

TIPTON COMMUNITY SCHOOL DISTRICT
TIPTON, IOWA

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

JUNE 30, 2015

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TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Duane Webb	President	2015
Diane Wallick	Vice President	2017
Brad Goetz	Board Member	2015
Nolan Ford	Board Member	2015
Ray Vitense	Board Member	2017
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2015
Jim Becker	District Secretary/Treasurer and Business Manager	2015
Brian Gruhn	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Tipton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Tipton Iowa, as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton 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 11 to the financial statements, Tipton 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*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 19 and 62 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the year ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2015 on our consideration of Tipton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tipton Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
October 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,598,280 in fiscal 2014 to \$9,159,069 in fiscal 2015, and General Fund expenditures increased from \$8,588,696 in fiscal 2014 to \$8,824,083 in fiscal 2015. The District's General Fund balance increased from \$1,562,252 in fiscal 2014 to \$1,900,228 in fiscal 2015, a 21.63% increase.
- The increase in General Fund revenue in fiscal year 2015 was attributable to an increase in State sources due to an increase in enrollment. The increase in expenditures was due primarily to the negotiated salary and benefits settlement. The increase in revenues was higher than the increase in expenditures, which resulted in the increase of the general fund balance.
- The continued interest rate environment during the 2015 fiscal year resulted in interest earnings in the General Fund slightly increasing from \$115 in fiscal 2014 to \$129 in fiscal 2015.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the non-major Governmental Funds.

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

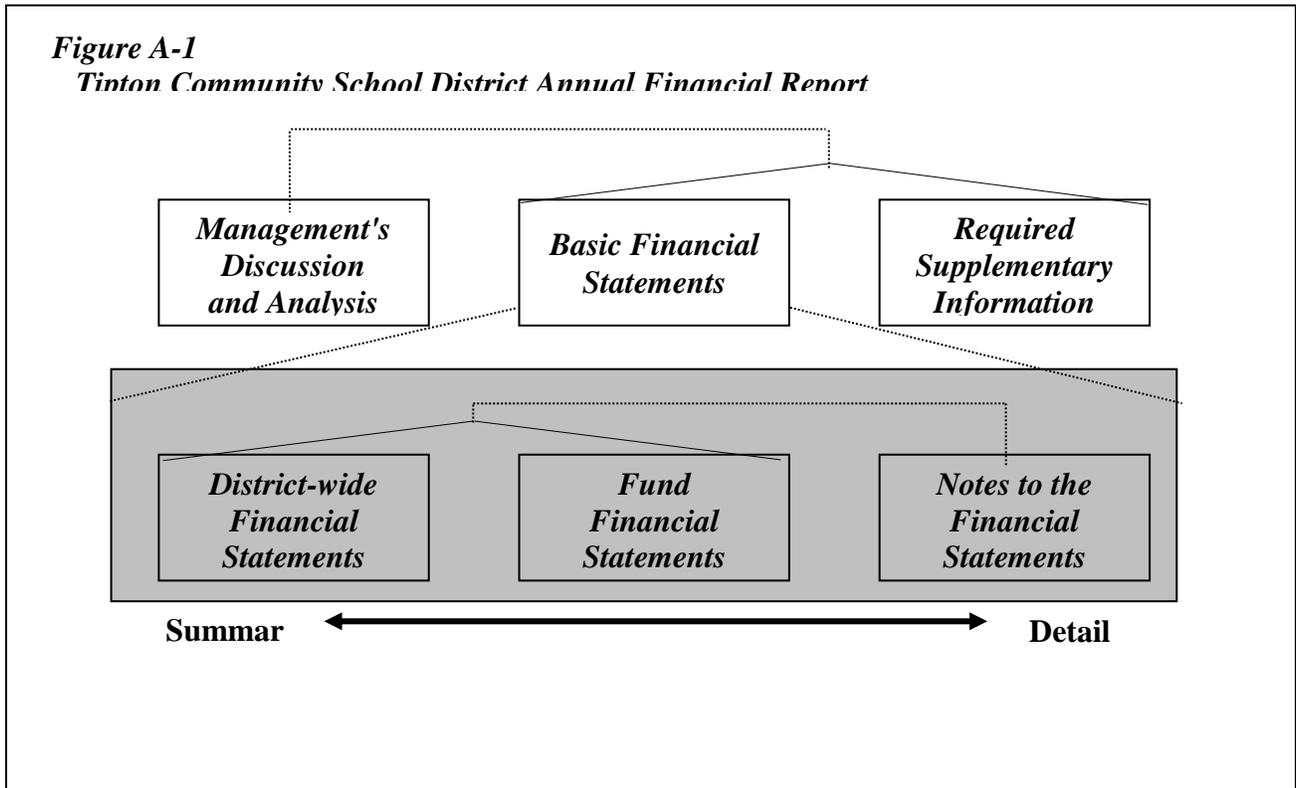


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits After school program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Position • Statement of revenues, expenses and changes in fund position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary position • Statement of changes in fiduciary position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/Acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and After School Program Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Accounting Standards Board Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27 was implemented during fiscal year 2015. 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.

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

Figure A-3
Condensed Statement of Position

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$9,794,564	\$8,982,007	\$85,457	\$ 48,538	\$9,880,021	\$ 9,030,545	9.41%
Capital assets	<u>11,338,762</u>	<u>11,574,579</u>	<u>37,170</u>	<u>34,599</u>	<u>11,375,932</u>	<u>11,609,178</u>	-2.01%
Total assets	<u>21,133,326</u>	<u>20,556,586</u>	<u>122,627</u>	<u>83,137</u>	<u>21,255,953</u>	<u>20,639,723</u>	2.99%
Deferred Outflows of Resources	709,474	0	22,217	0	731,691	0	-
Long-term liabilities	8,938,732	6,513,000	97,161	-	9,035,893	6,513,000	38.74
Other liabilities	<u>1,156,024</u>	<u>1,140,851</u>	<u>49,749</u>	<u>33,835</u>	<u>1,205,773</u>	<u>1,174,686</u>	2.65%
Total liabilities	<u>10,094,756</u>	<u>7,653,851</u>	<u>146,910</u>	<u>33,835</u>	<u>10,241,666</u>	<u>7,687,686</u>	33.22%
Deferred Inflows of Resources	<u>4,393,292</u>	<u>3,203,000</u>	<u>37,055</u>	-	<u>4,430,347</u>	<u>3,203,000</u>	38.32%
Net Position							
Net Investment in Capital Assets	5,948,762	5,479,579	37,170	34,599	5,985,932	5,514,178	8.56%
Restricted	3,280,174	2,870,011	-	-	3,280,174	2,870,011	14.29%
Unrestricted	<u>(1,874,184)</u>	<u>1,350,145</u>	<u>(76,291)</u>	<u>14,703</u>	<u>(1,950,475)</u>	<u>1,364,848</u>	-242.91%
Total net position	<u>\$7,354,752</u>	<u>\$ 9,699,735</u>	<u>(\$39,121)</u>	<u>\$ 49,302</u>	<u>\$ 7,315,631</u>	<u>\$ 9,749,037</u>	-24.96%

The District’s combined net position decreased by approximately 24.96%, or \$2,433,406, from the prior year. The largest portion of the District’s net position is the net invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased by \$410,163, or approximately 14.29% from the prior year. The increase was a result of funds restricted from capital projects

in which the funds will be expensed on building projects in a future fiscal year, funds restricted from debt in which the funds will be expensed on building projects in a future fiscal year, funds restricted from debt in service to be expended on bond payments in a future fiscal year, and funds restricted from physical plant and equipment in which the funds will be expensed on facility projects in a future fiscal year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$3,315,323, or approximately 242.91%. This decrease in unrestricted net position was a result of GASB 68 pension liabilities as required to be stated in the financial statements. As previously stated, the 2014 fiscal year was not restated due to the information not being available.

Figure A-4 shows the change in net position for the year ended June 30, 2015.

	Governmental Activities		Business Type Activities		Total District		Change
	2015	2014	2015	2014	2015	2014	2014-2015
Revenues							
Program revenues							
Charges for service and sales	\$ 1,018,225	\$ 1,104,245	\$ 329,331	\$ 320,244	\$ 1,347,556	\$ 1,424,489	-5.40%
Operating grants and contributions	1,352,775	1,416,315	231,942	222,831	1,584,717	1,639,146	-3.32%
Capital grants and contributions	-	31,667	8,582	-	8,582	31,667	-72.90%
General revenues							
Property tax	3,589,438	3,305,545	-	-	3,589,438	3,305,545	8.59%
Income Surtax	581,126	534,049	-	-	581,126	534,049	8.82%
Local option sales and service tax	828,307	743,162	-	-	828,307	743,162	11.46%
Unrestricted state grants	4,155,706	3,753,946	-	-	4,155,706	3,753,946	10.70%
Unrestricted investment earnings	2,080	2,438	45	24	2,125	2,462	-13.69%
Other	<u>179,857</u>	<u>68,727</u>	<u>-</u>	<u>-</u>	<u>179,857</u>	<u>68,727</u>	161.70%
Total revenues	<u>11,707,514</u>	<u>10,960,094</u>	<u>569,900</u>	<u>543,099</u>	<u>12,277,414</u>	<u>11,503,193</u>	6.73%
Program expenses							
Governmental activities							
Instruction	6,138,060	6,251,771	-	-	6,138,060	6,251,771	-1.82%
Support services	2,904,456	2,805,603	-	-	2,904,456	2,805,603	3.52%
Non-instructional programs	-	-	541,911	526,575	541,911	526,575	2.91%
Other expenses	1,206,550	916,656	-	-	1,206,550	916,656	31.63%
Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Total expenses	<u>10,249,066</u>	<u>9,974,030</u>	<u>541,911</u>	<u>526,575</u>	<u>10,790,977</u>	<u>10,500,605</u>	2.77%
Excess (deficiency) before transfers	1,458,448	986,064	27,989	16,524	1,486,437	1,002,588	48.26%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Change in net position	<u>\$ 1,458,448</u>	<u>\$ 986,064</u>	<u>27,989</u>	<u>\$ 16,524</u>	<u>1,486,437</u>	<u>\$ 1,002,588</u>	48.26%

In fiscal 2015, property tax and unrestricted state grants account for 66.16% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District’s total revenues were \$12,277,414 of which \$11,707,514 was for governmental activities and \$569,900 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.73% increase in revenues and a 2.77% increase in expenses. Property tax increased \$283,893. The increase in expenses comes in the support service, and other expense areas due to the negotiated salary and benefits settlement with certified and non-certified staff. The decrease in instruction comes from the entries to record calendar year balances for GASB 68 in which 2014 was not restated.

Governmental Activities

Revenues for governmental activities were \$11,707,514 and expenses were \$10,249,066.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	<u>2015</u>	<u>2014</u>	<u>Change</u> <u>2014-2015</u>	<u>2015</u>	<u>2014</u>	<u>Change</u> <u>2014-2015</u>
Instruction	\$ 6,138,060	\$ 6,251,771	-1.82%	\$4,304,583	\$ 4,273,107	.74%
Support services	2,904,456	2,805,603	3.52%	2,738,995	2,598,319	5.41%
Non-Instructional Programs	-	-	-	-	-	-
Other Expenses	<u>1,206,550</u>	<u>916,656</u>	31.63%	<u>834,488</u>	<u>550,377</u>	51.62%
Total expenses	<u>\$10,249,066</u>	<u>\$ 9,974,030</u>	2.75%	<u>\$ 7,878,066</u>	<u>\$ 7,421,803</u>	6.15%

- The cost financed by users of the District’s programs was \$1,018,225.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,352,775.
- The net cost of governmental activities was financed with \$4,998,871 in property and other taxes and \$4,155,706 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$569,900 representing a 4.93 percent increase over the prior year while expenses totaled \$541,911, a 2.91 percent increase over the prior year. The District’s business type activities include the School Nutrition Fund and After School Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2015, the District's revenue increased due to an increase in daily sales, ala carte sales, and commodities. The expenses increased due to negotiated salary and benefit increases and an increase in food costs.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,948,917, which is above last year's ending fund balances of \$4,229,816. One reason for the increase in combined fund balances in fiscal 2015 is due to the increase in capital project and PPEL balances to be used for future projects.

Governmental Fund Highlights

- The District's increase in the general fund financial position is the result of an increase in state funding due to increased enrollment for the 2014-15 school year. This increase offset personnel salary and benefit settlements and additional teacher and support staff hiring.
- The General Fund balance increased from \$1,562,252 to \$1,900,228. As stated earlier this increase is due to an increase in state funding due to an increase in student enrollment.
- The Capital Projects Fund balance increased from \$1,723,078 in fiscal 2014 to \$1,922,171 in fiscal 2015. The physical plant and equipment fund balance accounts for \$754,538 of the total capital project fund balance.
- The Debt Service Fund balance increased from \$358,264 in fiscal 2014 to \$520,784 in fiscal 2015. The District paid off the elementary project bond issue on July 1, 2014 and holds a reserve for the auditorium and wrestling room bond issue. The auditorium and wrestling room bonds have a payment date of January 1 and July 1 each year.

Proprietary Fund Highlights

The School Nutrition Fund and After School Program net position increased from -\$67,110 at June 30, 2014 to -\$39,121 at June 30, 2015, representing an increase of 41.71%. For fiscal 2015, the increase was due to the decrease in the net pension liability reported under GASB 68 and an increase in meal program revenues and ala-carte revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Tipton Community School District amended its annual budget two times. The first time was to reflect the refunding of two bond issues into one new issue and the second time was to reflect additional expenditures associated with instruction expenses and additional facility expenses.

The District's revenues were \$301,189 more than budgeted revenues, a variance of approximately 2.56%. A large portion of this variance came from local and state sources. Local sources included higher tuition revenue than budgeted and state sources included higher one-cent sales tax funds received in the capital projects fund than what was budgeted.

Total expenditures were \$817,724 less than the amended budget. The District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget for the General Fund should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$11,375,932 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 2.01% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$413,039.

The original cost of the District's capital assets was \$17,676,156. Governmental funds account for \$17,397,037, with the remainder of \$279,119 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2015 fiscal year occurred due to equipment purchased throughout the year.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business-type		Total		Total	
	Activities		Activities		School District		Change	
	2015	2014	2015	2014	2015	2014	2014-2015	
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%	
Construction in progress	-	-	-	-	-	-	-	
Buildings and improvements	10,558,845	10,837,663	-	-	10,558,845	10,837,663	-2.57%	
Improvements other than buildings	154,093	169,828	-	-	154,093	169,828	-9.27%	
Furniture and equipment	<u>582,524</u>	<u>523,788</u>	<u>37,170</u>	<u>34,599</u>	<u>619,694</u>	<u>558,387</u>	10.98%	
Totals	<u>\$11,338,762</u>	<u>\$11,574,579</u>	<u>\$ 37,170</u>	<u>\$34,599</u>	<u>\$11,375,932</u>	<u>\$11,609,178</u>	-2.01%	

Long-Term Debt

At June 30, 2015, the District had \$8,938,732 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 17.03% from last year (See Figure A-7). The 2014 Obligations were restated to show the beginning balance of the net pension liability. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2015</u>	<u>2014 Restated</u>	<u>2014-2015</u>
General obligation bonds	\$ 1,850,000	\$ 2,265,000	-18.32%
Revenue bonds	3,540,000	3,830,000	-7.57%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	138,000	168,000	-17.86%
Net pension liability	3,102,732	4,260,905	-27.18%
Net OPEB Liability	<u>308,000</u>	<u>250,000</u>	23.20%
Total	<u>\$ 8,938,732</u>	<u>\$ 10,773,905</u>	-17.03%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Tipton Community School District experienced a decrease in enrollment of 21 students for the 2015-16 school year. This will affect future state funding beginning the 2016-17 school year.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. The state announced a supplemental state aid increase of 1.25% for the 2015-16 fiscal year. The supplemental state aid for 2015-16 is more than offset by increased salary and benefit packages offered within the district. The state has not issued any guidance for supplemental state aid for the 2016-17 fiscal year. Any possible increase in state supplemental aid will be offset by increased salary and benefit packages.
- In August 2014, the District completed the refunding of the middle school general obligation bond and the aquatic center general obligation bond into one general obligation school refunding bond. This bond will be paid over the next 10 years and is projected to save the District approximately \$203,000 over the life of the bond.

- The District approved an auditorium remodeling project and new wrestling room construction project in 2012. Revenue bonds were sold October 3, 2012 in the amount of \$3,925,000 at a true interest rate of 1.56% with a repayment schedule of 10 years. The repayment of these revenue bonds uses a significant portion of the one-cent sales tax funds available to the district.
- As stated earlier in this report, the general fund balance increased during the 2015 fiscal year. This fund balance must be monitored and adjustments must be made if the District begins to expense more than the revenues received in this fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6th Street, Tipton, Iowa 52772.

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Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,761,685	\$ 70,421	\$ 5,832,106
Receivables:			
Property tax:			
Current year	27,397	-	27,397
Succeeding year	3,210,000	-	3,210,000
Income surtax	506,110	-	506,110
Accrued interest	181	-	181
Accounts	793	-	793
Due from other governments	288,398	-	288,398
Inventories	-	15,036	15,036
Capital assets, net of accumulated depreciation (note 4)	11,338,762	37,170	11,375,932
Total assets	21,133,326	122,627	21,255,953
Deferred Outflows of Resources			
Pension related deferred outflows	709,474	22,217	731,691
Liabilities			
Accounts payable	146,507	1,655	148,162
Due to other governments	109,083	-	109,083
Salaries and benefits payable	873,947	39,289	913,236
Unearned revenue	-	8,805	8,805
Accrued interest payable	26,487	-	26,487
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	66,000	-	66,000
Bonds payable	855,000	-	855,000
Portion due after one year:			
Early retirement	72,000	-	72,000
Bonds payable	4,535,000	-	4,535,000
Net pension liability	3,102,732	97,161	3,199,893
Net OPEB liability	308,000	-	308,000
Total liabilities	10,094,756	146,910	10,241,666

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,210,000	\$ -	\$ 3,210,000
Pension related deferred inflows	1,183,292	37,055	1,220,347
Total deferred inflows of resources	<u>4,393,292</u>	<u>37,055</u>	<u>4,430,347</u>
Net Position			
Net investment in capital assets	5,948,762	37,170	5,985,932
Restricted for:			
Categorical funding	142,917	-	142,917
Debt service	910,735	-	910,735
Capital projects	751,196	-	751,196
Physical plant and equipment levy purposes	1,007,593	-	1,007,593
Management levy purposes	77,126	-	77,126
Student activities	170,248	-	170,248
Kindergarten enhancement	220,359	-	220,359
Unrestricted	<u>(1,874,184)</u>	<u>(76,291)</u>	<u>(1,950,475)</u>
Total net position	<u>\$ 7,354,752</u>	<u>\$ (39,121)</u>	<u>\$ 7,315,631</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 6,138,060	\$ 1,004,438	\$ 829,039	\$ -
Support services:				
Student	238,431	-	143,187	-
Instructional staff	541,151	-	7,150	-
Administration	1,010,737	-	4,715	-
Operation and maintenance of plant	702,746	10,409	-	-
Transportation	411,391	-	-	-
	<u>2,904,456</u>	<u>10,409</u>	<u>155,052</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	421,443	3,378	-	-
Long-term debt interest and fiscal charges	107,387	-	-	-
AEA flowthrough	368,684	-	368,684	-
Depreciation (unallocated) *	309,036	-	-	-
	<u>1,206,550</u>	<u>3,378</u>	<u>368,684</u>	<u>-</u>
Total governmental activities	<u>10,249,066</u>	<u>1,018,225</u>	<u>1,352,775</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,304,583)	\$ -	\$ (4,304,583)
(95,244)	-	(95,244)
(534,001)	-	(534,001)
(1,006,022)	-	(1,006,022)
(692,337)	-	(692,337)
(411,391)	-	(411,391)
(2,738,995)	-	(2,738,995)
(418,065)	-	(418,065)
(107,387)	-	(107,387)
-	-	-
(309,036)	-	(309,036)
(834,488)	-	(834,488)
(7,878,066)	-	(7,878,066)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Instruction:				
After school program	\$ 9,216	\$ 17,285	\$ -	\$ -
Non-instructional programs:				
Food service operations	532,695	312,046	231,942	8,582
Total business-type activities	541,911	329,331	231,942	8,582
Total	\$ 10,790,977	\$ 1,347,556	\$ 1,584,717	\$ 8,582

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year, as restated (note 11)

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 8,069	\$ 8,069
-	19,875	19,875
-	27,944	27,944
(7,878,066)	27,944	(7,850,122)
\$ 2,911,669	\$ -	\$ 2,911,669
484,921	-	484,921
192,848	-	192,848
581,126	-	581,126
828,307	-	828,307
4,155,706	-	4,155,706
2,080	45	2,125
179,857	-	179,857
9,336,514	45	9,336,559
1,458,448	27,989	1,486,437
5,896,304	(67,110)	5,829,194
\$ 7,354,752	\$ (39,121)	\$ 7,315,631

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,787,723	\$ 517,124	\$ 1,839,607	\$ 617,231	\$ 5,761,685
Receivables:					
Property tax:					
Current year	20,731	3,661	1,456	1,549	27,397
Succeeding year	2,439,000	415,000	176,000	180,000	3,210,000
Income surtax	253,055	-	253,055	-	506,110
Accrued interest	-	-	-	181	181
Accounts	793	-	-	-	793
Due from other governments	157,940	-	130,458	-	288,398
	<hr/>				
Total assets	<u>\$ 5,659,242</u>	<u>\$ 935,785</u>	<u>\$ 2,400,576</u>	<u>\$ 798,961</u>	<u>\$ 9,794,564</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 85,747	\$ -	\$ 49,350	\$ 11,410	\$ 146,507
Due to other governments	109,083	-	-	-	109,083
Salaries and benefits payable	872,129	-	-	1,818	873,947
Total liabilities	<u>1,066,959</u>	<u>-</u>	<u>49,350</u>	<u>13,228</u>	<u>1,129,537</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,439,000	415,000	176,000	180,000	3,210,000
Other	253,055	-	253,055	-	506,110
Total deferred inflows of resources	<u>2,692,055</u>	<u>415,000</u>	<u>429,055</u>	<u>180,000</u>	<u>3,716,110</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	142,917	-	-	-	142,917
Revenue bonds	-	-	392,500	-	392,500
Revenue bonds sinking fund	-	448,938	-	-	448,938
Debt service	-	71,847	-	-	71,847
School infrastructure	-	-	775,133	-	775,133
Physical plant and equipment	-	-	754,538	-	754,538
Management levy purposes	-	-	-	215,126	215,126
Student activities	-	-	-	170,248	170,248
Kindergarten enhancement	-	-	-	220,359	220,359
Assigned for:					
Specific instructional services	15,212	-	-	-	15,212
Wellness	12,158	-	-	-	12,158
COBRA retiree insurance	1,798	-	-	-	1,798
Unassigned	1,728,143	-	-	-	1,728,143
Total fund balances	<u>1,900,228</u>	<u>520,785</u>	<u>1,922,171</u>	<u>605,733</u>	<u>4,948,917</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,659,242</u>	<u>\$ 935,785</u>	<u>\$ 2,400,576</u>	<u>\$ 798,961</u>	<u>\$ 9,794,564</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances of governmental funds		\$	4,948,917
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.			11,338,762
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			506,110
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(26,487)
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	\$ 709,474	
	Deferred inflows of resources	<u>(1,183,292)</u>	(473,818)
Long-term liabilities, including early retirement, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(8,938,732)</u>
Net position of governmental activities		\$	<u><u>7,354,752</u></u>
See notes to financial statements.			

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,945,886	\$ 481,042	\$ 449,987	\$ 200,413	\$ 4,077,328
Tuition	558,955	-	-	-	558,955
Other	123,365	57	29,182	334,704	487,308
State sources	5,261,609	3,879	829,850	1,670	6,097,008
Federal sources	269,254	-	-	-	269,254
Total revenues	<u>9,159,069</u>	<u>484,978</u>	<u>1,309,019</u>	<u>536,787</u>	<u>11,489,853</u>
Expenditures:					
Current:					
Instruction	5,913,761	-	21,130	363,540	6,298,431
Support services:					
Student	244,173	-	-	-	244,173
Instructional staff	375,886	-	174,432	-	550,318
Administration	945,263	-	11,962	64,256	1,021,481
Operation and maintenance of plant	647,395	-	4,950	56,085	708,430
Transportation	328,921	-	79,788	33,395	442,104
	<u>2,541,638</u>	<u>-</u>	<u>271,132</u>	<u>153,736</u>	<u>2,966,506</u>
Other expenditures:					
Facilities acquisition	-	-	471,122	-	471,122
Long term debt:					
Principal	-	3,000,000	-	-	3,000,000
Interest and fiscal charges	-	114,908	-	-	114,908
AEA flowthrough	368,684	-	-	-	368,684
	<u>368,684</u>	<u>3,114,908</u>	<u>471,122</u>	<u>-</u>	<u>3,954,714</u>
Total expenditures	<u>8,824,083</u>	<u>3,114,908</u>	<u>763,384</u>	<u>517,276</u>	<u>13,219,651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>334,986</u>	<u>(2,629,930)</u>	<u>545,635</u>	<u>19,511</u>	<u>(1,729,798)</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 2,990	\$ -	\$ 126,306	\$ -	\$ 129,296
General obligation bonds issued	-	2,295,000	-	-	2,295,000
Premium on bonds issued	-	24,603	-	-	24,603
Interfund transfers in (note 3)	-	472,848	-	-	472,848
Interfund transfers out (note 3)	-	-	(472,848)	-	(472,848)
Total other financing sources (uses)	<u>2,990</u>	<u>2,792,451</u>	<u>(346,542)</u>	<u>-</u>	<u>2,448,899</u>
Net change in fund balances	337,976	162,521	199,093	19,511	719,101
Fund balances beginning of year	<u>1,562,252</u>	<u>358,264</u>	<u>1,723,078</u>	<u>586,222</u>	<u>4,229,816</u>
Fund balances end of year	<u>\$ 1,900,228</u>	<u>\$ 520,785</u>	<u>\$ 1,922,171</u>	<u>\$ 605,733</u>	<u>\$ 4,948,917</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 719,101

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

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

Capital outlays	\$ 171,211	
Depreciation expense	<u>(407,028)</u>	(235,817)

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. 63,762

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds but issuing debt increases long-term liabilities in the
Statement of Net Position and does not affect the Statement of Activities. (2,295,000)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 3,000,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 7,521

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. 14,603

TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

Early retirement	\$	30,000	
Pension expense		212,278	
Net OPEB liability		<u>(58,000)</u>	\$ <u>184,278</u>

Change in net position of governmental activities \$ 1,458,448

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	School Nutrition	Enterprise Nonmajor - After School Program	Total
Assets			
Cash and cash equivalents	\$ 54,651	\$ 15,770	\$ 70,421
Inventories	15,036	-	15,036
Capital assets, net of accumulated depreciation (note 4)	37,170	-	37,170
Total assets	106,857	15,770	122,627
Deferred Outflows of Resources			
Pension related deferred outflows	22,217	-	22,217
Liabilities			
Accounts payable	1,655	-	1,655
Salaries and benefits payable	39,289	-	39,289
Unearned revenue	8,805	-	8,805
Net pension liability	97,161	-	97,161
Total liabilities	146,910	-	146,910
Deferred Inflows of Resources			
Pension related deferred inflows	37,055	-	37,055
Fund Net Position			
Net investment in capital assets	37,170	-	37,170
Unrestricted	(92,061)	15,770	(76,291)
Total fund net position	\$ (54,891)	\$ 15,770	\$ (39,121)

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise		Internal
	School Nutrition	Nonmajor - After School Program	Service Flexible Benefits
			Total
Operating revenues:			
Local sources:			
Charges for services	\$ 312,046	\$ 17,285	\$ 329,331
Operating expenses:			
Instruction:			
Salaries	-	6,933	6,933
Benefits	-	2,283	2,283
Non-instructional programs:			
Salaries	167,937	-	167,937
Benefits	85,267	-	85,267
Purchased services	1,535	-	1,535
Supplies	271,945	-	271,945
Depreciation	6,011	-	6,011
Other	-	-	-
Total operating expenses	532,695	9,216	541,911
Operating income (loss)	(220,649)	8,069	(212,580)
Non-operating revenues:			
Interest on investments	39	6	45
Contributions	3,380	-	3,380
Capital contributions	8,582	-	8,582
State sources	4,204	-	4,204
Federal sources	224,358	-	224,358
Total non-operating revenues	240,563	6	240,569
Change in fund net position	19,914	8,075	27,989
Fund net position beginning of year, as restated (note 11)	(74,805)	7,695	(67,110)
Fund net position end of year	\$ (54,891)	\$ 15,770	\$ (39,121)

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise			Internal Service
	School Nutrition	Nonmajor - After School Program	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 312,357	\$ -	\$ 312,357	\$ -
Cash received from miscellaneous operating activities	4,695	17,285	21,980	-
Cash payments to suppliers for goods or services	(247,750)	(9,216)	(256,966)	-
Cash paid to suppliers for goods or services	(213,550)	-	(213,550)	(1,974)
Net cash provided by (used by) operating activities	(144,248)	8,069	(136,179)	(1,974)
Cash flows from non-capital financing activities:				
State grants received	4,204	-	4,204	-
Federal grants received	176,005	-	176,005	-
Net cash provided by non-capital financing activities	180,209	-	180,209	-
Cash flows from investing activities:				
Interest on investments	39	6	45	-
Net increase (decrease) in cash and cash equivalents	36,000	8,075	44,075	(1,974)
Cash and cash equivalents beginning of year	18,651	7,695	26,346	1,974
Cash and cash equivalents end of year	\$ 54,651	\$ 15,770	\$ 70,421	\$ -

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise			Internal
	School Nutrition	Nonmajor - After School Program	Total	Service Flexible Benefits
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (220,649)	\$ 8,069	\$ (212,580)	\$ (1,974)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	6,011	-	6,011	-
Commodities used	48,353	-	48,353	-
Contributed software	3,380	-	3,380	-
Decrease in accounts receivable	614	-	614	-
Decrease in inventories	6,542	-	6,542	-
Increase in accounts payable	1,655	-	1,655	-
Increase in salaries and benefits payable	5,454	-	5,454	-
Increase in unearned revenue	8,805	-	8,805	-
(Decrease) in net pension liability	(33,253)	-	(33,253)	-
(Increase) in deferred outflows of resources	(8,215)	-	(8,215)	-
Increase in deferred inflows of resources	37,055	-	37,055	-
Net cash provided by (used by) operating activities	\$ <u>(144,248)</u>	\$ <u>8,069</u>	\$ <u>(136,179)</u>	\$ <u>(1,974)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$48,353 of federal commodities and \$8,582 of equipment and \$3,380 of software contributed from other funds.

See notes to financial statements.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 528,935	\$ 7,406
Accrued interest receivable	246	-
Accounts receivable	-	65
Total assets	529,181	7,471
Liabilities:		
Other payables	-	7,471
Fiduciary Net Position:		
Restricted for scholarships	\$ 529,181	\$ -

See notes to financial statements.

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

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	329,082
Interest		<u>1,526</u>
Total additions		<u>330,608</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>43,977</u>
Change in fiduciary net position		286,631
Fiduciary net position beginning of year		<u>242,550</u>
Fiduciary net position end of year	\$	<u><u>529,181</u></u>
See notes to financial statements.		

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Tipton 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. Tipton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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	20-50 years
Furniture and equipment	4-12 years

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity
(continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2015.

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

Deferred Inflows Of Resources – Deferred inflows of resources represent an acquisition of net position that applies to 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 property tax receivable and other receivables not collected within sixty days after year end.

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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash 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 ensure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>4,028,360</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>472,848</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Capital assets being depreciated:				
Buildings	15,157,277	-	-	15,157,277
Improvements other than buildings	529,688	-	-	529,688
Furniture and equipment	1,557,143	171,211	61,582	1,666,772
Total capital assets being depreciated	<u>17,244,108</u>	<u>171,211</u>	<u>61,582</u>	<u>17,353,737</u>
Less accumulated depreciation for:				
Buildings	4,319,614	278,818	-	4,598,432
Improvements other than buildings	359,860	15,735	-	375,595
Furniture and equipment	1,033,355	112,475	61,582	1,084,248
Total accumulated depreciation	<u>5,712,829</u>	<u>407,028</u>	<u>61,582</u>	<u>6,058,275</u>
Total capital assets being depreciated, net	<u>11,531,279</u>	<u>(235,817)</u>	<u>-</u>	<u>11,295,462</u>
Governmental activities capital assets, net	<u>\$ 11,574,579</u>	<u>\$ (235,817)</u>	<u>\$ -</u>	<u>\$ 11,338,762</u>
Business-type activities:				
Furniture and equipment	\$ 270,537	\$ 8,582	\$ -	\$ 279,119
Less accumulated depreciation	<u>235,938</u>	<u>6,011</u>	<u>-</u>	<u>241,949</u>
Business-type activities capital assets, net	<u>\$ 34,599</u>	<u>\$ 2,571</u>	<u>\$ -</u>	<u>\$ 37,170</u>

TIPTON COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 13,903
Support services:	
Instructional staff	7,044
Administration	9,584
Operation and maintenance of plant	7,063
Transportation	<u>60,398</u>
	97,992
Unallocated depreciation	<u>309,036</u>
Total depreciation expense - governmental activities	<u>\$ 407,028</u>
Business-type activities:	
Food service operations	<u>\$ 6,011</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 168,000	\$ 30,000	\$ 60,000	\$ 138,000	\$ 66,000
General obligation bonds	2,265,000	2,295,000	2,710,000	1,850,000	430,000
Revenue bonds	3,830,000	-	290,000	3,540,000	425,000
Net pension liability	4,260,905	-	1,158,173	3,102,732	-
Net OPEB liability	250,000	58,000	-	308,000	-
Total	\$ 10,773,905	\$ 2,383,000	\$ 4,218,173	\$ 8,938,732	\$ 921,000
Business-type activities:					
Net pension liability	\$ 130,414	\$ -	\$ 33,253	\$ 97,161	\$ -

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$30,000. Early retirement benefits will be paid annually over five years into a 403(b) account.

At June 30, 2015, the District has obligations to eleven participants with a total liability of \$138,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$60,000. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

On July 29, 2014, the District issued \$2,295,000 of refunding bonds with interest rates from 1.50% to 2.20% to refund the January 5, 2005 bonds with interest rates from 3.55% to 4.25% and the March 15, 2005 bonds with interest rates from 3.30% to 3.50%. As a result of the refunding, the District reduced its total debt service requirements over the life of the bonds by \$203,560, which resulted in a net present value economic gain of \$189,385.

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

Year Ending June 30,	General Obligation Bonds Issue dated July 29, 2014			
	Interest Rates	Principal	Interest	Total
2016	1.50 %	\$ 430,000	\$ 30,595	\$ 460,595
2017	1.50	435,000	24,145	459,145
2018	1.50	135,000	17,620	152,620
2019	1.50	135,000	15,595	150,595
2020	1.55	135,000	13,570	148,570
2021-2024	1.75-2.20	580,000	30,078	610,078
		\$ 1,850,000	\$ 131,603	\$ 1,981,603

Revenue Bonds

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

Year Ending June 30,	Revenue Bonds Issue dated December 1, 2012			
	Interest Rates	Principal	Interest	Total
2016	1.00 %	\$ 425,000	\$ 45,750	\$ 470,750
2017	1.00	430,000	41,475	471,475
2018	1.05	435,000	37,041	472,041
2019	1.25	435,000	32,039	467,039
2020	1.35	445,000	26,316	471,316
2021-2023	1.55-1.85	1,370,000	36,597	1,406,597
		\$ 3,540,000	\$ 219,218	\$ 3,759,218

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future statewide sales, services and use tax revenues to repay the \$3,925,000 bonds issued in December 2012. The bonds were issued for the purpose of financing a portion of the costs of auditorium renovations and wrestling room additions. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 57 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,759,218. For the current year, \$290,000 of principal and \$50,825 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$828,307.

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

- (a) \$392,500 of the proceeds from the December 2012 issuance were deposited to the Reserve Fund. The Reserve Fund is to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Fund.
- (c) Monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) All monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Pension Plan

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

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$486,860.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$3,199,893 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 0.080685 percent, which was an increase of 0.004204 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$255,587. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 34,777	\$ -
Changes of assumptions	141,219	-
Net difference between projected and actual earnings on pension plan investments	-	1,220,347
Changes in proportion and differences between District contributions and proportionate share of contributions	68,835	-
District contributions subsequent to the measurement date	<u>486,860</u>	<u>-</u>
Total	<u>\$ 731,691</u>	<u>\$ 1,220,347</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

\$486,860 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 ending 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 Ending June 30,		
2016	\$	(247,883)
2017		(247,883)
2018		(247,883)
2019		(247,883)
2020		<u>16,016</u>
Total	\$	<u><u>(975,516)</u></u>

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

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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:

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

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	<u>100%</u>	

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 6,046,109	\$ 3,199,893	\$ 797,393

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 113 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for 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	\$ 67,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>(13,000)</u>
Annual OPEB cost	60,000
Contributions made	<u>(2,000)</u>
Increase in net OPEB obligation	58,000
Net OPEB obligation beginning of year	<u>250,000</u>
Net OPEB obligation end of year	<u><u>\$ 308,000</u></u>

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

For the year ended June 30, 2015, the District contributed \$2,000 to the medical plan.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 54,000	5.6%	\$ 198,000
2014	54,000	3.7%	250,000
2015	60,000	3.3%	308,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$395,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$395,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,519,000, and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$368,684 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Four year old preschool state aid	\$ 68,667
Teacher salary supplement	1,752
Successful progression for early readers	21,640
Professional development for model core curriculum	26,540
Professional development	23,755
Teacher leadership grants	<u>563</u>
Total	<u>\$ 142,917</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. 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 government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities	Enterprise, School Nutrition Fund
Net position June 30, 2014, as previously reported	\$ 9,699,735	\$ 49,302	\$ 41,607
Net pension liability at June 30, 2014	(4,260,905)	(130,414)	(130,414)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>457,474</u>	<u>14,002</u>	<u>14,002</u>
Net position July 1, 2014, as restated	<u>\$ 5,896,304</u>	<u>\$ (67,110)</u>	<u>\$ (74,805)</u>

Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,123,591	\$ 341,338	\$ 5,464,929	\$ 5,218,258	\$ 5,218,258	\$ 246,671
Intermediate sources	-	-	-	32,000	32,000	(32,000)
State sources	6,097,008	4,204	6,101,212	5,971,736	5,971,736	129,476
Federal sources	269,254	224,358	493,612	536,570	536,570	(42,958)
Total revenues	11,489,853	569,900	12,059,753	11,758,564	11,758,564	301,189
EXPENDITURES/EXPENSES:						
Instruction	6,298,431	9,216	6,307,647	6,553,302	6,603,302	295,655
Support services	2,966,506	-	2,966,506	3,105,085	3,105,085	138,579
Non-instructional programs	-	532,695	532,695	569,000	569,000	36,305
Other expenditures	3,954,714	-	3,954,714	1,801,899	4,301,899	347,185
Total expenditures/expenses	13,219,651	541,911	13,761,562	12,029,286	14,579,286	817,724
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,729,798)	27,989	(1,701,809)	(270,722)	(2,820,722)	1,118,913
Other financing sources, net	2,448,899	-	2,448,899	-	-	2,448,899
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	719,101	27,989	747,090	(270,722)	(2,820,722)	3,567,812
Balance beginning of year, as restated	4,229,816	(67,110)	4,162,706	3,171,099	3,171,099	991,607
Balance end of year	\$ 4,948,917	\$ (39,121)	\$ 4,909,796	\$ 2,900,377	\$ 350,377	\$ 4,559,419

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, 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/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted two budget amendments increasing budgeted expenditures/expenses by \$2,550,000.

During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 Last Fiscal Year*
 (In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.080685
District's proportionate share of the net pension liability	\$ 3,200
District's covered-employee payroll	\$ 5,452
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.69%
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.

See accompanying independent auditor's report.

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.

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TIPTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 487	\$ 471	\$ 435	\$ 392
Contributions in relation to the statutorily required contribution	<u>(487)</u>	<u>(471)</u>	<u>(435)</u>	<u>(392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,452	\$ 5,280	\$ 5,016	\$ 4,846
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 336	\$ 311	\$ 282	\$ 253	\$ 225	\$ 212
<u>(336)</u>	<u>(311)</u>	<u>(282)</u>	<u>(253)</u>	<u>(225)</u>	<u>(212)</u>
<u>\$ -</u>					
\$ 4,836	\$ 4,693	\$ 4,437	\$ 4,174	\$ 3,910	\$ 3,682
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

TIPTON COMMUNITY SCHOOL DISTRICT

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 382	\$ 382	0.0%	\$ 4,747	8.1%
2011	July 1, 2009	-	365	365	0.0%	4,910	7.4%
2012	July 1, 2009	-	365	365	0.0%	4,905	7.4%
2013	July 1, 2012	-	407	407	0.0%	5,077	8.0%
2014	July 1, 2012	-	395	395	0.0%	5,361	7.4%
2015	July 1, 2012	-	395	395	0.0%	5,519	7.2%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue			Total
	Management Levy	Student Activity	District Support Trust	
Assets				
Cash and pooled investments	\$ 213,577	\$ 183,375	\$ 220,279	\$ 617,231
Receivables:				
Property tax:				
Current year	1,549	-	-	1,549
Succeeding year	180,000	-	-	180,000
Accrued interest	-	101	80	181
Total assets	<u>\$ 395,126</u>	<u>\$ 183,476</u>	<u>\$ 220,359</u>	<u>\$ 798,961</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 11,410	\$ -	\$ 11,410
Salaries and benefits payable	-	1,818	-	1,818
Total liabilities	<u>-</u>	<u>13,228</u>	<u>-</u>	<u>13,228</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	180,000	-	-	180,000
Fund balances:				
Restricted for:				
Management levy purposes	215,126	-	-	215,126
Student activities	-	170,248	-	170,248
Kindergarten enhancement	-	-	220,359	220,359
Total fund balances	<u>215,126</u>	<u>170,248</u>	<u>220,359</u>	<u>605,733</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 395,126</u>	<u>\$ 183,476</u>	<u>\$ 220,359</u>	<u>\$ 798,961</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

	Special Revenue			Total
	Management Levy	Student Activity	District Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 200,413	\$ -	\$ -	\$ 200,413
Other	7,007	326,769	928	334,704
State sources	1,670	-	-	1,670
Total revenues	<u>209,090</u>	<u>326,769</u>	<u>928</u>	<u>536,787</u>
Expenditures:				
Current:				
Instruction	54,000	307,619	1,921	363,540
Support services:				
Administration	64,256	-	-	64,256
Operation and maintenance of plant	55,950	135	-	56,085
Transportation	10,128	23,267	-	33,395
Total expenditures	<u>184,334</u>	<u>331,021</u>	<u>1,921</u>	<u>517,276</u>
Excess (deficiency) of revenues over (under) expenditures	24,756	(4,252)	(993)	19,511
Fund balances beginning of year	<u>190,370</u>	<u>174,500</u>	<u>221,352</u>	<u>586,222</u>
Fund balances end of year	<u>\$ 215,126</u>	<u>\$ 170,248</u>	<u>\$ 220,359</u>	<u>\$ 605,733</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,059,164	\$ 780,443	\$ 1,839,607
Receivables:			
Property tax:			
Current year	-	1,456	1,456
Succeeding year	-	176,000	176,000
Income surtax	-	253,055	253,055
Due from other governments	130,458	-	130,458
	<u>130,458</u>	<u>-</u>	<u>130,458</u>
Total assets	<u>\$ 1,189,622</u>	<u>\$ 1,210,954</u>	<u>\$ 2,400,576</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 21,989	\$ 27,361	\$ 49,350
	<u>21,989</u>	<u>27,361</u>	<u>49,350</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	176,000	176,000
Other	-	253,055	253,055
	<u>-</u>	<u>429,055</u>	<u>429,055</u>
Fund balances:			
Restricted for:			
Revenue bonds	392,500	-	392,500
School infrastructure	775,133	-	775,133
Physical plant and equipment	-	754,538	754,538
Total fund balances	<u>1,167,633</u>	<u>754,538</u>	<u>1,922,171</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,189,622</u>	<u>\$ 1,210,954</u>	<u>\$ 2,400,576</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 449,987	\$ 449,987
Other	29,128	54	29,182
State sources	828,307	1,543	829,850
Total revenues	<u>857,435</u>	<u>451,584</u>	<u>1,309,019</u>
Expenditures:			
Current:			
Instruction	-	21,130	21,130
Support services:			
Instructional staff	174,432	-	174,432
Administration	-	11,962	11,962
Operation and maintenance of plant	-	4,950	4,950
Transportation	-	79,788	79,788
Other expenditures:			
Facilities acquisition	-	471,122	471,122
Total expenditures	<u>174,432</u>	<u>588,952</u>	<u>763,384</u>
Excess (deficiency) of revenues over (under) expenditures	683,003	(137,368)	545,635
Other financing sources (uses):			
Compensation for loss of capital assets	2,500	123,806	126,306
Interfund transfers out	(472,848)	-	(472,848)
Total other financing sources (uses)	<u>(470,348)</u>	<u>123,806</u>	<u>(346,542)</u>
Net change in fund balances	212,655	(13,562)	199,093
Fund balances beginning of year	<u>954,978</u>	<u>768,100</u>	<u>1,723,078</u>
Fund balances end of year	<u>\$ 1,167,633</u>	<u>\$ 754,538</u>	<u>\$ 1,922,171</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 2,176	\$ 6,537	\$ 5,868	\$ 2,845
Forensics	10,064	7,223	6,583	10,704
Choir	392	4,233	4,625	-
Instrumental Music	5,422	4,305	3,760	5,967
Middle School Music	1,026	6,670	5,742	1,954
High School Band Color Guard	44	-	-	44
High School Athletics	11,664	60,936	69,121	3,479
Cross Country Special	1,545	2,167	2,915	797
Golf Special	489	4,989	3,860	1,618
Boys Basketball Special	3,784	15,357	10,224	8,917
Football Special	5,294	23,989	22,794	6,489
Baseball Special	3,597	11,105	9,779	4,923
Boys Track Special	2,976	5,097	5,316	2,757
Wrestling Special	1,492	5,316	4,072	2,736
Girls Basketball Special	3,475	10,602	9,951	4,126
Volleyball Special	5,500	10,361	9,253	6,608
Softball Special	2,294	8,807	6,497	4,604
Girls Track Special	183	-	-	183
Athletic Strength & Conditioning	4,356	5,946	7,632	2,670
Girls Swimming Special	96	2,775	2,374	497
Academic Decathlon	-	1,075	1,075	-
Art Club	230	263	338	155
Thespians	739	1,160	1,227	672
Honor Society	14	391	405	-
Cheerleaders	7,125	6,722	6,721	7,126
High School Student Council	6,352	4,800	8,740	2,412
FFA	6,558	24,219	25,915	4,862
FCCLA	1,098	4,817	3,371	2,544
Yearbook	3,122	9,675	9,986	2,811
Spanish	319	-	-	319
Elementary Grade Fund	12,652	6,388	7,949	11,091
Invention Convention	119	-	-	119
Middle School Yearbook	-	2,699	2,699	-
Middle School Activity Fund	10,720	28,442	22,714	16,448
Middle School Athletics	3,818	9,207	10,386	2,639
MDT Fund	935	1,265	824	1,376
Middle School Lifeskills	90	145	90	145
Jump Rope for Heart	667	-	-	667
Middle School Student Council	31	1,546	1,150	427

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Gifted and Talented	\$ 199	\$ -	\$ -	\$ 199
Elementary TAG	321	-	-	321
FTC	182	945	1,015	112
Class of 2014	1,770	-	-	1,770
Class of 2015	3,131	40	2,762	409
Class of 2016	376	19,613	16,057	3,932
Class of 2017	-	350	195	155
Tigerette Dance Squad	5,031	5,711	5,569	5,173
Special Projects	2,554	20	729	1,845
Activity Tickets	684	-	683	1
Transportation	39,794	861	10,055	30,600
 Total	 \$ 174,500	 \$ 326,769	 \$ 331,021	 \$ 170,248

See accompanying independent auditor's report.

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 10,401	\$ 7,657	\$ 10,652	\$ 7,406
Accounts receivable	-	65	-	65
Total assets	<u>\$ 10,401</u>	<u>\$ 7,722</u>	<u>\$ 10,652</u>	<u>\$ 7,471</u>
Liabilities				
Other payables	<u>\$ 10,401</u>	<u>\$ 7,722</u>	<u>\$ 10,652</u>	<u>\$ 7,471</u>

See accompanying independent auditor's report.

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TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 4,077,328	\$ 3,809,807	\$ 4,371,900	\$ 4,193,395
Tuition	558,955	592,260	622,032	584,187
Other	487,308	549,713	501,284	524,621
Intermediate sources	-	28,543	31,386	28,308
State sources	6,097,008	5,596,654	4,451,157	4,437,195
Federal sources	269,254	318,715	291,132	379,570
Total revenues	<u>\$ 11,489,853</u>	<u>\$ 10,895,692</u>	<u>\$ 10,268,891</u>	<u>\$ 10,147,276</u>
Expenditures:				
Instruction	\$ 6,298,431	\$ 6,221,706	\$ 5,956,047	\$ 5,734,474
Support services:				
Student	244,173	146,136	144,966	224,743
Instructional staff	550,318	521,442	509,435	454,992
Administration	1,021,481	969,246	946,683	788,818
Operation and maintenance of plant	708,430	743,508	694,056	716,419
Transportation	442,104	350,888	430,421	306,730
Non-instructional programs	-	-	24,185	-
Other expenditures:				
Facilities acquisition	471,122	1,103,466	3,013,011	831,003
Long-term debt:				
Principal	3,000,000	775,000	560,000	540,000
Interest and fiscal charges	114,908	184,107	157,273	148,032
AEA flowthrough	368,684	334,612	316,034	313,380
Total expenditures	<u>\$ 13,219,651</u>	<u>\$ 11,350,111</u>	<u>\$ 12,752,111</u>	<u>\$ 10,058,591</u>

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	4,162,007	\$ 3,818,350	\$ 3,721,436	\$ 3,705,645	\$ 3,499,396	\$ 3,347,746
	513,656	454,684	432,158	564,210	557,699	575,238
	510,049	345,053	396,192	515,771	455,001	505,022
	30,383	30,629	23,409	28,510	33,830	-
	4,069,375	3,623,567	4,081,829	3,963,555	3,492,687	3,418,405
	515,262	750,321	275,527	147,642	177,607	186,231
\$	<u>9,800,732</u>	<u>9,022,604</u>	<u>8,930,551</u>	<u>8,925,333</u>	<u>8,216,220</u>	<u>8,032,642</u>
\$	5,475,655	\$ 5,175,067	\$ 4,985,836	\$ 4,740,671	\$ 4,541,923	\$ 4,260,694
	245,884	230,682	234,799	224,472	208,885	198,545
	469,406	375,483	379,133	357,069	306,552	399,113
	841,808	801,923	770,167	750,366	698,086	712,732
	689,259	686,938	656,989	612,096	609,347	571,910
	341,048	305,485	318,296	313,045	216,528	207,774
	18,462	37,999	61,259	46,322	-	-
	245,942	197,003	546,262	194,041	1,113,924	981,799
	515,000	505,000	480,000	600,732	466,512	3,053,645
	166,203	183,405	199,558	220,324	195,487	402,845
	331,593	328,048	287,197	273,614	247,228	237,619
\$	<u>9,340,260</u>	<u>8,827,033</u>	<u>8,919,496</u>	<u>8,332,752</u>	<u>8,604,472</u>	<u>11,026,676</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Tipton Community School District:

We have audited 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 Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings, that we consider to be significant deficiencies.

Compliance

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

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

Tipton Community School District's Responses to the Findings

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

Purpose of this Report

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

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
October 26, 2015

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

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

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

I-B-15 Gate Admissions – The athletic event and plays gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the admissions and change box to the number of tickets issued.

Response – We will review our current procedures regarding gate admissions and consider implementing the recommended reconciliations.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brad Goetz, Board Member Father is owner of Family Foods	Supplies	\$19,800
Brad Goetz, Board Member Mother is a Teacher	Salary	\$63,898
Sheila Koch, Secretary Spouse is owner of Koch Electric	Electrical Services	\$6,586
Stephanie McNeill, Teacher Co-owner of McNeill’s Driving School	Driving Instruction	\$2,415

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions with the Board Member do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with employees do not appear to represent a conflict of interest.

- II-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2014 was overstated by one student who did not attend classes in the District.

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

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-15 Certified Enrollment (continued)

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response accepted.

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

II-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

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

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

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

Beginning balance	\$	954,978	
Revenues:			
Interest	\$	41	
Other local revenues		31,587	
Statewide sales, services and use tax		828,307	859,935
Expenditures/transfers out:			
Equipment		174,432	
Transfers to other funds:			
Debt Service Fund		472,848	647,280
Ending balance	\$	1,167,633	

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.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (continued):

II-M-15 Financial Condition – The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$92,061 and a deficit total net position of \$54,891 at June 30, 2015. In addition, the governmental activities and business-type activities had deficit unrestricted net positions of \$1,874,184 and \$76,291, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources.

Recommendation – Even though the deficits occurred due to the net pension liability and related deferred outflows and inflows of resources, the District should investigate ways to restore the School Nutrition Fund, governmental activities, and business-type activities to sound financial conditions.

Response – We will look into this situation and try to investigate alternatives to eliminate the deficit balances and restore the School Nutrition Fund, governmental activities, and business-type activities to sound financial conditions.

Conclusion – Response accepted.