	-	-	701
Elem Yearbook	2,010	1,187	1,468	-	1,729
Primary Center	23	-	-	-	23
Intermed. Center	562	-	-	-	562
Intermed. Band	378	-	28	-	350
Interest Income	-	189	189	-	-
Total	\$ 67,955	229,675	221,899	-	75,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 7,605	103,554	97,473	13,686
Accounts receivable	3,456	448	3,456	448
<b>TOTAL ASSETS</b>	<b>\$ 11,061</b>	<b>104,002</b>	<b>100,929</b>	<b>14,134</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,392	752	1,392	752
Due to other groups	9,669	103,250	99,537	13,382
<b>TOTAL LIABILITIES</b>	<b>\$ 11,061</b>	<b>104,002</b>	<b>100,929</b>	<b>14,134</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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	\$ 2,476,359	2,414,940	2,573,312	2,818,392	2,777,759	2,580,083	2,405,131	2,254,898	2,292,590	2,216,414
Tuition	175,191	209,650	246,995	182,272	189,092	240,287	212,240	179,254	188,992	196,436
Other	355,338	336,117	302,142	316,224	221,961	270,382	335,985	265,637	313,790	296,544
Intermediate sources	-	-	-	-	-	-	-	2,833	3,406	-
State sources	4,102,959	4,000,518	3,495,832	3,207,963	3,196,556	2,758,557	3,319,237	3,270,365	2,983,104	2,814,914
Federal sources	134,192	121,043	140,856	254,789	256,143	498,933	135,322	140,719	129,633	163,051
Total	\$ 7,244,039	7,082,268	6,759,137	6,779,640	6,641,511	6,348,242	6,407,915	6,113,706	5,911,515	5,687,359
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,780,540	2,756,771	2,436,310	2,306,815	2,290,466	2,192,182	2,241,793	2,295,864	2,063,809	1,914,385
Special	974,172	964,766	937,839	912,690	865,689	898,350	938,870	906,039	953,522	900,548
Other	951,718	867,575	837,804	792,329	812,953	691,771	577,490	592,087	548,885	578,639
Support services:										
Student	147,559	142,747	135,055	112,036	109,422	165,429	141,964	167,076	146,860	149,252
Instructional staff	202,264	230,753	165,060	109,535	119,983	136,850	195,754	191,217	211,074	166,824
Administration	560,165	531,937	554,843	555,394	518,382	513,316	521,191	519,584	507,387	509,590
Operation and maintenance of plant	495,542	549,587	477,813	425,290	477,478	411,757	435,655	446,675	442,698	458,116
Transportation	330,094	419,321	446,960	289,281	352,040	395,598	371,303	421,353	261,682	289,579
Non-instructional programs:										
Food service operations	6,466	6,062	3,962	3,254	3,159	3,013	-	-	-	-
Other enterprise operations	6,547	3,388	2,449	2,272	2,621	4,700	-	-	-	-
Capital outlay	281,479	255,579	253,479	1,444,654	425,386	94,249	127,396	371,858	93,361	85,882
Long-term debt:										
Principal	345,000	335,000	320,000	270,000	240,000	240,000	195,000	190,000	180,000	213,705
Interest and fiscal charges	99,011	109,199	118,786	143,519	77,969	79,574	133,868	134,115	143,115	158,693
Other expenditures:										
AEA flow-through	225,333	212,810	199,903	199,534	222,470	218,424	202,817	195,233	184,399	171,073
Total	\$ 7,405,890	7,385,495	6,890,263	7,566,603	6,518,018	6,045,213	6,083,101	6,431,101	5,736,792	5,596,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Southeast Warren Community School District:**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeast Warren 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 Southeast Warren Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren Community School District's internal control.

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

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

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

### **Compliance and Other Matters**

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

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

### **Southeast Warren Community School District's Responses to Findings**

Southeast Warren Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southeast Warren 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 Southeast Warren Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2016  
Newton, Iowa

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

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

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

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

Response - We will use pre-numbered tickets for all events that require an admission.

Conclusion - Response accepted.

I-C-15 Payment without support - We noted instances where credit card purchases lacked supporting documentation. The Districts policy (#400.4) states that "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt shall make the expense a personal expense".

Recommendation - District policy #400.4 requires any employee/officer using District issued credit cards to submit the original itemized receipt for each purchase. The District should review its procedures to ensure that all credit card purchases are supported by original detailed receipts in accordance with Board policy.

Response - The District will require credit card purchases to be supported by the original itemized receipt.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

II-B-15 Questionable Disbursements - Disbursements noted which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 are noted as follows:

**Gift Cards:** Noted the District purchased gift cards from the activity fund for homecoming week prizes. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - The District will not allow the purchase of gift cards.

Conclusion - Response accepted.

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

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

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

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

II-G-15 Certified Enrollment - We noted the basic enrollment data certified to the Department of Education was overstated by 1.00 for the fall 2014 count date.

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

Response - The District's auditors 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 use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 551,913
Revenues:		
Sales tax revenues	\$ 521,471	
Other local revenues	<u>18</u>	<u>521,489</u>
		1,073,402
Expenditures/transfers out:		
School infrastructure construction	\$ 239,820	
Equipment	113,372	
Transfers to other funds:		
Debt service fund	<u>125,205</u>	<u>478,397</u>
Ending balance		<u><u>\$ 595,005</u></u>

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

- II-M-15 DJ Contract - We noted during our audit that the Board President did not sign contract for Prom DJ. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.

- II-N-15 Financial Condition - At June 30, 2015 the District had deficit unrestricted net position of \$44,552 in the School Nutrition Fund. The Day Care Fund had deficit unrestricted net position and deficit total net position of \$39,030 and \$38,314, respectively. Total business type activities had a deficit unrestricted net position of \$82,339 and governmental activities had a deficit unrestricted net position of \$1,997,983. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District administration and Board of Education will gain an understanding of GASB Statements No. 68 and 71 and how they impact District financial reports now and in the future.

Conclusion - Response accepted.