

**STARMONT  
COMMUNITY SCHOOL DISTRICT  
ARLINGTON, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2015**

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STARMONT COMMUNITY SCHOOL DISTRICT  
BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<b>Board of Education</b>			
Doug Puffett	President	Strawberry Point, Iowa	2017
Shane Paris	Vice President	Strawberry Point, Iowa	2015
Gary Heaton	Board Member	Arlington, Iowa	2015
Kim Chapman	Board Member	Strawberry Point, Iowa	2017
Kevin Powell	Board Member	Strawberry Point, Iowa	2015

School Officials

Matt O'Loughlin – Superintendent  
Laura Morine – District Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

To the Board of Education  
Starmont Community School District  
Arlington, Iowa

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 Starmont Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Starmont 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 16 to the financial statements, Starmont Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the 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 the district contributions, and the schedule of funding progress for the retiree health plan on pages 5 through 5g and pages 35 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Starmont Community School District's June 30, 2015 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 two 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 9, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 9 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. The financial statements of Starmont Community School District for the years ended June 30, 2006 through 2012 were audited by other auditors who expressed unmodified opinions on those financial statements, for the years 2006 through 2009 and 2011 through 2012, and a modified opinion for 2010. Their reports on the information presented on page 47 related to 2006 through 2012 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2006 through 2012 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 November 17, 2015, on our consideration of Starmont 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 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 Starmont Community School District's internal control over financial reporting and compliance.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 17, 2015

STARMONT COMMUNITY SCHOOL DISTRICT  
ARLINGTON, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2015

Management of Starmont Community School District provides this management's discussion and analysis of Starmont Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015.

The intent of this discussion and analysis is to look at Starmont Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

In total, net position increased by \$998,690 or 25.19% from fiscal 2014. Net position in governmental activities increased by \$963,165, which represented a 24.29% increase from fiscal year 2014. Property taxes increased approximately by \$34,000 and grant operating revenue decreased approximately by \$80,000. District program expenses were 3.00% or approximately \$248,000 less in 2015 than in 2014. Net position in the business-type activities, which represents the District's food service operations and child care center, increased \$35,525, which represented a 215.30% increase from fiscal year 2014. The increase is due to the District implementing Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which restated beginning net position.

General fund revenues accounted for \$7,754,811 in revenue or 85.64% of all revenues. General fund expenditures accounted for \$7,229,161 in expenditures or 84.55% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Starmont Community School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of Starmont Community School District as a whole and present an overall view of the District's finances and a longer-term view of those 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 Starmont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Starmont Community School District, the general fund, management levy-special revenue fund and statewide sales, services and use tax-capital project fund are the more significant funds.

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

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan. Other supplementary information provides detailed information about the nonmajor funds.

## REPORTING THE DISTRICT AS A WHOLE

### *The Statement of Net Position and the Statement of Activities*

The government-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most 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.

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District 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.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net position and statement of activities, the District is divided into two distinct kinds of activities:

**Governmental activities:** most of the District's programs and services are reported here, including instruction, co-curricular activities, support services, (nursing, guidance, media, administration), building and grounds operation and maintenance, and pupil transportation. Property tax and state aid finance most of these activities.

**Business-type activities:** these services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The District's school nutrition program and child care program are included here.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, management levy-special revenue fund and statewide sales, services and use tax-capital project fund.

### *Governmental Funds*

Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the general fund, special revenue funds, and capital project funds. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

*Proprietary Funds*

Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements.

The proprietary funds required financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

*Fiduciary Funds*

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs.

The fiduciary funds required financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Starmont Community School District's net position at the end of fiscal year 2015 for governmental activities was \$4,927,896 and for business-type activities were \$35,360. The following is a summary perspective of the statement of net position of the District as a whole.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Condensed Statement of Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 7,146	\$ 6,972	\$ 96	\$ 73	\$ 7,242	\$ 7,045
Capital assets	5,237	5,043		2	5,237	5,045
<b>Total assets</b>	<b>12,383</b>	<b>12,015</b>	<b>96</b>	<b>75</b>	<b>12,479</b>	<b>12,090</b>
Deferred outflows of resources	457		15		472	
Noncurrent liabilities	2,858	392	38		2,896	392
Current liabilities	1,065	1,085	19	25	1,084	1,110
<b>Total liabilities</b>	<b>3,923</b>	<b>1,477</b>	<b>57</b>	<b>25</b>	<b>3,980</b>	<b>1,502</b>
Deferred inflows of resources	3,989	3,412	19	2	4,008	3,414
<b>Net position</b>						
Net investment in capital assets	5,237	5,043		2	5,237	5,045
Restricted	1,649	1,594			1,649	1,594
Unrestricted (deficit)	(1,958)	489	35	46	(1,923)	535
<b>Total net position</b>	<b>\$ 4,928</b>	<b>\$ 7,126</b>	<b>\$ 35</b>	<b>\$ 48</b>	<b>\$ 4,963</b>	<b>\$ 7,174</b>

\* not restated

The District's total net position increased 24.29%, or approximately \$963,000, from the prior year. However, with the restatement of net position for net pension liability, the net position decreased 30.92%. The largest portion of the District's net position is invested in capital assets (e.g. land, buildings, and equipment).

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$55,000, or 3.45%, from the prior year. The increase is primarily a result of an increase in carryover of categorical funding.

Unrestricted net position decreased approximately \$2,458,000, or 454.44%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during the fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by decreasing \$3,161,814 and \$48,150, 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 the employer contribution. Current reporting provides a more comprehensive measure of pension expense, which is more reflective of the amounts employees earned during the year.

The following analysis shows the change in net position for the years ending June 30, 2015 and 2014:

	Changes in Net Position of Governmental Activities (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
<b>Revenues:</b>						
Program revenue						
Charges for service	\$ 748	\$ 786	\$ 228	\$ 225	\$ 976	\$ 1,011
Operating grants	1,357	1,428	223	227	1,580	1,655
General revenue						
Property taxes	3,392	3,358			3,392	3,358
Sales tax and surtax	632	556			632	556
Unrestricted state grants	2,779	2,734			2,779	2,734
Unrestricted investment earnings	22	16			22	16
Other revenue	125	90			125	90
Total revenues	9,055	8,968	451	452	9,506	9,420
<b>Program expenses:</b>						
Instruction	5,168	5,661			5,168	5,661
Student support	2,209	1,988			2,209	1,988
Non-instructional programs			416	416	416	416
Other expenses	715	690			715	690
Total expenses	8,092	8,339	416	416	8,508	8,755
<b>Increase in net position</b>	963	629	35	36	998	665
<b>Net position, Beginning of Year, restated</b>	3,965	6,497	-	12	3,965	6,509
<b>Net position, End of Year</b>	\$ 4,928	\$ 7,126	\$ 35	\$ 48	\$ 4,963	\$ 7,174
* not restated						

## INDIVIDUAL FUND ANALYSIS

### *Governmental Fund Highlights*

As the District completed the year, its governmental funds reported a combined fund balance of \$3,158,958, an \$504,289 increase from the 2014 fiscal year end balance of \$2,654,669.

- The general fund received approximately \$180,000 less revenue during fiscal year 2015 through local, state, and federal sources than in the prior year. The general fund expenditures were similar compared to the prior year. The ending fund balance showed an increase of \$525,650 compared to an increase of \$782,495 in the prior year.
- The management levy received more revenue during fiscal year 2015 through property taxes. The management levy expenditures increased due to more District employees taking early retirement as well as an increase in insurance costs. The ending fund balance shows a small increase of \$592 to \$237,266.
- The statewide sales, services and use tax generated more revenue during fiscal year 2015 through local option sales tax. The capital project fund expenditures increased due to more capital projects during the year. Overall expenditures increased by \$232,598 compared to the prior year. Some of the bigger projects the District incurred were roof repairs on several sections of the building and repairs to softball diamond. The ending fund balance showed a decrease of \$21,689 from the prior year ending balance of \$1,058,456.

### *Proprietary Fund Highlights*

School nutrition fund net position increased from \$8,215 at June 30, 2014 to \$36,572 at June 30, 2015, representing an increase of approximately 345.19%. For fiscal year 2015, the District increased meal prices resulting in an increase in revenues.

## BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute required approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The District's total revenues were \$123,336 less than total budgeted revenues, a variance of 1.28%. Even though local tax revenue increased in fiscal year 2015, a reduction in local and state resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the general fund. It is the District's practice to budget expenditures at the estimated 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 instruction and other functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and amended budget for fiscal 2015 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Actual	Budget Amounts		Variance
Basis	Original	Final		
<b>Revenues</b>				
Local sources	\$ 5,109	\$ 5,213	\$ 5,213	\$ (104)
Intermediate sources	4	5	5	(1)
State sources	3,682	3,814	3,814	(132)
Federal sources	711	597	597	114
<b>Total revenues</b>	<b>\$ 9,506</b>	<b>\$ 9,629</b>	<b>\$ 9,629</b>	<b>\$ (123)</b>
<b>Expenditures</b>				
Instruction	\$ 5,429	\$ 5,390	\$ 5,390	\$ (39)
Support services	2,277	2,244	2,450	173
Non-instructional programs	416	475	475	59
Other expenses	844	480	774	(70)
<b>Total expenditures</b>	<b>\$ 8,966</b>	<b>\$ 8,589</b>	<b>\$ 9,089</b>	<b>\$ 123</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2015, Starmont Community School District had \$5,236,644 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, all equipment is fully depreciated in the school nutrition fund.

The District's governmental activities had depreciation expense of \$340,871 for fiscal 2015 and total accumulated depreciation of \$5,352,496 as of June 30, 2015. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### *Debt*

At year-end, the District had no general obligation bonded indebtedness outstanding. Other obligations include compensated absences and early retirement. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District had 4.5 support staff leave/retire and only two of those positions were replaced.
- The District had five teachers leave/retire. Three of those teachers had Masters Degrees and were replaced with beginning teachers. The music teacher was replaced by increasing an existing music teacher from 5/9 to full time. The other teacher was a seasoned teacher and was replaced with a teacher with four years of experience.
- The Board of Education approved an early retirement package and added \$15,000 for incentive to take early retirement.
- The District continues to share a transportation director with a neighboring district and looks for ways to reduce transportation costs.
- The District is sharing a HR Director, Curriculum Director, and Guidance Counselor with neighboring districts for one day a week.
- The District hired an Interim Superintendent for .8 time and does not have to provide health insurance and will be looking to share a Superintendent in FY17 half time.
- Enrollment was down 4.16 students for FY16.
- The District will continue to look at staffing and make the reductions that are necessary.
- The District has completed a line item budget and other monthly reports to review the revenues and expenditures on a monthly basis and look for ways to increase revenues and reduce expenditures.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Starmont Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, Starmont Community School District, Arlington, Iowa 50606.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,628,160	\$ 78,408	\$ 3,706,568
Receivables			
Property tax			
Delinquent	72,435		72,435
Succeeding year	3,042,703		3,042,703
Accounts	28,196	142	28,338
Due from other governments	374,301	8,492	382,793
Inventories		8,548	8,548
Capital assets, non-depreciable	26,300		26,300
Capital assets, net of accumulated depreciation	5,210,344		5,210,344
	<u>12,382,439</u>	<u>95,590</u>	<u>12,478,029</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	457,379	14,798	472,177
	<u>457,379</u>	<u>14,798</u>	<u>472,177</u>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 12,839,818</b>	<b>\$ 110,388</b>	<b>\$ 12,950,206</b>
	<u><u>12,839,818</u></u>	<u><u>110,388</u></u>	<u><u>12,950,206</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 258,141	\$ 59	\$ 258,200
Salaries and benefits payable	678,629	13,996	692,625
Advances from grantors	7,364		7,364
Long-term liabilities			
Portion due within one year			
Early retirement	83,180		83,180
Compensated absences	37,850	4,010	41,860
Portion due after one year			
Early retirement	101,333		101,333
Net pension liability	2,480,824	37,779	2,518,603
Net OPEB liability	275,783		275,783
	<u>3,923,104</u>	<u>55,844</u>	<u>3,978,948</u>
<b>Total liabilities</b>	<b>3,923,104</b>	<b>55,844</b>	<b>3,978,948</b>
	<u>3,923,104</u>	<u>55,844</u>	<u>3,978,948</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Succeeding year property tax	3,042,703		3,042,703
Pension related deferred inflows	946,115	14,408	960,523
Unspent hot lunch proceeds		4,776	4,776
	<u>3,988,818</u>	<u>19,184</u>	<u>4,008,002</u>
<b>Total deferred inflows of resources</b>	<b>3,988,818</b>	<b>19,184</b>	<b>4,008,002</b>
	<u>3,988,818</u>	<u>19,184</u>	<u>4,008,002</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,236,644		5,236,644
Restricted for			
Capital projects	1,058,456		1,058,456
Management levy purposes	237,266		237,266
Physical plant and equipment	11,672		11,672
Student activities	151,441		151,441
Other purposes	190,440		190,440
Unrestricted (deficit)	(1,958,023)	35,360	(1,922,663)
	<u>4,927,896</u>	<u>35,360</u>	<u>4,963,256</u>
<b>Total net position</b>	<b>4,927,896</b>	<b>35,360</b>	<b>4,963,256</b>
	<u>4,927,896</u>	<u>35,360</u>	<u>4,963,256</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 12,839,818</b>	<b>\$ 110,388</b>	<b>\$ 12,950,206</b>
	<u><u>12,839,818</u></u>	<u><u>110,388</u></u>	<u><u>12,950,206</u></u>

See Notes to Financial Statements.

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STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 3,280,681	\$ 549,543	\$ 734,829
Special instruction	1,204,071	179,705	49,349
Other instruction	682,817	15,701	303,818
	<u>5,167,569</u>	<u>744,949</u>	<u>1,087,996</u>
<b>Support services</b>			
Student services	187,302		
Instructional staff services	219,888		
Administration services	866,364		
Operation and maintenance plant services	559,204		2,498
Transportation services	375,798	2,721	
	<u>2,208,556</u>	<u>2,721</u>	<u>2,498</u>
<b>Other</b>			
Facilities acquisition	174,213		
AEA flowthrough	266,416		266,416
Depreciation (unallocated)*	274,775		
	<u>715,404</u>		<u>266,416</u>
<b>Total governmental activities</b>	<u>8,091,529</u>	<u>747,670</u>	<u>1,356,910</u>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	347,811	152,896	223,208
Child care operations	68,075	75,243	
	<u>415,886</u>	<u>228,139</u>	<u>223,208</u>
<b>Total business-type activities</b>	<u>415,886</u>	<u>228,139</u>	<u>223,208</u>
<b>Total</b>	<u>\$ 8,507,415</u>	<u>\$ 975,809</u>	<u>\$ 1,580,118</u>
<b>General revenues</b>			
Property taxes levied for			
General purposes			
Management			
Physical plant and equipment			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total general revenues</b>			
<b>Change in net position</b>			
<b>Net position (deficit), beginning of year, restated</b>			
<b>Net position, end of year</b>			

\*This amount excludes the depreciation included in the direct expenses of the various programs.

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,996,309)		\$ (1,996,309)
(975,017)		(975,017)
(363,298)		(363,298)
(3,334,624)		(3,334,624)
(187,302)		(187,302)
(219,888)		(219,888)
(866,364)		(866,364)
(556,706)		(556,706)
(373,077)		(373,077)
(2,203,337)		(2,203,337)
(174,213)		(174,213)
-		-
(274,775)		(274,775)
(448,988)		(448,988)
(5,986,949)		(5,986,949)
	\$ 28,293	28,293
	7,168	7,168
	35,461	35,461
(5,986,949)	35,461	(5,951,488)
2,999,433		2,999,433
323,657		323,657
69,106		69,106
631,577		631,577
2,779,154		2,779,154
21,980	64	22,044
125,207		125,207
6,950,114	64	6,950,178
963,165	35,525	998,690
3,964,731	(165)	3,964,566
\$ 4,927,896	\$ 35,360	\$ 4,963,256

STARMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Management Levy	Capital Project Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,111,479	\$ 230,290	\$ 1,080,933	\$ 205,458	\$ 3,628,160
Receivables					
Property tax					
Delinquent	63,961	6,976		1,498	72,435
Succeeding year	2,619,740	350,000		72,963	3,042,703
Accounts	6,430			21,766	28,196
Due from other funds	29,104				29,104
Due from other governments	235,459		138,842		374,301
<b>Total assets</b>	<b>\$ 5,066,173</b>	<b>\$ 587,266</b>	<b>\$ 1,219,775</b>	<b>\$ 301,685</b>	<b>\$ 7,174,899</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 87,855		\$ 161,319	\$ 8,967	\$ 258,141
Salaries and benefits payable	678,629				678,629
Advances from grantors	7,364				7,364
Due to other funds				29,104	29,104
<b>Total liabilities</b>	<b>773,848</b>		<b>161,319</b>	<b>38,071</b>	<b>973,238</b>
<b>Deferred inflows of resources</b>					
Unavailable revenues					
Succeeding year property tax	2,619,740	\$ 350,000		72,963	3,042,703
<b>Fund balances</b>					
Restricted for					
Categorical funding	162,902				162,902
Management levy purposes		237,266			237,266
Student activities				151,441	151,441
Capital projects			1,058,456		1,058,456
Physical plant and equipment				11,672	11,672
Other purposes				27,538	27,538
Unassigned	1,509,683				1,509,683
<b>Total fund balances</b>	<b>1,672,585</b>	<b>237,266</b>	<b>1,058,456</b>	<b>190,651</b>	<b>3,158,958</b>
<b>Total liabilities, deferred inflows of   resources and fund balances</b>	<b>\$ 5,066,173</b>	<b>\$ 587,266</b>	<b>\$ 1,219,775</b>	<b>\$ 301,685</b>	<b>\$ 7,174,899</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances		\$ 3,158,958
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 5,352,496		5,236,644
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	457,379	
Deferred inflows of resources	(946,115)	(488,736)
Some liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Compensated absences	(37,850)	
Early retirement	(184,513)	
Net pension liability	(2,480,824)	
Net OPEB liability	(275,783)	(2,978,970)
Net position of governmental activities per Exhibit A		<u>\$ 4,927,896</u>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	General	Management Levy	Capital Project Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources					
Local property tax	\$ 2,999,433	\$ 323,657		\$ 69,106	\$ 3,392,196
Tuition	449,227				449,227
Other	138,367	10,672	\$ 640,031	249,897	1,038,967
Intermediate sources	3,623				3,623
State sources	3,675,151	3,293		729	3,679,173
Federal sources	489,010			2,498	491,508
<b>Total revenues</b>	<b>7,754,811</b>	<b>337,622</b>	<b>640,031</b>	<b>322,230</b>	<b>9,054,694</b>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular instruction	3,119,592	186,265		236,070	3,541,927
Special instruction	1,204,071				1,204,071
Other instruction	682,817				682,817
	<b>5,006,480</b>	<b>186,265</b>		<b>236,070</b>	<b>5,428,815</b>
Support services					
Student services	192,827			39,500	232,327
Instructional staff services	219,888				219,888
Administration services	783,963	84,226			868,189
Operation and maintenance plant services	463,202	53,222			516,424
Transportation services	296,385	13,317	130,672		440,374
	<b>1,956,265</b>	<b>150,765</b>	<b>130,672</b>	<b>39,500</b>	<b>2,277,202</b>
Other					
Facilities acquisition			531,048	46,924	577,972
AEA flowthrough	266,416				266,416
	<b>266,416</b>		<b>531,048</b>	<b>46,924</b>	<b>844,388</b>
<b>Total expenditures</b>	<b>7,229,161</b>	<b>337,030</b>	<b>661,720</b>	<b>322,494</b>	<b>8,550,405</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>525,650</b>	<b>592</b>	<b>(21,689)</b>	<b>(264)</b>	<b>504,289</b>
FUND BALANCE, beginning of year	1,146,935	236,674	1,080,145	190,915	2,654,669
FUND BALANCE, end of year	<b>\$ 1,672,585</b>	<b>\$ 237,266</b>	<b>\$ 1,058,456</b>	<b>\$ 190,651</b>	<b>\$ 3,158,958</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	504,289
 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, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation	\$	(340,871)
Capital outlays		534,431
		193,560
 Certain revenue not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		
 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.		
		367,123
 Early retirement payments, pension, and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued.		
Compensated absences		3,435
Early retirement		100,195
Net pension liability		(174,869)
Net OPEB liability		(30,568)
		(101,807)
 Change in net position of governmental activities per Exhibit B	 \$	 963,165

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

	School Nutrition	Child Care	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 62,863	\$ 15,545	\$ 78,408
Accounts receivable		142	142
Due from other governments	8,492		8,492
Inventories	8,548		8,548
<b>Total current assets</b>	<b>79,903</b>	<b>15,687</b>	<b>95,590</b>
<b>NONCURRENT ASSETS</b>			
Furniture and equipment	234,590		234,590
Less accumulated depreciation	(234,590)		(234,590)
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>79,903</b>	<b>15,687</b>	<b>95,590</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	10,072	4,726	14,798
<b>Total assets and deferred outflows of resources</b>	<b>\$ 89,975</b>	<b>\$ 20,413</b>	<b>\$ 110,388</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 59		\$ 59
Salaries and benefits payable	10,637	\$ 3,359	13,996
Compensated absences	4,010		4,010
<b>Total current liabilities</b>	<b>14,706</b>	<b>3,359</b>	<b>18,065</b>
<b>NONCURRENT LIABILITIES</b>			
Net pension liability	24,556	13,223	37,779
<b>Total liabilities</b>	<b>39,262</b>	<b>16,582</b>	<b>55,844</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unspent hot lunch proceeds	4,776		4,776
Pension related deferred inflows	9,365	5,043	14,408
	14,141	5,043	19,184
<b>NET POSITION</b>			
Unrestricted	36,572	(1,212)	35,360
<b>Total net position (deficit)</b>	<b>36,572</b>	<b>(1,212)</b>	<b>35,360</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 89,975</b>	<b>\$ 20,413</b>	<b>\$ 110,388</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	School Nutrition	Child Care	Total
<b>OPERATING REVENUES</b>			
Local sources			
Charges for services	\$ 152,896	\$ 75,243	\$ 228,139
<b>OPERATING EXPENSES</b>			
Non-instructional programs			
Operations			
Salaries and benefits	129,763	62,799	192,562
Supplies	216,543	5,276	221,819
Depreciation	1,505		1,505
Total operating expenses	347,811	68,075	415,886
Operating (loss) income	(194,915)	7,168	(187,747)
<b>NONOPERATING REVENUES</b>			
Interest income	64		64
State sources	3,254		3,254
Federal sources	219,954		219,954
Total nonoperating revenues	223,272	-	223,272
Change in net position	28,357	7,168	35,525
Net position (deficit), beginning of year, restated	8,215	(8,380)	(165)
Net position (deficit), end of year	\$ 36,572	\$ (1,212)	\$ 35,360

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	School Nutrition	Child Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sale of lunches and breakfasts	\$ 154,676		\$ 154,676
Cash received from miscellaneous operating activities		\$ 75,708	75,708
Cash payments to employees for services	(144,107)	(66,190)	(210,297)
Cash payments to suppliers for goods and services	(191,092)	(5,298)	(196,390)
Net cash (used in) provided by operating activities	(180,523)	4,220	(176,303)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State grants and federal grants received	195,252		195,252
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	64		64
Net increase in cash	14,793	4,220	19,013
CASH, beginning of year	48,070	11,325	59,395
CASH, end of year	\$ 62,863	\$ 15,545	\$ 78,408
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities</b>			
Operating (loss) income	\$ (194,915)	\$ 7,168	\$ (187,747)
<b>Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities</b>			
Depreciation	1,505		1,505
Commodities used	25,750		25,750
Decrease in accounts receivable		465	465
(Decrease) in accounts payable	(299)	(22)	(321)
(Decrease) in salaries and benefits payable	(4,846)	(78)	(4,924)
(Decrease) in net pension liability	(10,359)	(5,578)	(15,937)
(Decrease) in compensated absences	(2,050)		(2,050)
(Increase) in deferred outflows of resources	(6,454)	(2,778)	(9,232)
Increase in deferred inflows of resources	11,145	5,043	16,188
Net cash (used in) provided by operating activities	\$ (180,523)	\$ 4,220	\$ (176,303)

Non-cash, noncapital financing activities:

During the year ended June 30, 2015, the District received commodities valued at \$25,750.

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 105,168	\$ 9,748
Receivables		
Accounts	<u>42</u>	
<b>Total assets</b>	<b><u>\$ 105,210</u></b>	<b><u>\$ 9,748</u></b>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Accounts payable		<u>\$ 9,748</u>
<b>Total liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 9,748</u></b>
Net position		
Reserved for Scholarships	<u>105,210</u>	
<b>Total liabilities and net position</b>	<b><u>\$ 105,210</u></b>	<b><u>\$ 9,748</u></b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2015

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	Private Purpose Trust Scholarship
Additions	
Local sources	
Interest income	\$ 2,100
Deductions	
Instruction	
Regular	
Scholarships awarded	1,585
Change in net position	515
Net position, beginning of year	104,695
Net position, end of year	\$ 105,210

See Notes to Financial Statements.

# STARMONT COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Operations and Significant Accounting Policies

#### a. Nature of Operations

The Starmont Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from 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 Cities of Arlington, Lamont, and Strawberry Point, Iowa, and the predominately-agricultural territory in the counties of Buchanan, Clayton, Delaware, and Fayette. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

#### b. Significant Accounting Policies

##### *Scope of Reporting Entity*

For financial reporting purposes, Starmont 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units, which meet the Governmental Accounting Standards Board criteria.

##### *Joint Venture*

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

##### *Jointly Governed Organizations*

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District are members of the Fayette and Clayton County Assessor's Conference Board.

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

The statement of net position and the statement of activities report information on all non-fiduciary activities of the District. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Government-wide Financial Statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that 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. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, management levy-special revenue fund, and the statewide sales, services and use tax-capital project fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

*Special Revenue Fund*

The management levy-special revenue fund is utilized to account for all resources used for payment of unemployment benefits, liability insurance and early retirement benefits.

*Capital Projects Funds*

The capital projects funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds. The major fund in this category is statewide sales, services and use tax.

*Proprietary Funds*

*Enterprise Funds*

The District's proprietary funds are the school nutrition and child care funds. These funds are used to account for the operations of the food service and child care programs of the District.

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

*Private Purpose Trust Fund*

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.

*Agency Fund*

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Measurement Focus*

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus as defined below in item b.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The government-wide statements and proprietary funds financial statements are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with its activity are included on the statement of net position. In reporting the financial activity on the proprietary funds statements, the District applies all applicable GASB pronouncements.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds financial statements are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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.

The District maintains its financial records on the modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity*

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

*Cash, Pooled Investments and Cash Equivalents*

The cash balances of most District funds are pooled and invested. All investment activity is carried on by the District in each individual fund. 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 investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

*Property Tax Receivable*

Property taxes in the governmental fund 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 year 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 to the County Auditor by April 15 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)*

*Property Tax Receivable (Continued)*

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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.

*Interfund Transactions*

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

*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 purchased or received.

*Capital Assets*

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. 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	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000
Intangibles	5,000

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)*  
*Capital Assets (Continued)*

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	2-20 years
Intangibles	2-20 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 or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2015 was used to calculate the salaries payable.

*Advances from Grantors*

Grant proceeds that have been received by the District but will be spent in a succeeding fiscal year.

*Long-term Obligation*

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. Early retirement liability has been paid primarily by the nonmajor governmental management levy fund.

*Compensated Absences*

District employees accumulate a limited amount of earned but unused sick leave for subsequent use. Employees are not paid for unused sick benefits when employment with the District ends. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

*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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)*  
*Deferred Inflows of Resources*

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

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unspent hot lunch proceeds.

*Fund Balance*

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

Restricted fund balances are 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 fund balance is the remaining fund balance, which is not included in other spendable classifications.

*Net Position*

Net investment in capital assets consists of capital assets net of accumulated depreciation.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net position represent the difference between assets, liabilities and deferred outflows and inflows of resources that are not restricted and can be used for future obligations of the District.

*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 instruction and other functions and the District exceeded its general fund unspent authorized budget.

*Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

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2. Deposits and Pooled Investments

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

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

At June 30, 2015, the District had investments in certificates of deposit and mutual funds. The mutual funds are recorded in the private purpose trust-scholarship fund.

**Interest Rate Risk and Custodial Credit Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2015:

<b>Governmental activities</b>	
<b>General fund</b>	
Title I	\$ 28,953
Twenty-First Century	42,056
Foster care reimbursement	17,756
Title II	30,378
Open enrollment	108,380
Various programs	7,936
	235,459
 <b>Capital project</b>	
Statewide sales, services and use tax	138,842
	\$ 374,301
 <b>Business-type activities</b>	
School nutrition fund	\$ 8,492
	\$ 8,492

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Governmental activities</b>				
Land	\$ 26,300			\$ 26,300
Construction in progress	7,480		\$ 7,480	None
	33,780		7,480	26,300
<b>Capital assets being depreciated:</b>				
Buildings	8,467,041	\$ 263,075		8,730,116
Improvements	309,606			309,606
Furniture and equipment	1,244,282	278,836		1,523,118
	10,020,929	541,911	None	10,562,840
<b>Less accumulated depreciation for:</b>				
Buildings	3,947,626	173,932		4,121,558
Improvements	71,431	16,544		87,975
Furniture and equipment	992,568	150,395		1,142,963
	5,011,625	340,871	None	5,352,496
	5,009,304	201,040	None	5,210,344
<b>Governmental activities</b>				
Capital assets	\$ 5,043,084	\$ 201,040	\$ 7,480	\$ 5,236,644
<b>Business-type activities</b>				
Furniture and equipment	\$ 234,590			\$ 234,590
Less accumulated depreciation	233,085	\$ 1,505		234,590
<b>Business-type activities</b>				
Capital assets, net	\$ 1,505	\$ (1,505)	\$ None	\$ None

Depreciation expense was charged to the governmental functions of the District as follows:

<b>Governmental activities</b>	
Support services	
Transportation	\$ 66,096
Unallocated depreciation	274,775
Total depreciation expense-governmental activities	\$ 340,871
<b>Business-type activities</b>	
Food services	\$ 1,505

NOTES TO FINANCIAL STATEMENTS

5. Due from/to Other Funds

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 29,104	
Nonmajor governmental funds		
Physical plant and equipment levy - capital project fund		\$ 29,104
Total	\$ 29,104	\$ 29,104

6. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Other liabilities					
Compensated absences	\$ 41,285	\$ 6,300	\$ (9,735)	\$ 37,850	\$ 37,850
Early retirement	284,708	55,152	(155,347)	184,513	83,180
Governmental activities					
Long-term liabilities	\$ 325,993	\$ 61,452	\$ (165,082)	\$ 222,363	\$ 121,030
Business-type activities					
Other liabilities					
Compensated absences	\$ 6,060	\$ 900	\$ (2,950)	\$ 4,010	\$ 4,010

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to 100% of the employee's base salary calculated by using the 2013-2014 and 2014-2015 year regular salary schedule, less any other additional pay.

Early retirement benefits will be paid in three equal installments over a three-year period beginning in July following the start of retirement, with subsequent payments each July for two more years.

At June 30, 2015, the District has obligations to five participants with a total liability of \$184,513. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$155,347.

7. Pension Plan

*Plan Description*

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

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

*Pension Benefits*

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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.

NOTES TO FINANCIAL STATEMENTS

7. **Pension Plan (Continued)**

*Contributions (Continued)*

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$380,546.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the District reported a liability of \$2,518,603 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 proportion was 0.062233%, which was a decrease of 0.001040 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$177,531. 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	\$ 27,372	
Changes of assumptions	111,152	
Net difference between projected and actual earnings on pension plan investments		\$ 960,523
Changes in proportion and differences between District contributions and proportionate share of contributions	(46,893)	
District contributions subsequent to the measurement date	380,546	
Total	\$ 472,177	\$ 960,523

\$380,546 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	\$ (218,722)
2017	(218,722)
2018	(218,722)
2019	(218,722)
2020	5,996
Total	\$ (868,892)

There were no non-employer contributing entities at IPERS.

7. **Pension Plan (Continued)**

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

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

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

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

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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.

7. **Pension Plan (Continued)**

*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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,758,830	\$ 2,518,603	\$ 627,620

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

*Payables to the Pension Plan*

At June 30, 2015, the District had no payables to report for the defined benefit pension plan for legally required employer contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

8. **Other Postemployment Benefits (OPEB)**

*Plan Description*

As explained in Note 9, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for employees, retirees and their spouses. Starmont Community School District has 55 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

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

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB) (Continued)

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

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

Annual required contribution	\$	72,663
Interest on net OPEB obligation		6,130
Adjustment to annual required contribution		(26,342)
		52,451
Annual OPEB cost		52,451
Contributions made		(21,883)
		30,568
Increase in net OPEB obligation		30,568
Net OPEB obligation beginning of year		245,215
		275,783
Net OPEB obligation end of year	\$	275,783

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

For the year ended June 30, 2015, the District contributed \$21,883 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 72,157	32.2%	\$ 210,433
June 30, 2014	76,175	33.5%	245,215
June 30, 2015	72,663	41.7%	275,783

*Funded Status and Funding Progress*

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$384,647, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$384,647. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.804 million, and the ratio of the UAAL to covered payroll was 13.7%. As of June 30, 2015, there were no trust fund assets.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents 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.

8. Other Postemployment Benefits (OPEB) (Continued)

*Actuarial Methods and Assumptions (Continued)*

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$559 to \$762, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1—between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage,
- Plan 2—between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage,
- Plan 3—between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2015, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2015 was unavailable as of November 17, 2015. The District contributions to the trust for the years ended June 30, 2015, 2014, and 2013 were \$816,629, \$704,910, and \$705,143, respectively, which equaled the required contributions each year. The employees paid \$19,784 in dental insurance for the year ended June 30, 2015.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the District's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

Starmont 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.

NOTES TO FINANCIAL STATEMENTS

11. 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 \$266,416 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.

12. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

13. Commitments

The total outstanding construction and other commitments at June 30, 2015 amounted to \$230,761.

14. Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2015 are as follows:

Project	Amount
Professional Development for Model Core Curriculum	\$ 16,652
Teacher Salary Supplement	3,243
Professional Development	22,315
Model Core Curriculum	665
Reserved Special Education	54,432
Successful Progression for Early Readers	7,522
Teacher Leadership Grants	524
Gifted and Talented Program	57,549
	\$ 162,902

15. Net Position Deficits

The governmental activities and child care proprietary fund each have a deficit net position as of June 30, 2015. Both deficits were incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. The District will try to eliminate the deficits through watching other costs.

NOTES TO FINANCIAL STATEMENTS

16. Accounting Change/Restatement

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

	Governmental Activities	Business-type Activities
Net position June 30, 2014, as previously reported	\$ 7,126,545	\$ 47,985
Net pension liability at June 30, 2014	(3,527,342)	(53,716)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	365,528	5,566
Net position July 1, 2014, as restated	\$ 3,964,731	\$ (165)

17. Subsequent Events

Management has evaluated subsequent events through November 17, 2015, the date on which the financial statements were available to be issued. The District has noted it is liable for an unemployment claim for \$11,206, which will be paid out of the management levy-special revenue fund.

**Required Supplementary Information**

**STARMONT COMMUNITY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE OF**  
**REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>REVENUES</b>			
Local sources	\$ 4,880,390	\$ 228,203	\$ 5,108,593
Intermediate sources	3,623		3,623
State sources	3,679,173	3,254	3,682,427
Federal sources	491,508	219,954	711,462
<b>Total revenues</b>	<b>9,054,694</b>	<b>451,411</b>	<b>9,506,105</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	5,428,815		5,428,815
Support services	2,277,202		2,277,202
Non-instructional		415,886	415,886
Other	844,388		844,388
<b>Total expenditures/expenses</b>	<b>8,550,405</b>	<b>415,886</b>	<b>8,966,291</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b> <b>EXPENDITURES/EXPENSES</b>	<b>504,289</b>	<b>35,525</b>	<b>539,814</b>
<b>FUND BALANCE (deficit), beginning of year</b>	<b>2,654,669</b>	<b>(165)</b>	<b>2,654,504</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 3,158,958</b>	<b>\$ 35,360</b>	<b>\$ 3,194,318</b>

See Notes to Required Budgetary Information and Independent Auditor's Report.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 5,212,999	\$ 5,212,999	\$ (104,406)
5,000	5,000	(1,377)
3,814,442	3,814,442	(132,015)
597,000	597,000	114,462
<u>9,629,441</u>	<u>9,629,441</u>	<u>(123,336)</u>
5,390,000	5,390,000	(38,815)
2,243,750	2,450,000	172,798
475,000	475,000	59,114
480,000	773,981	(70,407)
<u>8,588,750</u>	<u>9,088,981</u>	<u>122,690</u>
1,040,691	540,460	(646)
<u>2,300,062</u>	<u>2,300,062</u>	<u>354,442</u>
<u>\$ 3,340,753</u>	<u>\$ 2,840,522</u>	<u>\$ 353,796</u>

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$500,231.

During the year ended June 30, 2015, expenditures in the instruction and other functions exceeded the amounts budgeted and the District exceeded its general fund unspent authorized budget. Management is working on a workout plan.

See Independent Auditor's Report.

**STARMONT COMMUNITY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
 Last Fiscal Year\*  
 (In Thousands)

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	2015
District's proportion of the net pension liability	0.062233%
District's proportionate share of the net pension liability	\$ 2,519
District's covered-employee payroll	\$ 4,153
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.65%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

See Notes to Required Pension Liability Information and Independent Auditor's Report.

**Required Supplementary Information**

**STARMONT COMMUNITY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**Last 10 Fiscal Years**  
**(In Thousands)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 380	\$ 371	\$ 356	\$ 332
Contributions in relation to the statutorily required contribution	<u>(380)</u>	<u>(371)</u>	<u>(356)</u>	<u>(332)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,257	\$ 4,153	\$ 4,108	\$ 4,117
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

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2011	2010	2009	2008	2007	2006
\$ 284	\$ 256	\$ 257	\$ 252	\$ 229	\$ 207
(284)	(256)	(257)	(252)	(229)	(207)
<u>\$ -</u>					
\$ 4,086	\$ 3,850	\$ 4,047	\$ 4,165	\$ 3,983	\$ 3,600
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2015

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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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

STARMONT COMMUNITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (in thousands)

Fiscal 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, 2008	-	\$ 453	\$ 453	0.0%	\$ 3,269	13.9%
2011	July 1, 2010	-	\$ 431	\$ 431	0.0%	\$ 3,286	13.1%
2012	July 1, 2010	-	\$ 431	\$ 431	0.0%	\$ 3,192	13.5%
2013	July 1, 2012	-	\$ 471	\$ 471	0.0%	\$ 2,851	16.5%
2014	July 1, 2012	-	\$ 471	\$ 471	0.0%	\$ 3,053	15.4%
2015	July 1, 2014	-	\$ 385	\$ 385	0.0%	\$ 2,804	13.7%

See Note 8 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Independent Auditor's Report.

**Other Supplementary Information**

STARMONT COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2015

	Special Revenue	Capital Project Physical Plant and Equipment Levy	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 164,414	\$ 41,044	\$ 205,458
Receivables			
Property tax			
Delinquent		1,498	1,498
Succeeding year		72,963	72,963
Accounts	21,766		21,766
<b>Total assets</b>	<b>\$ 186,180</b>	<b>\$ 115,505</b>	<b>\$ 301,685</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 7,201	\$ 1,766	\$ 8,967
Due to other funds		29,104	29,104
<b>Total liabilities</b>	<b>7,201</b>	<b>30,870</b>	<b>38,071</b>
<b>Deferred inflows of resources</b>			
Unavailable revenues			
Succeeding year property tax		72,963	72,963
<b>Fund balances</b>			
Restricted for			
Booster clubs	27,538		27,538
Student activities	151,441		151,441
Physical plant and equipment		11,672	11,672
	178,979	11,672	190,651
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 186,180</b>	<b>\$ 115,505</b>	<b>\$ 301,685</b>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2015

	Special Revenue	Capital Project Physical Plant and Equipment Levy	Total Nonmajor Funds
<b>REVENUES</b>			
Local sources			
Property taxes		\$ 69,106	\$ 69,106
Other	\$ 246,574	3,323	249,897
State sources		729	729
Federal sources		2,498	2,498
	<u>246,574</u>	<u>75,656</u>	<u>322,230</u>
Total revenues			
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	236,070		236,070
Support services			
Student services		39,500	39,500
Other			
Facilities acquisition		46,924	46,924
	<u>236,070</u>	<u>86,424</u>	<u>322,494</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	10,504	(10,768)	(264)
<b>FUND BALANCE, beginning of year</b>	<u>168,475</u>	<u>22,440</u>	<u>190,915</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 178,979</u>	<u>\$ 11,672</u>	<u>\$ 190,651</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2015

	Student Activity	Donations	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 136,876	\$ 27,538	\$ 164,414
Receivables			
Accounts	21,766		21,766
<b>Total assets</b>	<b>\$ 158,642</b>	<b>\$ 27,538</b>	<b>\$ 186,180</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 7,201		\$ 7,201
Fund balances			
Restricted	151,441	\$ 27,538	178,979
<b>Total liabilities and fund balances</b>	<b>\$ 158,642</b>	<b>\$ 27,538</b>	<b>\$ 186,180</b>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2015

	Student Activity	Donations	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Other	\$ 246,369	\$ 205	\$ 246,574
EXPENDITURES			
Current			
Instruction			
Regular instruction	236,070		236,070
EXCESS OF REVENUES OVER EXPENDITURES	10,299	205	10,504
FUND BALANCE, beginning of year	141,142	27,333	168,475
FUND BALANCE, end of year	\$ 151,441	\$ 27,538	\$ 178,979

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 For the Year Ended June 30, 2015

	Balance June 30, 2014	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2015
Football	\$ 12,249	\$ 13,610	\$ 13,839	\$ 12,020
Wrestling	5,318	8,986	3,963	10,341
Baseball	2,698	3,761	5,977	482
Basketball	1,010	2,791	2,885	916
Golf	318	980	934	364
Track	120	540	540	120
Softball	677	1,698	1,359	1,016
Volleyball	4,000	4,234	3,770	4,464
Cross country	893	3,001	2,611	1,283
High School student council	1,072	3,893	3,397	1,568
Vocal	1,250	678	1,652	276
Future Farmers of America	27,891	23,273	17,885	33,279
Play and musical	1,401	1,662	1,441	1,622
Band	1,250	403	544	1,109
Yearbook	1,164	9,185	9,661	688
Speech	3,327	14,389	11,837	5,879
Dance team		4,268	2,362	1,906
Cheerleader	(76)	754	678	-
DECA	300	6,855	5,683	1,472
Spanish club	7,159	14,346	21,493	12
School spirit squad	534			534
Masque and gravel	1,021	664	711	974
General athletics	31,114	57,168	59,465	28,817
Booster		22,504	21,675	829
FCS		106		106
National Honor Society	300	994	811	483
Cultural fair	181			181
High School activity	12,071	358	955	11,474
Class of 2016		4,029	1,939	2,090
Class of 2015	3,395		3,395	-
Middle School play	1,001	1,814	387	2,428
Middle School student council	410	285		695
Elementary general activity	6,829	31,685	24,282	14,232
Elementary book orders		41	41	-
SMA reimbursement		348	348	-
Legacy activities	712	573	425	860
PTO - family fun night	11,553	6,493	9,125	8,921
Totals	<u>\$ 141,142</u>	<u>\$ 246,369</u>	<u>\$ 236,070</u>	<u>\$ 151,441</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 9,601	\$ 72,727	\$ 72,580	\$ 9,748
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 9,601	\$ 72,727	\$ 72,580	\$ 9,748

See Independent Auditor's Report.

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STARMONT COMMUNITY SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Years Ended June 30,

	Modified Accrual			
	2015	2014	2013	2012
<b>REVENUES</b>				
Local sources				
Local tax	\$ 3,392,196	\$ 3,358,291	\$ 3,254,068	\$ 3,720,195
Tuition	449,227	474,354	240,754	358,964
Other	1,038,967	950,946	1,301,112	607,138
Intermediate sources	3,623	875	5,479	
State sources	3,679,173	3,711,585	3,514,471	3,554,729
Federal sources	491,508	509,740	476,630	613,219
<b>Total revenues</b>	<b>\$ 9,054,694</b>	<b>\$ 9,005,791</b>	<b>\$ 8,792,514</b>	<b>\$ 8,854,245</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	\$ 3,541,927	\$ 3,553,672	\$ 3,705,762	\$ 3,026,126
Special instruction	1,204,071	1,228,071	1,144,805	1,400,476
Other instruction	682,817	669,237	815,157	938,358
Support services				
Student services	232,327	198,685	135,015	173,565
Instructional staff services	219,888	189,041	112,666	82,333
Administration services	868,189	698,412	720,541	804,505
Operation and maintenance plant services	516,424	548,761	565,932	568,726
Transportation services	440,374	480,119	369,694	341,541
Central support				
Other				
Facilities acquisition	577,972	350,762	327,763	341,491
Long-term debt				
Principal				
Interest and fiscal charges				
AEA flowthrough	266,416	265,560	254,712	256,275
<b>Total expenditures</b>	<b>\$ 8,550,405</b>	<b>\$ 8,182,320</b>	<b>\$ 8,152,047</b>	<b>\$ 7,933,396</b>

See Independent Auditor's Report.

SCHEDULE 7

Modified Accrual						
2011	2010	2009	2008	2007	2006	
\$ 3,463,472	\$ 3,431,337	\$ 3,154,146	\$ 3,116,869	\$ 3,123,692	\$ 3,237,183	
342,301	373,136	310,458	336,016	304,705	264,920	
379,624	366,928	433,836	326,378	405,111	361,255	
3,706,545	3,055,448	3,656,798	3,595,897	3,249,708	3,320,090	
332,891	715,569	264,448	211,370	286,433	450,135	
<u>\$ 8,224,833</u>	<u>\$ 7,942,418</u>	<u>\$ 7,819,686</u>	<u>\$ 7,586,530</u>	<u>\$ 7,369,649</u>	<u>\$ 7,633,583</u>	
\$ 3,185,436	\$ 3,237,429	\$ 3,264,965	\$ 3,320,934	\$ 3,210,255	\$ 3,042,684	
1,005,017	930,719	963,902	947,664	958,126	877,718	
1,169,518	1,014,629	1,056,644	967,278	897,360	868,440	
176,324	154,689	142,101	176,021	166,603	157,106	
111,538	39,147	39,464	53,547	68,584	104,580	
688,191	692,802	720,703	852,861	988,136	731,733	
530,252	487,367	573,349	543,131	550,559	572,437	
340,671	306,434	364,346	318,043	411,636	339,875	
75,678	41,795					
222,085	538,187	414,510	254,409	312,778	475,096	
	480,000	470,000	450,000	440,000	430,000	
	11,840	25,421	37,130	47,918	57,080	
292,228	286,458	265,962	261,316	255,118	248,778	
<u>\$ 7,796,938</u>	<u>\$ 8,221,496</u>	<u>\$ 8,301,367</u>	<u>\$ 8,182,334</u>	<u>\$ 8,307,073</u>	<u>\$ 7,905,527</u>	

## STARMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs
    - CFDA Number 10.553-School Breakfast Program
    - CFDA Number 10.555-National School Lunch Program
    - CFDA Number 10.559-Summer Food Service Program for Children
  - CFDA Number 84.287-Twenty-First Century Community Learning Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Starmont Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

## INSTANCES OF NONCOMPLIANCE:

No matters were noted.

## INTERNAL CONTROL DEFICIENCIES:

2015-001 Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional procedures where possible.

Conclusion

Response acknowledged.

STARMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

Department of Agriculture  
Passed through the Iowa Department of Education  
CFDA Number 10.553-School Breakfast Program  
CFDA Number 10.555-National School Lunch Program  
CFDA Number 10.559-Summer Food Service Program for Children  
Federal Award Year: 2015  
See 2015-001 above.

Department of Education  
Passed through the Iowa Department of Education  
CFDA Number 84.287-Twenty-First Century Community Learning Centers  
Federal Award Year: 2015  
See 2015-001 above.

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

See management letter dated November 17, 2015

**Part V: Summary of Prior Federal Audit Findings and Questioned Costs**

Comment Reference	Comment Title	Status	Explanation
2014-001	Overlapping duties	Not corrected	The District has limited staff and segregates duties to the best of their abilities.

STARMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
<b>Indirect</b>			
Department of Agriculture			
Passed through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY15	\$ 34,949
National School Lunch Program	10.555	FY15	173,959
Summer Food Service Program for Children	10.559	FY15	<u>11,046</u>
Total Department of Agriculture			<u>219,954</u>
Department of Education			
Passed through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY15	128,306
Rural Education	84.358	FY15	47,393
Special Education Grants to States	84.027	FY15	29,299
Career and Technical Education-Basic Grants to States	84.048	FY15	7,108
Eisenhower Professional Development State Grants	84.281	FY15	3,226
Safe and Drug Free Schools and Communities-State Grants	84.186	FY15	1,721
Improving Teacher Quality State Grants	84.367	FY15	30,379
Twenty-First Century Community Learning Centers	84.287	FY15	75,000
Grants for State Assessments and Related Activities	84.369	FY15	2,985
Fund for the Improvement of Education	84.215	FY15	2,498
Passed through University of Northern Iowa			
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund Recovery Act	84.396	FY15	<u>1,679</u>
Total Department of Education			<u>329,594</u>
			<u>\$ 549,548</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

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Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Starmont Community School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Starmont Community School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Starmont Community School District.

Note 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$3,356 in inventory.

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  
Starmont Community School District  
Arlington, Iowa

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Starmont Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Starmont Community School District's basic financial statements, and have issued our report thereon dated November 17, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

### Compliance and Other Matters

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

### Starmont Community School District's Response to Finding

Starmont Community School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Starmont Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 17, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education  
Starmont Community School District  
Arlington, Iowa

Report on Compliance for Each Major Federal Program

We have audited Starmont Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Starmont Community School District's major federal programs for the year ended June 30, 2015. Starmont Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Starmont Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Starmont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Starmont Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Starmont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of Starmont Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starmont Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Starmont Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Starmont Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 17, 2015

## MANAGEMENT LETTER

To the Board of Education  
Starmont Community School District  
Arlington, Iowa

In planning and performing our audit of the financial statements of Starmont Community School District for the year ended June 30, 2015, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 17, 2015 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 17, 2015, on the financial statements of the Starmont Community School District. Comment numbers 13, 14, and 15 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts in the instruction and other functional areas. The District exceeded its general fund unspent authorized budget for the year ended June 30, 2015 by approximately \$131,680.

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. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the general fund unspent authorized budget over expenditures.

Response and Corrective Action Planned

The Board will review reports monthly to track the certified budget amounts and make timely amendments and adjustments where necessary. We are in contact with the Department and Committee.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

3. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions  
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2015.
5. 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.
6. Board Minutes  
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.
7. Certified Enrollment  
No variances regarding certified enrollment to the Iowa Department of Education were noted.
8. Supplementary Weighting  
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report  
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
11. Categorical Funding  
No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax  
No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 1,080,145
Statewide sales, services and use tax	\$ 631,578	
Other local revenue	<u>8,453</u>	640,031
Expenditures/transfers out:		
School infrastructure:		
Buildings	531,048	
Equipment	<u>130,672</u>	<u>661,720</u>
Ending balance		<u>\$ 1,058,456</u>

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

13. Disbursements

During our audit, we noted various items not in compliance with District procedures. From seventy-five disbursements tested, we noted eleven disbursements not in compliance with District procedures, including

- Seven purchase orders were dated after the purchase was made,
- One invoice was not cancelled after it had been paid,
- One invoice did not match amount the check was actually written for,
- One invoice had a mathematical error which resulted in the invoice being under paid,
- One invoice did not have PO attached or proper approval documented,
- Student activity checks had dual signatures automatically printed on the check.

The majority of these items were local business charges and other reoccurring monthly payments that received previous and post Board approval.

From twenty-five payroll disbursements we noted:

- One did not have complete documentation for direct deposit,
- Three did not have a W-4 on file.

After subsequent review, it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices are marked that it has been paid. We also recommend the purchase order be signed prior to purchase and attached to all applicable disbursements. We recommend signatures not be printed on the checks. We recommend for payroll disbursements all deductions and payments have complete authorization documentation.

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

14. Child Care Receipts

From ten receipts tested for the child care enterprise fund we noted one receipt did not calculate properly.

Recommendation

We recommend each receipt is reviewed to verify accuracy of the amount to be received from the families.

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

15. Bank Reconciliations

Reconciliations of book balances to the bank account by fund were prepared by the District, but did not tie to general ledger balances.

Recommendation

Any differences should be investigated and resolved in a timely matter. Bank reconciliations should not be prepared prior to month end.

Response and Corrective Action Planned

Another employee will sign off on the reconciliations and review the bank statements monthly.

Conclusion

Response accepted.

16. Free and Reduced Applications

The District miscalculated revenue on one application for one student.

Recommendation

The District should take care in reviewing applications to verify all income is being included and calculated properly on the applications.

Response and Corrective Action Planned

In the future, we will look at net wages rather than gross wages on free and reduced applications.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Starmont 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.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 17, 2015