

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Magneson	President	2015
Mark Lindgren	Vice President	2017
Brian Bates	Board Member	2017
Paul Vanderholm	Board Member	2015
Jeff Sorenson	Board Member	2017
School Officials		
Chris Herrick	Superintendent	2015
Tammy Boyer	District Secretary	2015
Shirley Maxwell	Business Manager	2015
Ahlers & Cooney P.C.	Attorney	2015

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

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, Stanton 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 Stanton 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 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2016 on our consideration of Stanton 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 Stanton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 9, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stanton 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 \$2,555,170 in fiscal year 2014 to \$2,618,629 in fiscal year 2015, while General Fund expenditures decreased from \$2,484,474 in fiscal year 2014 to \$2,422,295 in fiscal year 2015. This resulted in an increase in the General Fund balance from \$427,982 at June 30, 2014 to \$624,316 at June 30, 2015, which represents an increase of 45.87% from the prior year.
- The increase in General Fund revenues is primarily due to an increase in state sources received compared to the prior year. The decrease in expenditures is attributable to a decrease in salaries and benefits paid in total to District employees compared to the prior year due staffing changes from the previous year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Stanton 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 Stanton 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 Stanton 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.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

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

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

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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 net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 2,497,995	2,182,737	29,438	25,526	2,527,433	2,208,263	14.45%
Capital assets	1,261,449	1,251,084	10,724	13,765	1,272,173	1,264,849	0.58%
Total assets	<u>3,759,444</u>	<u>3,433,821</u>	<u>40,162</u>	<u>39,291</u>	<u>3,799,606</u>	<u>3,473,112</u>	<u>9.40%</u>
Deferred outflows of resources	146,764	-	4,971	-	151,735	-	100.00%
Long-term liabilities	951,534	130,975	23,270	-	974,804	130,975	644.27%
Other liabilities	249,636	244,758	1,956	2,134	251,592	246,892	1.90%
Total liabilities	<u>1,201,170</u>	<u>375,733</u>	<u>25,226</u>	<u>2,134</u>	<u>1,226,396</u>	<u>377,867</u>	<u>224.56%</u>
Deferred inflows of resources	1,409,353	1,000,285	12,594	-	1,421,947	1,000,285	42.15%
Net position:							
Net investment in capital assets	1,261,449	1,251,084	10,724	13,765	1,272,173	1,264,849	0.58%
Restricted	627,175	532,913	-	-	627,175	532,913	17.69%
Unrestricted	(592,939)	273,806	(3,411)	23,392	(596,350)	297,198	-300.66%
Total net position	<u>\$ 1,295,685</u>	<u>2,057,803</u>	<u>7,313</u>	<u>37,157</u>	<u>1,302,998</u>	<u>2,094,960</u>	<u>-37.80%</u>

The District's total net position decreased by 37.80%, or approximately \$791,962 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$94,262, or 17.69% from the prior year. The majority of the increase in restricted net position was due to the increase in the Management Levy Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$893,548, or 300.66% from the prior year. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,086,265 and \$33,711, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 536,920	546,519	60,410	60,705	597,330	607,224	-1.63%
Operating grants, contributions and restricted interest	183,171	172,871	48,934	49,653	232,105	222,524	4.31%
Capital grants, contributions and restricted interest	1,381	-	-	-	1,381	-	100.00%
General revenues:							
Property tax	1,002,767	1,007,326	-	-	1,002,767	1,007,326	-0.45%
Income surtax	98,796	101,374	-	-	98,796	101,374	-2.54%
Statewide sales, services and use tax	170,208	159,731	-	-	170,208	159,731	6.56%
Unrestricted state grants	1,058,867	930,089	-	-	1,058,867	930,089	13.85%
Unrestricted investment earnings	1,249	844	12	18	1,261	862	46.29%
Other	17,489	15,617	1,009	73	18,498	15,690	17.90%
Total revenues	3,070,848	2,934,371	110,365	110,449	3,181,213	3,044,820	4.48%
Program expenses:							
Instruction	1,737,707	1,979,789	-	-	1,737,707	1,979,789	-12.23%
Support services	874,383	785,383	492	751	874,875	786,134	11.29%
Non-instructional programs	2,001	1,991	106,006	111,831	108,007	113,822	-5.11%
Other expenses	132,610	130,282	-	-	132,610	130,282	1.79%
Total expenses	2,746,701	2,897,445	106,498	112,582	2,853,199	3,010,027	-5.21%
Change in net position	324,147	36,926	3,867	(2,133)	328,014	34,793	842.76%
Net position beginning of year, as restated	971,538	2,020,877	3,446	39,290	974,984	2,060,167	-52.67%
Net position end of year	\$ 1,295,685	2,057,803	7,313	37,157	1,302,998	2,094,960	-37.80%

In fiscal year 2015, property tax and unrestricted state grants accounted for 67.14% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest accounted for 99.08% of the revenue from business type activities.

The District's total revenues were approximately \$3.18 million, of which approximately \$3.07 million was for governmental activities and approximately \$0.11 million was for business type activities.

As shown in Figure A-4. The District as a whole experienced a 4.48% increase in revenues and a 5.21% decrease in expenses. An increase in unrestricted state grant revenue received was the primary reason for the increase in total revenues, while a decrease in instruction expenditures incurred compared to the prior year was the primary cause of the decrease in total expenses.

Governmental Activities

Revenues for governmental activities were \$3,070,848, and expenses were \$2,746,701 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, 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 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,737,707	1,979,789	-12.23%	1,112,720	1,337,070	-16.78%
Support services	874,383	785,383	11.33%	854,047	784,101	8.92%
Non-instructional programs	2,001	1,991	0.50%	2,001	1,991	0.50%
Other expenses	132,610	130,282	1.79%	56,461	54,893	2.86%
Totals	<u>\$ 2,746,701</u>	<u>2,897,445</u>	<u>-5.20%</u>	<u>2,025,229</u>	<u>2,178,055</u>	<u>-7.02%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$536,920.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$184,552.
- The net cost of governmental activities was financed with \$1,002,767 in property tax, \$98,796 in income surtax, \$170,208 in statewide sales, services and use tax, \$1,058,867 in unrestricted state grants, \$1,249 in unrestricted investment earnings, and \$17,489 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$110,365, representing a decrease of 0.08% from the prior year, while expenses totaled \$106,498, a decrease of 5.40%. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Stanton 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 the governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,160,027, above last year's ending fund balances of \$856,114. The primary reason for this increase in combined fund balances during the year ended June 30, 2015 is the increase in the General Fund and Management Levy Fund balances.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$427,982 at June 30, 2014 to \$624,316 at June 30, 2015. The primary reason for this increase in fund balance was an increase in state source revenues received compared to the prior year.
- The Management Levy Fund balance increased from \$163,167 at June 30, 2014 to \$260,957 at June 30, 2015. The primary reason for this increase in fund balance was an increase in local tax revenues received compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$3,446 restated as of July 1, 2014 to \$7,313 at June 30, 2015, representing an increase of 112.22%. The primary reason for the increase in net position was a reduction in total expenditures as compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Stanton Community School District amended its budget one time to reflect additional expenditures associated with building upgrades.

The District's revenues were \$104,189 more than budgeted revenues, a variance of 3.39%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,272,173, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6). More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$92,576.

The original cost of the District's capital assets was \$3,053,145. Governmental funds accounted for \$3,004,601 with the remainder of \$48,544 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital assets activity occurred in the land improvements category. The District's land improvements totaled \$48,681 at June 30, 2014 compared to \$43,835 at June 30, 2015. This decrease was mainly attributable to annual depreciation expense incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 82,623	82,623	-	-	82,623	82,623	0.00%
Buildings	1,005,794	984,426	-	-	1,005,794	984,426	2.12%
Land improvements	43,835	48,681	-	-	43,835	48,681	-11.06%
Machinery and equipment	129,197	135,354	10,724	13,765	139,921	149,119	-6.57%
Total	\$ 1,261,449	1,251,084	10,724	13,765	1,272,173	1,264,849	0.58%

Long-Term Debt

At June 30, 2015, the District had \$974,804 in total long-term debt outstanding. This represents an increase of 644.27% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

As of June 30, 2015, the District's had a total termination benefit liability of \$59,300, of which \$40,976 was payable from the Management Levy Fund while \$18,324 was payable from the General Fund.

The District had a total net pension liability of \$773,081 at June 30, 2015. Governmental activities accounted for \$749,811 with the remainder of \$23,270 accounted for in business type activities.

At June 30, 2015, the District had a total net OPEB obligation of \$142,423.

	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
Termination benefits	\$ 59,300	11,240	-	-	59,300	11,240	81.05%
Net pension liability	749,811	-	23,270	-	773,081	-	100.00%
Net OPEB liability	142,423	119,735	-	-	142,423	119,735	15.93%
Total	\$ 951,534	130,975	23,270	-	974,804	130,975	644.27%

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:

- It is a concern of this district, as well as every district in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with union, i.e. salaries and benefits. The district continues to approve an Early Retirement Plan in an effort to achieve cost savings through high paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the general Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitance to fully fund and increase funding, knowing that these costs will continue to rise, the district remains vigilant to use completely and efficiently all the resources it has at its disposal. The district has entered into several sharing agreements with neighboring districts to bring additional revenue into the district.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the district. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- At this time the district's certified enrollment is holding steady. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health. Another very important enrollment factor in this district is the number of open enrolled in students from neighboring districts.

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 Shirley Maxwell, Business Manager, Stanton Community School District, 605 Elliott Street, Stanton, IA 51573.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,293,838	22,502	1,316,340
Receivables:			
Property tax:			
Delinquent	12,816	-	12,816
Succeeding year	1,003,541	-	1,003,541
Income surtax	84,791	-	84,791
Accounts	9,118	-	9,118
Due from other governments	93,891	-	93,891
Inventories	-	6,936	6,936
Capital assets, net of accumulated depreciation	1,261,449	10,724	1,272,173
TOTAL ASSETS	3,759,444	40,162	3,799,606
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	146,764	4,971	151,735
LIABILITIES			
Accounts payable	63,862	-	63,862
Salaries and benefits payable	185,774	-	185,774
Unearned revenue	-	1,956	1,956
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	59,300	-	59,300
Portion due after one year:			
Net pension liability	749,811	23,270	773,081
Net OPEB liability	142,423	-	142,423
TOTAL LIABILITIES	1,201,170	25,226	1,226,396
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	1,003,541	-	1,003,541
Pension related deferred inflows	405,812	12,594	418,406
TOTAL DEFERRED INFLOWS OF RESOURCES	1,409,353	12,594	1,421,947
NET POSITION			
Net investment in capital assets	1,261,449	10,724	1,272,173
Restricted for:			
Categorical funding	132,440	-	132,440
Management levy purposes	219,981	-	219,981
Student activities	109,614	-	109,614
School infrastructure	153,887	-	153,887
Physical plant and equipment	11,253	-	11,253
Unrestricted	(592,939)	(3,411)	(596,350)
TOTAL NET POSITION	\$ 1,295,685	7,313	1,302,998

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Operating Grants,	Capital Grants,	Governmental Activities	Business Type Activities	Total
		for Service	Contributions and Restricted Interest	Contributions and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,090,902	370,239	33,097	-	(687,566)	-	(687,566)
Special	300,642	47,550	10,573	-	(242,519)	-	(242,519)
Other	346,163	100,176	63,352	-	(182,635)	-	(182,635)
	<u>1,737,707</u>	<u>517,965</u>	<u>107,022</u>	<u>-</u>	<u>(1,112,720)</u>	<u>-</u>	<u>(1,112,720)</u>
Support services:							
Student	92,648	-	-	-	(92,648)	-	(92,648)
Instructional staff	58,949	18,955	-	-	(39,994)	-	(39,994)
Administration	326,262	-	-	-	(326,262)	-	(326,262)
Operation and maintenance of plant	275,246	-	-	1,381	(273,865)	-	(273,865)
Transportation	121,278	-	-	-	(121,278)	-	(121,278)
	<u>874,383</u>	<u>18,955</u>	<u>-</u>	<u>1,381</u>	<u>(854,047)</u>	<u>-</u>	<u>(854,047)</u>
Non-instructional programs:							
Food service operations	2,001	-	-	-	(2,001)	-	(2,001)
Other expenditures:							
AEA flowthrough	76,149	-	76,149	-	-	-	-
Depreciation(unallocated)*	56,461	-	-	-	(56,461)	-	(56,461)
	<u>132,610</u>	<u>-</u>	<u>76,149</u>	<u>-</u>	<u>(56,461)</u>	<u>-</u>	<u>(56,461)</u>
Total governmental activities	<u>2,746,701</u>	<u>536,920</u>	<u>183,171</u>	<u>1,381</u>	<u>(2,025,229)</u>	<u>-</u>	<u>(2,025,229)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	492	-	-	-	-	(492)	(492)
	<u>492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(492)</u>	<u>(492)</u>
Non-instructional programs:							
Food service operations	106,006	60,410	48,934	-	-	3,338	3,338
Total business type activities	<u>106,498</u>	<u>60,410</u>	<u>48,934</u>	<u>-</u>	<u>-</u>	<u>2,846</u>	<u>2,846</u>
Total	<u>\$ 2,853,199</u>	<u>597,330</u>	<u>232,105</u>	<u>1,381</u>	<u>(2,025,229)</u>	<u>2,846</u>	<u>(2,022,383)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 980,113	-	980,113
Capital outlay					22,654	-	22,654
Income surtax					98,796	-	98,796
Statewide sales, services and use tax					170,208	-	170,208
Unrestricted state grants					1,058,867	-	1,058,867
Unrestricted investment earnings					1,249	12	1,261
Other					17,489	1,009	18,498
Total general revenues					<u>2,349,376</u>	<u>1,021</u>	<u>2,350,397</u>
Change in net position					324,147	3,867	328,014
Net position beginning of year, as restated					<u>971,538</u>	<u>3,446</u>	<u>974,984</u>
Net position end of year					<u>\$ 1,295,685</u>	<u>7,313</u>	<u>1,302,998</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Management			Total
	General	Levy	Nonmajor	
ASSETS				
Cash and pooled investments	\$ 795,654	259,035	239,149	1,293,838
Receivables:				
Property tax:				
Delinquent	10,604	1,922	290	12,816
Succeeding year	830,524	150,000	23,017	1,003,541
Income surtax	84,791	-	-	84,791
Accounts	280	-	8,838	9,118
Due from other governments	67,414	-	26,477	93,891
TOTAL ASSETS	\$ 1,789,267	410,957	297,771	2,497,995
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,862	-	-	63,862
Salaries and benefits payable	185,774	-	-	185,774
Total liabilities	249,636	-	-	249,636
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	830,524	150,000	23,017	1,003,541
Income surtax	84,791	-	-	84,791
Total deferred inflows of resources	915,315	150,000	23,017	1,088,332
Fund balances:				
Restricted for:				
Categorical funding	132,440	-	-	132,440
Management levy purposes	-	260,957	-	260,957
Student activities	-	-	109,614	109,614
School infrastructure	-	-	153,887	153,887
Physical plant and equipment	-	-	11,253	11,253
Unassigned	491,876	-	-	491,876
Total fund balances	624,316	260,957	274,754	1,160,027
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,789,267	410,957	297,771	2,497,995

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)		\$ 1,160,027
<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.		1,261,449
Accounts receivable income surtax, are not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		84,791
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	\$ 146,764	
Deferred inflows of resources	<u>(405,812)</u>	(259,048)
Long-term liabilities, including termination benefits, other postemployment benefits payable and net pension liability are not due and payable int the current period and, therefore, are not reported in the governmental funds.		<u>(951,534)</u>
Net position of governmental activities (page 18)		<u><u>\$ 1,295,685</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Management			Total
	General	Levy	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 925,326	150,372	22,654	1,098,352
Tuition	408,383	-	-	408,383
Other	46,148	3,800	101,898	151,846
State sources	1,181,843	66	170,218	1,352,127
Federal sources	56,929	-	-	56,929
Total revenues	<u>2,618,629</u>	<u>154,238</u>	<u>294,770</u>	<u>3,067,637</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,032,095	23,238	46,929	1,102,262
Special	288,803	-	-	288,803
Other	264,518	-	83,458	347,976
	<u>1,585,416</u>	<u>23,238</u>	<u>130,387</u>	<u>1,739,041</u>
Support services:				
Student	93,934	399	-	94,333
Instructional staff	23,749	399	39,511	63,659
Administration	323,062	7,779	-	330,841
Operation and maintenance of plant	221,047	14,115	14,947	250,109
Transportation	98,938	8,517	-	107,455
	<u>760,730</u>	<u>31,209</u>	<u>54,458</u>	<u>846,397</u>
Non-instructional programs:				
Food service operations	-	2,001	-	2,001
Capital outlay	-	-	127,246	127,246
Other expenditures:				
AEA flowthrough	76,149	-	-	76,149
Total expenditures	<u>2,422,295</u>	<u>56,448</u>	<u>312,091</u>	<u>2,790,834</u>
Excess(Deficiency) of revenues over(under) expenditures	196,334	97,790	(17,321)	276,803
Other financing sources:				
Compensation for loss of capital assets	-	-	27,110	27,110
Change in fund balances	196,334	97,790	9,789	303,913
Fund balances beginning of year	427,982	163,167	264,965	856,114
Fund balances end of year	<u>\$ 624,316</u>	<u>260,957</u>	<u>274,754</u>	<u>1,160,027</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON 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) \$ 303,913

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

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

Capital outlay	\$ 99,900	
Depreciation expense	(89,535)	10,365

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 105,524

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 3,211

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

Termination benefits	(48,060)	
Pension expense	(28,118)	
Other postemployment benefits	(22,688)	(98,866)

Change in net position of governmental activities (page 19) \$ 324,147

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2015

	<u>Enterprise School Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 22,502
Inventories	<u>6,936</u>
Total current assets	<u>29,438</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>10,724</u>
TOTAL ASSETS	<u>40,162</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>4,971</u>
LIABILITIES	
Current liabilities:	
Unearned revenue	<u>1,956</u>
Noncurrent liabilities:	
Net pension liability	<u>23,270</u>
TOTAL LIABILITIES	<u>25,226</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>12,594</u>
NET POSITION	
Net investment in capital assets	10,724
Unrestricted	<u>(3,411)</u>
TOTAL NET POSITION	<u>\$ 7,313</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 60,410
Miscellaneous	1,009
Total operating revenues	61,419
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	492
Non-instructional programs:	
Food service operations:	
Salaries	42,219
Benefits	4,088
Services	1,006
Supplies	55,652
Depreciation	3,041
Total non-instructional programs	106,006
Total operating expenses	106,498
Operating loss	(45,079)
Non-operating revenues:	
State sources	995
Federal sources	47,939
Interest on investments	12
Total non-operating revenues	48,946
Change in net position	3,867
Net position beginning of year, as restated	3,446
Net position end of year	\$ 7,313

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 60,400
Cash received from miscellaneous operating activities	1,009
Cash payments to employees for services	(49,125)
Cash payments to suppliers for goods or services	(49,485)
Net cash used in operating activities	(37,201)
 Cash flows from non-capital financing activities:	
State grants received	995
Federal grants received	36,787
Net cash provided by non-capital financing activities	37,782
 Cash flows from investing activities:	
Interest on investments	12
 Net increase in cash and pooled investments	593
 Cash and pooled investments beginning of year	21,909
 Cash and pooled investments end of year	\$ 22,502
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (45,079)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,152
Depreciation	3,041
Increase in inventories	(3,487)
Decrease in accounts receivable	168
Decrease in net pension liability	(13,870)
Increase in deferred outflows of resources	(1,542)
Increase in deferred inflows of resources	12,594
Decrease in unearned revenue	(178)
Net cash used in operating activities	\$ (37,201)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$11,152 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 36,426
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 36,426</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 200
Interest income	98
Total additions	298
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	570
Change in net position before other financing uses	(272)
Other financing uses:	
Refund of prior year contributions	(14,814)
Change in net position	(15,086)
Net position beginning of year	51,512
Net position end of year	\$ 36,426

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The Stanton 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 city of Stanton, Iowa, and the predominate agricultural territory in Page and Montgomery 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, Stanton 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 Stanton 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 Montgomery and Page County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 balance sheet:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 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 of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
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 teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or 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. The District had no investments at June 30, 2015.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 82,623	-	-	82,623
Total capital assets not being depreciated	<u>82,623</u>	<u>-</u>	<u>-</u>	<u>82,623</u>
Capital assets being depreciated:				
Buildings	1,978,353	72,983	-	2,051,336
Land improvements	99,060	-	-	99,060
Machinery and equipment	744,665	26,917	-	771,582
Total capital assets being depreciated	<u>2,822,078</u>	<u>99,900</u>	<u>-</u>	<u>2,921,978</u>
Less accumulated depreciation for:				
Buildings	993,927	51,615	-	1,045,542
Land improvements	50,379	4,846	-	55,225
Machinery and equipment	609,311	33,074	-	642,385
Total accumulated depreciation	<u>1,653,617</u>	<u>89,535</u>	<u>-</u>	<u>1,743,152</u>
Total capital assets being depreciated, net	<u>1,168,461</u>	<u>10,365</u>	<u>-</u>	<u>1,178,826</u>
Governmental activities capital assets, net	<u>\$ 1,251,084</u>	<u>10,365</u>	<u>-</u>	<u>1,261,449</u>
Business type activities:				
Machinery and equipment	\$ 48,544	-	-	48,544
Less accumulated depreciation	34,779	3,041	-	37,820
Business type activities capital assets, net	<u>\$ 13,765</u>	<u>(3,041)</u>	<u>-</u>	<u>10,724</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,927
Other	3,117
Support services:	
Administration	2,634
Operation and maintenance	120
Transportation	<u>16,276</u>
	33,074
Unallocated depreciation	<u>56,461</u>
Total depreciation expense - governmental activities	<u>\$ 89,535</u>
Business type activities:	
Food service operations	<u>\$ 3,041</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination Benefits	\$ 11,240	59,300	11,240	59,300	59,300
Net pension liability	1,196,743	-	446,932	749,811	-
Net OPEB liability	119,735	22,688	-	142,423	-
Total	\$ 1,327,718	81,988	458,172	951,534	59,300
Business type activities:					
Net pension liability	\$ 37,140	-	13,870	23,270	-

Termination Benefits

During the year ended June 30, 2015, the District offered a voluntary termination benefit plan to its full-time licensed employees that also included licensed administrators. The plan was only offered to employees for one year. Eligible employees had to be at least age fifty-five and must have completed at least fifteen years of full-time service to the District including the last year of employment. Employees had to complete an application which was required to be approved by the Board of Education.

Termination benefits equaled 40% of the employee's regular contractual salary in effect during the employee's last year of employment less the employer's share of FICA. The employee's contractual base salary did not include extended contracts or supplemental contracts for extra-curricular activities. It did not include the employees' portion of Phase I and II. Benefits were to be paid in either a one-time cash payment in September of the year of retirement or a one-half payment in September and one-half payment in January of the year after retirement.

At June 30, 2015, the District had obligations to three participants with a total liability of \$59,300. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$11,240.

(5) Pension Plan

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

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 \$109,215.

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 \$773,081 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 0.019102 percent, which was an decrease of 0.002690 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$28,911. 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	\$ 8,402	\$ -
Changes of assumptions	34,118	-
Net difference between projected and actual earnings on pension plan investments	-	294,831
Changes in proportion and differences between District contributions and proportionate share of contributions	-	123,575
District contributions subsequent to the measurement date	109,215	-
Total	\$ 151,735	\$ 418,406

\$109,215 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	\$ (92,646)
2017	(92,646)
2018	(92,646)
2019	(92,646)
2020	(5,302)
	\$ (375,886)

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	100%	

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,460,714	\$ 773,081	\$ 192,647

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$11,994 for legally required employer contributions and \$7,991 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 21 active members and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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	\$	30,471
Interest on net OPEB obligation		2,993
Adjustment to annual required contribution		<u>(9,239)</u>
Annual OPEB cost		24,225
Contributions made		<u>(1,537)</u>
Increase in net OPEB obligation		22,688
Net OPEB obligation beginning of year		<u>119,735</u>
Net OPEB obligation end of year	\$	<u><u>142,423</u></u>

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

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 24,773	44.40%	\$ 100,576
2014	21,297	10.04	119,735
2015	24,225	6.34	142,423

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$229,791, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,791. The covered payroll (annual payroll of active employees covered by the plan) was \$911,899, and the ratio of the UAAL to covered payroll was 25.20%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. Projected claim costs of the medical plan are \$1,510 per employee. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

The Stanton Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health and dental.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$215,750.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Stanton 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.

(8) 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 \$76,149 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.

(9) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Weighted at-risk programs	\$ 4,399
Gifted and talented programs	54,176
Teacher salary supplement	10,549
Four-year-old preschool state aid	19,070
Successful progression for early readers	26,426
Professional development for model core curriculum	11,130
Professional development	3,167
Teacher leadership grants	3,523
Total	<u>\$ 132,440</u>

(10) Detailed 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:

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 260,957	491,876
Termination benefits	(40,976)	(18,324)
Income Surtax	-	84,791
Net pension liability	-	(749,811)
Pension related deferred outflows	-	146,764
Pension related deferred inflows	-	(405,812)
Net OPEB liability	-	(142,423)
Net position (Exhibit A)	<u>\$ 219,981</u>	<u>(592,939)</u>

(11) Deficit Net Position

The District had deficit unrestricted net position of \$3,411 in Enterprise: School Nutrition Fund and deficit unrestricted net position in its governmental activities of \$592,939 at June 30, 2015.

(12) Budget Overexpenditure

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

(13) **Accounting Change/Restatement Note**

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 2,057,803	\$ 37,157
Net pension liability at June 30, 2014	(1,196,743)	(37,140)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	110,478	3,429
Net position July 1, 2014, as restated	<u>\$ 971,538</u>	<u>\$ 3,446</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 1,658,581	61,431	1,720,012	1,784,187	1,784,187	(64,175)
State sources	1,352,127	995	1,353,122	1,190,226	1,190,226	162,896
Federal sources	56,929	47,939	104,868	99,400	99,400	5,468
Total revenues	<u>3,067,637</u>	<u>110,365</u>	<u>3,178,002</u>	<u>3,073,813</u>	<u>3,073,813</u>	<u>104,189</u>
Expenditures/Expenses:						
Instruction	1,739,041	-	1,739,041	2,040,000	2,040,000	300,959
Support services	846,397	492	846,889	1,051,800	1,051,800	204,911
Non-instructional programs	2,001	106,006	108,007	141,580	141,580	33,573
Other expenditures	203,395	-	203,395	134,108	180,000	(23,395)
Total expenditures/expenses	<u>2,790,834</u>	<u>106,498</u>	<u>2,897,332</u>	<u>3,367,488</u>	<u>3,413,380</u>	<u>516,048</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	276,803	3,867	280,670	(293,675)	(339,567)	620,237
Other financing sources, net	<u>27,110</u>	<u>-</u>	<u>27,110</u>	<u>-</u>	<u>-</u>	<u>27,110</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	303,913	3,867	307,780	(293,675)	(339,567)	647,347
Balances beginning of year, as restated	<u>856,114</u>	<u>3,446</u>	<u>859,560</u>	<u>755,292</u>	<u>755,292</u>	<u>104,268</u>
Balances end of year	<u>\$ 1,160,027</u>	<u>7,313</u>	<u>1,167,340</u>	<u>461,617</u>	<u>415,725</u>	<u>751,615</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON 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 \$45,892.

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

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

	2015
District's proportion of the net pension liability	0.019102%
District's proportionate share of the net pension liability	\$ 773,081
District's covered-employee payroll	\$ 1,223,013
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.21%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 109,215	113,392	122,925	120,714	101,168	99,379	93,401	86,376	79,146	77,794
Contributions in relation to the statutorily required contribution	(109,215)	(113,392)	(122,925)	(120,714)	(101,168)	(99,379)	(93,401)	(86,376)	(79,146)	(77,794)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,223,013	1,269,787	1,417,820	1,495,836	1,455,655	1,429,914	1,470,882	1,427,702	1,376,452	1,352,939
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.

STANTON 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.

STANTON 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	-	\$ 175,000	175,000	0.0%	\$ 1,211,124	14.45%
2011	July 1, 2009	-	175,000	175,000	0.0	987,440	17.72
2012	July 1, 2009	-	175,000	175,000	0.0	1,075,506	16.27
2013	July 1, 2012	-	213,117	213,117	0.0	1,138,330	18.72
2014	July 1, 2012	-	205,256	205,256	0.0	963,160	21.31
2015	July 1, 2012	-	229,791	229,791	0.0	911,899	25.20

See Note 6 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.

STANTON COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

	Special Revenue:		
	Student Activity	Capital Projects	Total
ASSETS			
Cash and pooled investments	\$ 109,614	129,535	239,149
Receivables:			
Property tax:			
Delinquent	-	290	290
Succeeding year	-	23,017	23,017
Accounts	-	8,838	8,838
Due from other governments	-	26,477	26,477
TOTAL ASSETS	\$ 109,614	188,157	297,771
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	23,017	23,017
Fund balances:			
Restricted for:			
Student activities	109,614	-	109,614
School infrastructure	-	153,887	153,887
Physical plant and equipment	-	11,253	11,253
Total fund balances	109,614	165,140	274,754
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 109,614	188,157	297,771

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue:		
	Student Activity	Capital Projects	Total
Revenues:			
Local sources:			
Local tax	\$ -	22,654	22,654
Other	100,302	1,596	101,898
State sources	-	170,218	170,218
Total Revenues	<u>100,302</u>	<u>194,468</u>	<u>294,770</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	46,929	46,929
Other	83,458	-	83,458
Support services:			
Instructional staff	-	39,511	39,511
Operation and maintenance of plant	193	14,754	14,947
Capital outlay	-	127,246	127,246
Total expenditures	<u>83,651</u>	<u>228,440</u>	<u>312,091</u>
Change in net position	16,651	(33,972)	(17,321)
Other financing sources:			
Compensation for loss of capital assets	-	27,110	27,110
Change in fund balances	16,651	(6,862)	9,789
Fund balances beginning of year	<u>92,963</u>	<u>172,002</u>	<u>264,965</u>
Fund balances end of year	<u>\$ 109,614</u>	<u>165,140</u>	<u>274,754</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 118,572	10,963	129,535
Receivables:			
Property tax:			
Delinquent	-	290	290
Succeeding year	-	23,017	23,017
Accounts	8,838	-	8,838
Due from other governments	26,477	-	26,477
TOTAL ASSETS	\$ 153,887	34,270	188,157
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	23,017	23,017
Fund balances:			
Restricted for:			
School infrastructure	153,887	-	153,887
Physical plant and equipment	-	11,253	11,253
Total fund balances	153,887	11,253	165,140
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 153,887	34,270	188,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		Total
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	22,654	22,654
Other	1,306	290	1,596
State sources	170,208	10	170,218
Total revenues	<u>171,514</u>	<u>22,954</u>	<u>194,468</u>
Expenditures:			
Current:			
Instruction:			
Regular	46,929	-	46,929
Support services:			
Instructional staff	17,256	22,255	39,511
Operation and maintenance of plant	14,754	-	14,754
Capital outlay	107,476	19,770	127,246
Total expenditures	<u>186,415</u>	<u>42,025</u>	<u>228,440</u>
Deficiency of revenues under expenditures	(14,901)	(19,071)	(33,972)
Other financing sources:			
Compensation for loss of capital assets	8,238	18,872	27,110
Change in fund balances	(6,663)	(199)	(6,862)
Fund balances beginning of year	160,550	11,452	172,002
Fund balances end of year	<u>\$ 153,887</u>	<u>11,253</u>	<u>165,140</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON 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	Intrafund Transfers	Balance End of Year
Interest on Investments	\$ -	125	-	(125)	-
School Play	2,454	771	314	4	2,915
Speech	605	788	699	1	695
Musical Events	8,219	2,055	2,799	9	7,484
Elementary Music	6,205	1,779	671	9	7,322
Band Repair	153	90	193	-	50
Athletic Fundraisers	13,963	27,875	1,407	48	40,479
Junior High Cheerleaders	196	1,967	2,063	747	847
Cheerleaders	2,255	1,802	1,300	(744)	2,013
Drill Team	119	-	-	-	119
Athletics	18,652	27,545	40,858	7	5,346
Class of 2014	282	-	282	-	-
Class of 2015	4,226	3,278	4,699	(1,291)	1,514
Class of 2016	1,063	8,721	7,561	394	2,617
Class of 2017	817	270	-	302	1,389
Class of 2018	246	270	-	601	1,117
Class of 2019	729	220	44	1	906
Class of 2020	92	85	-	-	177
Class of 2021	-	130	-	-	130
Class Gifts	1,372	-	-	2	1,374
Future Farmers	3,186	-	-	-	3,186
FCCLA	610	2,446	2,364	1	693
Math Club	224	-	-	-	224
National Honor Society	1,258	230	509	1	980
Pep Club	2,020	860	406	3	2,477
Spanish Club	149	-	-	-	149
Student Council	1,393	236	810	1	820
Yearbook	17,222	9,155	7,645	22	18,754
Student Projects	10	-	-	-	10
Commissary	5,024	8,702	8,066	7	5,667
Elementary Field Trip	30	-	-	-	30
Co-Curricular	189	902	961	-	130
Total	\$ 92,963	100,302	83,651	-	109,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund			
	Irene Larmon Scholarship	PJ Larmon Scholarship	Other Scholarships	Total
ASSETS				
Cash and pooled investments	\$ 11,097	25,129	200	36,426
LIABILITIES				
	-	-	-	-
NET POSITION				
Held in trust for scholarships	\$ 11,097	25,129	200	36,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Irene Larmon Scholarship	PJ Larmon Scholarship	Steve Watson Scholarship	Other Scholarships	Total
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	-	200	200
Interest income	15	82	1	-	98
Total additions	15	82	1	200	298
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	-	120	-	450	570
Change in net position before other financing uses	15	(38)	1	(250)	(272)
Other financing uses:					
Refund of prior year contributions	-	-	(14,814)	-	(14,814)
Change in net position	15	(38)	(14,813)	(250)	(15,086)
Net position beginning of year	11,082	25,167	14,813	450	51,512
Net position end of year	\$ 11,097	25,129	-	200	36,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,098,352	1,113,346	1,241,230	1,107,862	961,234	879,691	790,475	751,980	816,208	812,404
Tuition	408,383	445,252	474,414	436,720	434,974	456,250	412,210	380,232	372,449	416,239
Other	151,846	121,620	124,455	192,714	221,203	225,450	206,903	198,006	191,916	180,176
State sources	1,352,127	1,205,921	1,013,984	1,139,723	1,069,759	967,248	1,068,942	1,116,575	1,052,963	987,922
Federal sources	56,929	52,878	57,596	59,187	124,003	189,029	84,499	76,880	76,494	83,266
Total	\$ 3,067,637	2,939,017	2,911,679	2,936,206	2,811,173	2,717,668	2,563,029	2,523,673	2,510,030	2,480,007
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,102,262	1,273,370	1,341,324	1,190,482	1,087,372	1,193,260	1,145,466	1,056,816	1,012,520	978,668
Special	288,803	346,219	301,252	281,609	268,117	242,869	209,987	214,238	200,027	191,453
Other	347,976	345,122	272,853	430,193	410,149	405,000	403,357	367,851	383,075	365,349
Support services:										
Student	94,333	91,510	84,458	83,929	81,726	76,776	71,796	67,487	62,527	59,583
Instructional staff	63,659	63,658	14,235	14,249	36,489	10,259	18,769	18,386	17,688	9,940
Administration	330,841	333,027	348,192	401,107	381,712	371,848	356,386	344,131	353,439	352,493
Operation and maintenance of plant	250,109	213,692	196,133	209,600	219,536	196,258	192,832	190,929	182,726	184,976
Transportation	107,455	102,790	121,540	199,590	103,147	91,272	112,779	109,609	140,754	114,529
Non-instructional programs	2,001	1,991	1,563	1,704	1,100	1,450	1,500	1,278	1,005	875
Capital outlay	127,246	46,932	109,023	242,774	97,950	122,838	105,565	98,372	33,880	21,018
Long-term debt:										
Principal	-	-	-	-	-	-	-	-	105,000	100,000
Interest and other charges	-	-	-	-	-	-	-	-	4,915	9,165
Other expenditures:										
AEA flow-through	76,149	75,389	72,493	73,954	84,934	84,897	77,648	75,545	73,735	71,333
Total	\$ 2,790,834	2,893,700	2,863,066	3,129,191	2,772,232	2,796,727	2,696,085	2,544,642	2,571,291	2,459,382

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 Stanton 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 Stanton 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 February 9, 2016.

Internal Control Over Financial Reporting

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

Stanton Community School District's Responses to Findings

Stanton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Stanton 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 Stanton 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.

February 9, 2016
Newton, Iowa

STANTON 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) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Transfers - preparing and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting, recording, and depositing; journalizing, posting, and reconciling.
- 9) Journal entries - writing, posting and approving.

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 – The District will continue to review procedures to obtain the best controls possible. As a resource we will use the source “Best Practices in Segregation of Duties for Improved Internal Fiscal Controls”, a tool developed by IASBO.

Conclusion - Response accepted.

I-B-15 Music Parents and Faculty Scholarship Accounts - We noted during our audit, that outside organizations called Music Parents and Faculty Scholarship are using the District’s Federal Identification Number. Because these groups are using the District’s Federal Identification Number, the District should be accounting for the Music Parents and Faculty Scholarship within the District’s uniform accounting system. The Music Parents and Faculty Scholarship accounts and transactions should be included in the District’s financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation - The District should contact officials of the Music Parents and Faculty Scholarship accounts and request the accounts to be turned over to the District. The Music Parents and Faculty Scholarship may establish a 501(c)(3) organization with a

federal identification number separate that of the District, however the current accounts are District assets and should be turned over to the District for proper recording. In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - Contact will be made with the Music Parents and Faculty Scholarship and recommend they establish a 501 (c) (3) organization with a federal identification number separate from the district federal ID number. Discussion will be held concerning the funds currently sitting in those accounts. Steps will be taken to see if there are any other accounts that are using the school's federal ID number.

Conclusion - Response accepted.

I-C-15 Board Policies - We noted during our audit some of the District's policies appear to be out of date. All board policies should be reviewed every five years and documented in the District's minutes as well as on the board policy when they were approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a timelier manner.

Response - The Board is in the process of reviewing all board policies at this time.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - The expenditures will be compared to the published budget each month and the budget will be amended if it appears the expenditures will exceed the budgeted amount.

Conclusion - Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Brian Bates, Board member	Snow removal service, per bid	\$ 995
Owens Bates Garage	Vehicle services, per bid	10,995
		<u>\$ 11,990</u>

The transactions between the District and the board member Brian Bates do not appear to create a conflict of interest according to Chapter 279.7A of the Code of Iowa due to the contracts being competitively bid.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Iowa Department of Education was understated by 0.5 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. The supplementary weighting certified to the state was overstated by 0.055.
- 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 on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-I-15 Deposits and Investments - No instances of non-compliance with Chapter 12B and 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 the District using categorical funding to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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 and services tax. 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		\$	160,550
Revenues:			
Sales tax revenues	\$	170,208	
Insurance proceeds		8,238	
Other local revenues		1,306	
		<u>179,752</u>	
			<u>340,302</u>
Expenditures:			
School infrastructure		8,605	
Equipment		61,683	
Other		116,127	
		<u>186,415</u>	
Ending balance		\$	<u>153,887</u>

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

II-M-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had deficit unrestricted net position of \$ 3,411 in the Enterprise: School Nutrition Fund and deficit unrestricted net position in its Governmental Activities of \$592,939 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - Explanation will be given to the District Administration and Board of Directors concerning the accounting change/restatement and how GASB 68 and 71 will affect the District's financials moving forward.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281- 12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Inactive Accounts: We noted the student projects account within the student activity fund had no activity and appears to be inactive.

Recommendation - The inactive accounts should be reviewed by the District. If the District determines that these accounts are inactive and no longer in use by the District the District should determine where to reallocate the remaining balances to other accounts within the Student Activity Fund with the approval of the Board of Education.

Response - The activity funds will be researched and any funds that have not had activity for the last few years will be presented to the Board of Directors and a decision will be made on how to reallocate these funds in the Student Activity Fund.

Conclusion - Response accepted.

Questionable Accounts: Noted an elementary field trip account within the Student Activity Fund. This account does not appear to be co-curricular or extra-curricular in nature and would appear more appropriately accounted for in the District's General Fund.

Recommendation - The District should review these accounts for propriety and determine if they are appropriate from the Student Activity Fund. If they are determine to be instructional in nature the remaining balances should be moved to the General Fund.

Response - The elementary field trip account will be studied and if it is not found to be a co-curricular or extra-curricular in nature it will be approved by the Board of Directors to move the account to the District's General Fund.

Conclusion - Response accepted.