

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Tri-County Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Regina Garber	President	2017
Matthew Steinke	Vice President	2017
Justin Leer	Board Member	2015
Jody Schroeder	Board Member	2015
Karen Sieren	Board Member	2015
<b>School Officials</b>		
Dennis Phelps	Superintendent	2015
Dennis Gourley	Board Treasurer/Business Manager	2015
Shelley Koehn	Board Secretary	2015
Lynch Dallas, P.C.	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of Tri-County 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 Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Tri-County 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 14 to the financial statements, Tri-County Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 47 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 the 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 required supplementary 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 Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2016 on our consideration of Tri-County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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 Tri-County Community School District's internal control over financial reporting.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,820,766 in fiscal year 2014 to \$2,848,536 in fiscal year 2015, while General Fund expenditures decreased from \$3,311,911 in fiscal year 2014 to \$3,065,594 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$258,168 at June 30, 2014 to \$41,110 at June 30, 2015.
- The increase in general fund revenues is primarily due to an increase in state revenues received as compared to the prior year. The decrease in general fund expenditures is primarily due to a decrease in instruction expenditures incurred as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Tri-County 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 Tri-County 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 Tri-County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

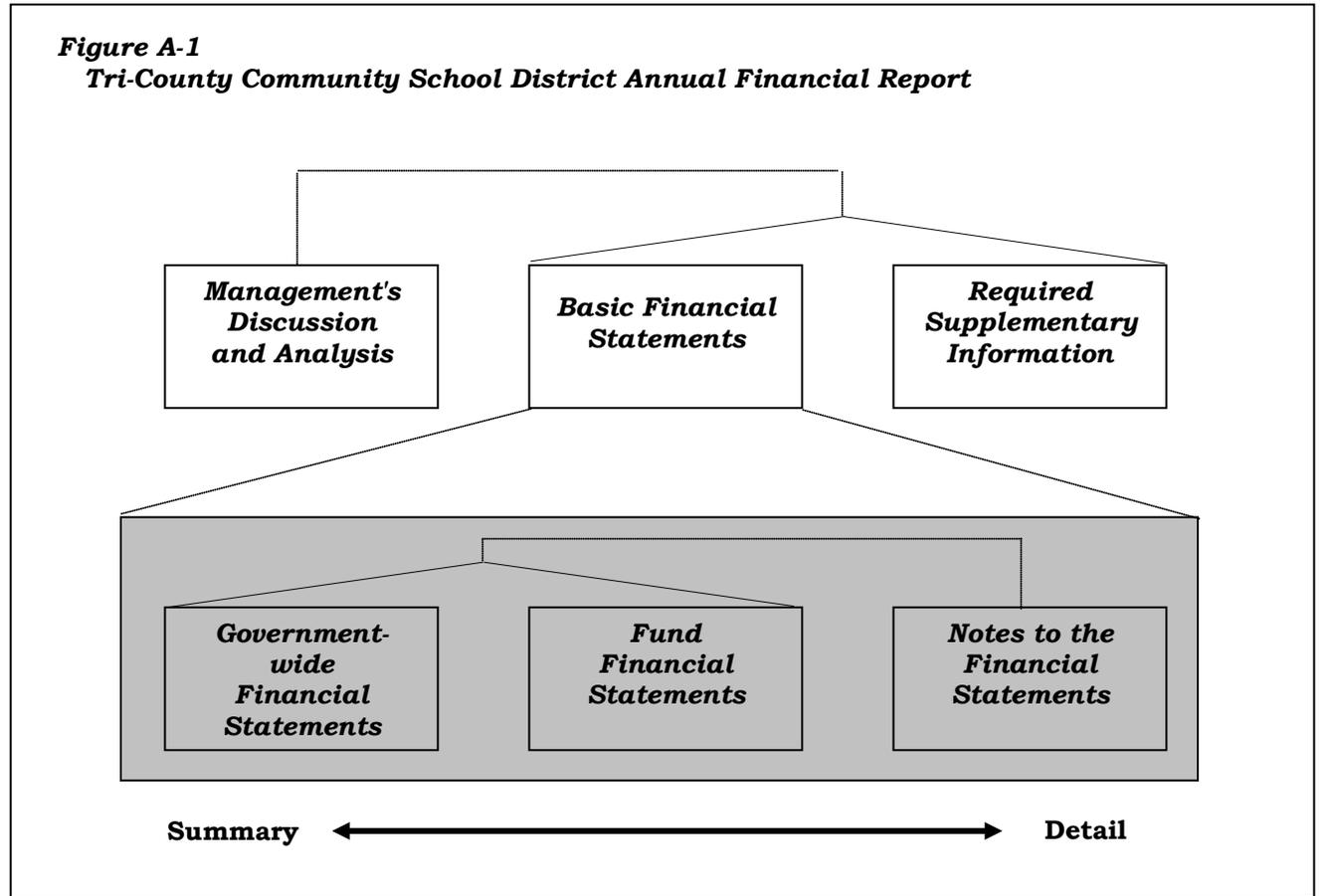


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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
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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two 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, Debt Service Fund and Capital Projects Fund.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15
Current and other assets	\$ 3,476,690	3,199,681	10,954	84,195	3,487,644	3,283,876	6.21%
Capital assets	790,112	750,143	10,436	14,331	800,548	764,474	4.72%
Total assets	4,266,802	3,949,824	21,390	98,526	4,288,192	4,048,350	5.92%
Deferred outflows of resources	231,690	-	7,092	-	238,782	-	100.00%
Long-term liabilities	1,345,897	562,912	38,778	2,289	1,384,675	565,201	144.99%
Other liabilities	395,005	116,329	32,420	113,117	427,425	229,446	86.29%
Total liabilities	1,740,902	679,241	71,198	115,406	1,812,100	794,647	128.04%
Deferred inflows of resources	1,949,199	1,468,227	13,791	-	1,962,990	1,468,227	33.70%
Net position:							
Net investment in capital assets	659,197	329,601	10,436	14,331	669,633	343,932	94.70%
Restricted	1,365,890	1,248,635	-	-	1,365,890	1,248,635	9.39%
Unrestricted	(1,216,696)	224,120	(66,943)	(31,211)	(1,283,639)	192,909	-765.41%
Total net position	\$ 808,391	1,802,356	(56,507)	(16,880)	751,884	1,785,476	-57.89%

The District's total net position decreased by \$1,033,592, or 57.89% from the prior year. The District's net position, net investment in capital assets (e.g., land, buildings and equipment), increased by %94.70 from the prior year. This is primarily due to the principal payments made on the District's general obligation and capital loan note indebtedness during the year. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$117,255, or 9.39% from the prior year. The increase in restricted net position can be attributed to the increase in the fund balance of the Management Levy Fund.

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 \$1,476,548, or 765.41%. The decrease in unrestricted net position is primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,360,399 and \$43,811, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014

financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues :							
Program revenues:							
Charges for service	\$ 238,528	231,132	53,527	54,896	292,055	286,028	2.11%
Operating grants, contributions and restricted interest	261,478	282,923	97,814	85,187	359,292	368,110	-2.40%
General revenues:							
Property tax	1,471,187	1,685,383	-	-	1,471,187	1,685,383	-12.71%
Income surtax	181,594	166,446	-	-	181,594	166,446	9.10%
Statewide sales, services and use tax	253,338	243,976	-	-	253,338	243,976	3.84%
Unrestricted state grants	1,400,268	1,348,007	-	-	1,400,268	1,348,007	3.88%
Unrestricted investment earnings	543	823	32	16	575	839	-31.47%
Other	14,317	47,813	-	-	14,317	47,813	-70.06%
Total revenues	3,821,253	4,006,503	151,373	140,099	3,972,626	4,146,602	-4.20%
Program expenses:							
Instruction	2,225,276	2,288,911	-	-	2,225,276	2,288,911	-2.78%
Support services	997,409	1,229,612	34,209	29,273	1,031,618	1,258,885	-18.05%
Non-instructional programs	-	-	112,980	131,426	112,980	131,426	-14.04%
Other expenses	232,134	237,825	-	-	232,134	237,825	-2.39%
Total expenses	3,454,819	3,756,348	147,189	160,699	3,602,008	3,917,047	-8.04%
Change in net position	366,434	250,155	4,184	(20,600)	370,618	229,555	-61.45%
Net position beginning of year, as restated	441,957	1,552,201	(60,691)	3,720	381,266	1,555,921	-75.50%
Net position end of year	\$ 808,391	1,802,356	(56,507)	(16,880)	751,884	1,785,476	-57.89%

In fiscal year 2015, property tax and unrestricted state grants account for 75.14% of the revenue from governmental activities while charges for service and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$3.97 million of which approximately \$3.82 million was for governmental activities and approximately \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 4.20% in revenues and a decrease of 8.04% in expenses. The decrease in revenues is primarily due to the decrease in property tax revenues received as compared to the prior year, while the decrease in expenses is primarily due to a decrease in support services expenditures incurred as compared to the prior year.

## Governmental Activities

Revenues for governmental activities were \$3,821,253 and expenses were \$3,454,819 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 2,225,276	2,288,911	-2.78%	1,841,887	1,891,175	-2.61%
Support services	997,409	1,229,612	-18.88%	995,729	1,227,718	-18.90%
Other expenses	232,134	237,825	-2.39%	117,197	123,400	-5.03%
Totals	\$ 3,454,819	3,756,348	-8.03%	2,954,813	3,242,293	-8.87%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$238,528.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$261,478.
- The net cost of governmental activities was financed with \$1,471,187 in property tax, \$181,594 in income surtax, \$253,338 in statewide sales, services and use tax, \$1,400,268 in unrestricted state grants, \$543 in interest income and \$14,317 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$151,373 and expenses were \$147,189 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,402,548, below last year's ending fund balances of \$1,483,496. This decrease in combined fund balances was primarily a result of the decrease in the fund balance of the General Fund.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues increased primarily due to an increase in state revenues received as compared to the prior year. Expenditures decreased compared to the prior year primarily due to decreases in the instructional expenditures incurred compared to the prior year. This net result was a decrease in fund balance from \$258,168 at June 30, 2014 to \$41,110 at June 30, 2015.

- The Management Levy Fund balance increased from \$480,722 at June 30, 2014 to \$599,206 at June 30, 2015.
- The Capital Projects Fund balance increased from \$567,781 at June 30, 2014, to \$576,588 at June 30, 2015. Total revenues increased due to an increase in statewide sales services and use tax revenues received as compared to the prior year. Total expenditures increased as well but total revenues still outpaced total expenditures ensuring the increase in ending fund balance.

### **Proprietary Fund Highlights**

The School Nutrition Fund restated net position increased from deficit \$60,591 at July 1, 2014 to a deficit net position of \$56,507 at June 30, 2015, representing an increase of 6.89%. An increase in federal revenue sources coupled with a decrease in salaries and benefit expenditures incurred were the primary factors in the increase in ending net position.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year Tri-County Community School District amended its budget one time to reflect additional expenditures in the instruction, support services, and non-instructional expenditures functions and to reclassify excess expenditure to other functions from the other expenditures function.

The District's revenues were \$30,408 less than budgeted revenues, a variance of 0.76%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practices, the certified budget was exceeded in the other expenditures functional area for the year ended June 30, 2015.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the District had invested \$800,548 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 4.72% increase from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$145,843.

The original cost of the District's capital assets was \$4,635,157. Governmental funds account for \$4,564,190 with the remainder of \$70,967 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$247,700 at June 30, 2015 compared to \$192,419 at June 30, 2014. This increase in machinery and equipment was primarily due to the purchase of a new school bus during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 23,205	23,205	-	-	23,205	23,205	0.00%
Buildings	467,048	480,299	-	-	467,048	480,299	-2.76%
Land improvements	62,595	68,551	-	-	62,595	68,551	-8.69%
Machinery and equipment	237,264	178,088	10,436	14,331	247,700	192,419	28.73%
Total	\$ 790,112	750,143	10,436	14,331	800,548	764,474	4.72%

### Long-Term Debt

At June 30, 2015 the District had \$1,384,675 in general obligation and other long-term debt outstanding. This represents an increase of 144.99% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2015, the District had outstanding general obligation bonded indebtedness of \$100,000, payable from the Debt Service Fund.

At June 30, 2015, the District had outstanding capital loan note indebtedness of \$30,915, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$1,615 at June 30, 2015.

The District had net pension liability of \$1,159,003 at June 30, 2015. \$1,122,842 is attributed to the District's governmental activities with the remaining \$36,161 is attributed to the District's business activities.

The District had net OPEB liability of \$93,142 at June 30, 2015. \$90,525 is attributed to the District's governmental activities with the remaining \$2,617 is attributed to the District's business activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 100,000	360,000	-	-	100,000	360,000	-72.22%
Capital loan notes	30,915	60,542	-	-	30,915	60,542	-48.94%
Computer leases	-	59,965	-	-	-	59,965	-100.00%
Termination benefits	1,615	3,230	-	-	1,615	3,230	-50.00%
Net pension liability	1,122,842	-	36,161	-	1,159,003	-	100.00%
Net OPEB liability	90,525	79,175	2,617	2,289	93,142	81,464	14.34%
Total	\$ 1,345,897	562,912	38,778	2,289	1,384,675	565,201	144.99%

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

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

- The District continues to experience reductions in enrollment each year and as a result the funds available to the District that are based on enrollment are reduced each year.
- The State Supplemental Aid continues to be insufficient for the District to be able to operate without reductions of expenses. The Legislature continues to set State Supplemental Aid after the District submits its certified budget.
- With the implementation of GASB Statements 68 & 71 in FY 15, the District is expected to book liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

## **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 Stacy Kolars, District Treasurer/Business Manager and Shelley Koehn, Board Secretary, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,630,418	-	1,630,418
Receivables:			
Property tax:			
Delinquent	26,148	-	26,148
Succeeding year	1,520,980	-	1,520,980
Income surtax	158,974	-	158,974
Accounts	4,235	9	4,244
Due from other governments	135,935	5,916	141,851
Inventories	-	5,029	5,029
Capital assets, net of accumulated depreciation	790,112	10,436	800,548
<b>TOTAL ASSETS</b>	<b>4,266,802</b>	<b>21,390</b>	<b>4,288,192</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	231,690	7,092	238,782
<b>LIABILITIES</b>			
Excess warrants over bank balances	-	20,282	20,282
Accounts payable	112,976	-	112,976
Salaries and benefits payable	281,212	8,662	289,874
Accrued interest payable	817	-	817
Unearned revenues	-	3,476	3,476
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	100,000	-	100,000
Capital loan note payable	30,915	-	30,915
Termination benefits payable	1,615	-	1,615
Portion due after one year:			
Net pension liability	1,122,842	36,161	1,159,003
Net OPEB liability	90,525	2,617	93,142
<b>TOTAL LIABILITIES</b>	<b>1,740,902</b>	<b>71,198</b>	<b>1,812,100</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavaialble property tax revenue	1,520,980	-	1,520,980
Pension related deferred inflows	428,219	13,791	442,010
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,949,199</b>	<b>13,791</b>	<b>1,962,990</b>
<b>Net Position</b>			
Net investment in capital assets	659,197	10,436	669,633
Restricted for:			
Categorical funding	6,884	-	6,884
Debt service	112,440	-	112,440
Management levy purposes	597,591	-	597,591
Student activities	72,387	-	72,387
School infrastrucutre	488,590	-	488,590
Physical plant and equipment	87,998	-	87,998
Unrestricted	(1,216,696)	(66,943)	(1,283,639)
<b>Total Net Position</b>	<b>\$ 808,391</b>	<b>(56,507)</b>	<b>751,884</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,373,426	69,587	32,489	(1,271,350)	-	(1,271,350)
Special	297,532	18,212	12,720	(266,600)	-	(266,600)
Other	554,318	150,729	99,652	(303,937)	-	(303,937)
	<u>2,225,276</u>	<u>238,528</u>	<u>144,861</u>	<u>(1,841,887)</u>	-	<u>(1,841,887)</u>
Support services:						
Student	17,003	-	-	(17,003)	-	(17,003)
Instructional staff	9,819	-	865	(8,954)	-	(8,954)
Administration	326,530	-	-	(326,530)	-	(326,530)
Operation and maintenance of plant	398,552	-	-	(398,552)	-	(398,552)
Transportation	245,505	-	815	(244,690)	-	(244,690)
	<u>997,409</u>	<u>-</u>	<u>1,680</u>	<u>(995,729)</u>	-	<u>(995,729)</u>
Long-term debt interest	18,210	-	-	(18,210)	-	(18,210)
Other expenses:						
AEA flowthrough	114,937	-	114,937	-	-	-
Depreciation(unallocated)*	98,987	-	-	(98,987)	-	(98,987)
	<u>213,924</u>	<u>-</u>	<u>114,937</u>	<u>(98,987)</u>	-	<u>(98,987)</u>
Total governmental activities	<u>3,454,819</u>	<u>238,528</u>	<u>261,478</u>	<u>(2,954,813)</u>	-	<u>(2,954,813)</u>
Business Type activities:						
Support services:						
Administration	34,209	-	-	-	(34,209)	(34,209)
Non-instructional programs:						
Food service operations	112,980	53,527	97,814	-	38,361	38,361
Total business type activities	<u>147,189</u>	<u>53,527</u>	<u>97,814</u>	-	<u>4,152</u>	<u>4,152</u>
Total	<u>\$ 3,602,008</u>	<u>292,055</u>	<u>359,292</u>	<u>(2,954,813)</u>	<u>4,152</u>	<u>(2,950,661)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,146,182	-	1,146,182
Capital outlay				50,194	-	50,194
Debt service				274,811	-	274,811
Income surtax				181,594	-	181,594
Statewide sales, services and use tax				253,338	-	253,338
Unrestricted state grants				1,400,268	-	1,400,268
Unrestricted investment earnings				543	32	575
Other				14,317	-	14,317
Total general revenues				<u>3,321,247</u>	<u>32</u>	<u>3,321,279</u>
Change in net position				366,434	4,184	370,618
Net position beginning of year, as restated				441,957	(60,691)	381,266
Net position end of year				<u>\$ 808,391</u>	<u>(56,507)</u>	<u>751,884</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Mangement Levy	Capital Projects	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 312,381	595,822	541,239	180,976	1,630,418
Receivables:					
Property tax:					
Delinquent	16,989	3,384	892	4,883	26,148
Succeeding year	1,360,024	-	53,334	107,622	1,520,980
Income surtax	105,983	-	52,991	-	158,974
Accounts	4,235	-	-	-	4,235
Due from other governments	97,690	-	38,245	-	135,935
<b>TOTAL ASSETS</b>	<b>\$ 1,897,302</b>	<b>599,206</b>	<b>686,701</b>	<b>293,481</b>	<b>3,476,690</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 108,973	-	3,788	215	112,976
Salaries and benefits payable	281,212	-	-	-	281,212
Total liabilities	390,185	-	3,788	215	394,188
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,360,024	-	53,334	107,622	1,520,980
Income surtax	105,983	-	52,991	-	158,974
Total deferred inflows of resources	1,466,007	-	106,325	107,622	1,679,954
Fund balances:					
Restricted for:					
Categorical funding	6,884	-	-	-	6,884
School infrastructure	-	-	488,590	-	488,590
Physical plant and equipment	-	-	87,998	-	87,998
Management levy purposes	-	599,206	-	-	599,206
Student activities	-	-	-	72,387	72,387
Debt service	-	-	-	113,257	113,257
Unassigned	34,226	-	-	-	34,226
Total fund balances	41,110	599,206	576,588	185,644	1,402,548
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,897,302</b>	<b>599,206</b>	<b>686,701</b>	<b>293,481</b>	<b>3,476,690</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Total fund balances of governmental funds (page 20)** \$ 1,402,548

*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. 790,112

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year, and therefore, are recognized as a deferred inflows of resources in the governmental funds. 158,974

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (817)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	\$ 231,690	
Deferred inflows of resources	<u>(428,219)</u>	(196,529)

Long-term liabilities, including general obligation bonds payable, capital loan note payable, net pension liability, termination benefits payable and net other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,345,897)

**Net position of governmental activities (page 18)** \$ 808,391

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

	General	Managemet Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,059,707	190,367	102,140	274,811	1,627,025
Tuition	82,672	-	-	-	82,672
Other	45,411	3,983	49	122,273	171,716
State sources	1,563,182	-	253,338	-	1,816,520
Federal sources	97,564	-	-	-	97,564
Total revenues	<u>2,848,536</u>	<u>194,350</u>	<u>355,527</u>	<u>397,084</u>	<u>3,795,497</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,310,734	1,615	56,456	-	1,368,805
Special	303,107	-	-	-	303,107
Other	463,187	-	-	113,089	576,276
	<u>2,077,028</u>	<u>1,615</u>	<u>56,456</u>	<u>113,089</u>	<u>2,248,188</u>
Support services:					
Student	20,385	-	-	-	20,385
Instructional staff	15,930	-	-	-	15,930
Administration	339,581	4,926	-	-	344,507
Operation and maintenance of plant	267,045	69,325	82,983	-	419,353
Transportation	230,688	-	82,989	-	313,677
	<u>873,629</u>	<u>74,251</u>	<u>165,972</u>	<u>-</u>	<u>1,113,852</u>
Capital outlay	-	-	30,894	-	30,894
Long-term debt:					
Principal	-	-	-	349,592	349,592
Interest and fiscal charges	-	-	-	18,982	18,982
	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,574</u>	<u>368,574</u>
Other expenditures:					
AEA flowthrough	114,937	-	-	-	114,937
Total expenditures	<u>3,065,594</u>	<u>75,866</u>	<u>253,322</u>	<u>481,663</u>	<u>3,876,445</u>
Excess(Deficiency) of revenues over(under) expenditures	(217,058)	118,484	102,205	(84,579)	(80,948)
Other financing sources(uses):					
Transfer in	-	-	-	93,398	93,398
Transfer out	-	-	(93,398)	-	(93,398)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(93,398)</u>	<u>93,398</u>	<u>-</u>
Change in fund balances	(217,058)	118,484	8,807	8,819	(80,948)
Fund balances beginning of year	<u>258,168</u>	<u>480,722</u>	<u>567,781</u>	<u>176,825</u>	<u>1,483,496</u>
Fund balances end of year	<u>\$ 41,110</u>	<u>599,206</u>	<u>576,588</u>	<u>185,644</u>	<u>1,402,548</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds (page 22)** \$ (80,948)

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

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

Capital outlay	\$ 181,917	
Depreciation expense	<u>(141,948)</u>	39,969

Income surtax account receivable is not available to finance expenditures of the current year period, and is recognized as deferred inflows of resources in the governmental funds. 25,756

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 349,592

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 772

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. 133,567

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.

Termination benefits	1,615	
Pension expense	(92,539)	
Net OPEB liability	<u>(11,350)</u>	<u>(102,274)</u>

**Change in net position of governmental activities (page 19)** \$ 366,434

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Accounts receivable	\$ 9
Due from other governments	5,916
Inventories	5,029
Total current assets	10,954
Noncurrent assets:	
Capital assets, net of accumulated depreciation	10,436
<b>TOTAL ASSETS</b>	<b>21,390</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	7,092
<b>LIABILITIES</b>	
Current liabilities:	
Excess warrants over bank balances	20,282
Salaries and benefits payable	8,662
Unearned revenue	3,476
Total current liabilities	32,420
Noncurrent liabilities:	
Net pension liability	36,161
Net OPEB liability	2,617
Total noncurrent liabilities	38,778
<b>TOTAL LIABILITIES</b>	<b>71,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	13,791
<b>NET POSITION</b>	
Net investment in capital assets	10,436
Unrestricted	(66,943)
<b>TOTAL NET POSITION</b>	<b>\$ (56,507)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise School Nutrition
<b>OPERATING REVENUE:</b>	
Local sources:	
Charges for service	\$ 53,527
<b>OPERATING EXPENSES:</b>	
Support services:	
Administration:	
Salaries	29,897
Benefits	4,312
	34,209
Non-instructional programs:	
Food service operations:	
Salaries	28,468
Benefits	4,407
Services	120
Supplies	76,090
Depreciation	3,895
	112,980
<b>TOTAL OPERATING EXPENSES</b>	<b>147,189</b>
<b>OPERATING LOSS</b>	<b>(93,662)</b>
<b>NON-OPERATING REVENUES:</b>	
State sources	1,201
Federal sources	96,613
Interest income	32
<b>TOTAL NON-OPERATING REVENUES</b>	<b>97,846</b>
Change in net position	4,184
Net position beginning of year, as restated	(60,691)
Net position end of year	\$ (56,507)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 54,533
Cash payments to employees for services	(59,045)
Cash payments to suppliers for goods or services	(66,402)
Net cash used in operating activities	(70,914)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(110,656)
State grants received	1,201
Federal grants received	76,912
Net cash used in non-capital financing activities	(32,543)
Cash flows from investing activities:	
Interest on investment	32
Net decrease in cash and pooled investments	(103,425)
Cash and pooled investments beginning of year	83,143
Cash and pooled investments end of year	\$ (20,282)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (93,662)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,785
Depreciation	3,895
Increase in inventories	(3,977)
Increase in accounts receivable	(9)
Increase in salaries and benefits payable	8,662
Increase in unearned revenue	1,015
Decrease in net pension liability	(12,978)
Increase in deferred outflows of resources	(1,764)
Increase in deferred inflows of resources	13,791
Increase in other postemployment benefits	328
Net cash used in operating activities	\$ (70,914)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015 the District received Federal commodities valued at \$13,785.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

(1) **Summary of Significant Accounting Policies**

The Tri-County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Keswick, Gibson, Thornburg and What Cheer, Iowa, and the predominate agricultural territory in Iowa, Keokuk, Mahaska and Poweshiek 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, Tri-County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Tri-County 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 Iowa, Keokuk, Mahaska and Poweshiek 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 categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 is 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Fund is used to account for resources used to pay the costs of unemployment benefits, termination benefits, insurance agreements and liability insurance.

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 nonmajor proprietary funds:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 nonoperating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments - 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.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Life
Buildings	20 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

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

#### (2) **Cash and Pooled Investments**

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

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

At June 30, 2015 the District had investments in the Iowa School Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$43,905 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) 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	\$ 23,205	-	-	23,205
Total capital assets not being depreciated	<u>23,205</u>	<u>-</u>	<u>-</u>	<u>23,205</u>
Capital assets being depreciated:				
Buildings	3,338,378	79,780	-	3,418,158
Land improvements	229,220	-	-	229,220
Machinery and equipment	929,217	102,137	137,747	893,607
Total capital assets being depreciated	<u>4,496,815</u>	<u>181,917</u>	<u>137,747</u>	<u>4,540,985</u>
Less accumulated depreciation for:				
Buildings	2,858,079	93,031	-	2,951,110
Land improvements	160,669	5,956	-	166,625
Machinery and equipment	751,129	42,961	137,747	656,343
Total accumulated depreciation	<u>3,769,877</u>	<u>141,948</u>	<u>137,747</u>	<u>3,774,078</u>
Total capital assets being depreciated, net	<u>726,938</u>	<u>39,969</u>	<u>-</u>	<u>766,907</u>
Governmental activities capital assets, net	<u>\$ 750,143</u>	<u>39,969</u>	<u>-</u>	<u>790,112</u>
Business type activities:				
Machinery and equipment	\$ 70,967	-	-	70,967
Less accumulated depreciation	56,636	3,895	-	60,531
Business type activities capital assets, net	<u>\$ 14,331</u>	<u>(3,895)</u>	<u>-</u>	<u>10,436</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 16,312
Support services:		
Administration		1,900
Operation of maintenance of plant		2,130
Transportation		22,619
		<u>42,961</u>
Unallocated depreciation		<u>98,987</u>
Total governmental activities depreciation expense		<u>\$ 141,948</u>
Business type activities:		
Food service operations		<u>\$ 3,895</u>

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects: Statewide Sales, Services and Use Tax	\$ 61,475
Debt Service		
	Capital Projects: Physical Plant and Equipment Levy	31,923
Debt Service		
Total		<u>\$ 93,398</u>

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District’s capital loan note indebtedness.

**(5) Long-Term Liabilities**

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

	Balance			Balance End of Year	Due Within One Year
	Beginning of Year Restated	Additions	Deletions		
Governmental activities:					
General obligation bonds	\$ 360,000	-	260,000	100,000	100,000
Capital loan note	60,542	-	29,627	30,915	30,915
Computer lease	59,965	-	59,965	-	-
Termination benefits	3,230	-	1,615	1,615	1,615
Net pension liability	1,525,840	-	402,998	1,122,842	-
Net OPEB liability	79,175	11,350	-	90,525	-
Total	<u>\$ 2,088,752</u>	<u>11,350</u>	<u>754,205</u>	<u>1,345,897</u>	<u>132,530</u>
Business type activities:					
Net pension liability	\$ 49,139	-	12,978	36,161	-
Net OPEB liability	2,289	328	-	2,617	-
Total	<u>\$ 51,428</u>	<u>328</u>	<u>12,978</u>	<u>38,778</u>	<u>-</u>

General Obligation Bonds

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

Year Ending June 30,	Bond Issue Dated August 1, 2003			
	Interest Rates	Principal	Interest	Total
2016	3.85 %	\$ 100,000	3,850	<u>103,850</u>

Capital Loan Note Payable

Details of the District's June 30, 2015 capital loan note indebtedness are as follows:

Year Ending June 30,	Loan Note Dated July 15, 2011				
	Interest Rates	Principal	Interest	Total	
2016	4.25	% \$ 30,915	1,006	31,921	

Termination Benefits

The District did not offer a voluntary early retirement incentive to employees during fiscal year 2015. However, the District offered a voluntary early retirement plan to its certified employees during the year ended June 30, 2012. This was a one-time offering. Eligible employees had to be at least age fifty-five and have completed twenty years of continuous service to the District. Employees were required to complete an application, which was subject to approval by the Board of Education.

Early retirement incentives were based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee had more than 25 consecutive years, they were entitled to an additional \$1,500 for five years.

At June 30, 2015, the District has an obligation to one participant with a total liability of \$1,615. Actual termination benefits paid during the year ended June 30, 2015, totaled \$1,615.

**(6) Pension Plan**

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 \$137,499.

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 \$1,159,003 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.028680 percent, which was an increase of 0.000821 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$95,520. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,596	\$ -
Changes of assumptions	51,149	-
Net difference between projected and actual earnings on pension plan investments	-	442,010
Changes in proportion and differences between District contributions and proportionate share of contributions	37,538	-
District contributions subsequent to the measurement date	137,499	-
<b>Total</b>	<b>\$ 238,782</b>	<b>\$ 442,010</b>

\$137,499 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	(86,838)
2017		(86,838)
2018		(86,838)
2019		(86,838)
2020		6,625
	\$	<u>(340,727)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,189,903	\$ 1,159,003	\$ 288,816

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$21,203 for legally required employer contributions and \$14,127 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(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 32 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	15,657
Interest on net OPEB obligation		2,037
Adjustment to annual required contribution		(4,570)
Annual OPEB cost		<u>13,124</u>
Contributions made		<u>(1,446)</u>
Increase in net OPEB obligation		11,678
Net OPEB obligation beginning of year		<u>81,464</u>
Net OPEB obligation end of year	\$	<u><u>93,142</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 11,296	8.39%	\$ 70,863
2014	11,783	10.03%	81,464
2015	13,124	11.02%	93,142

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 \$96,603, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,603. The covered payroll (annual payroll of active employees covered by the plan) was \$1,471,485, and the ratio of the UAAL to covered payroll was 6.57%. As of June 30, 2015 there were no trust fund assets.

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

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6%. Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for over 30 years.

**(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.

**(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 \$114,937 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(10) Categorical Funding**

The District's balances for categorical funding at June 30, 2015 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Professional development for model core curriculum	\$ 4,387
Professional development	2,497
Total	<u>\$ 6,884</u>

**(11) Budget Overexpenditure**

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

**(12) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is the following:

	<u>Net investment in Capital Assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	599,206	113,257	34,226
Capital assets, net of accumulated depreciation	790,112	-	-	-
General obligation bond capitalized indebtedness	(100,000)	-	-	-
Capital loan note capitalized indebtedness	(30,915)	-	-	-
Termination benefits	-	(1,615)	-	-
Accrued interest payable	-	-	(817)	-
Income surtax	-	-	-	158,974
Pension related deferred outflows	-	-	-	231,690
Net pension liability	-	-	-	(1,122,842)
Pension related deferred inflows	-	-	-	(428,219)
Net OPEB liability	-	-	-	(90,525)
Net position (Exhibit A)	<u>\$ 659,197</u>	<u>597,591</u>	<u>112,440</u>	<u>(1,216,696)</u>

**(13) Deficit Balances**

The District had the following deficit balances at June 30 2015; deficit unrestricted net position of \$66,943 and deficit total net position of \$56,507 in the School Nutrition Fund. The District also had deficit unrestricted net position in its governmental activities of \$1,216,696 at June 30, 2015.

**(14) Accounting Change/Restatement**

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 1,802,356	\$ (16,880)
Net pension liability at June 30, 2014	(1,525,840)	(49,139)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	165,441	5,328
Net position July 1, 2014, as restated	<u>\$ 441,957</u>	<u>\$ (60,691)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 1,881,413	53,559	1,934,972	2,105,667	2,105,667	(170,695)
State sources	1,816,520	1,201	1,817,721	1,697,611	1,697,611	120,110
Federal sources	97,564	96,613	194,177	174,000	174,000	20,177
Total revenues	<u>3,795,497</u>	<u>151,373</u>	<u>3,946,870</u>	<u>3,977,278</u>	<u>3,977,278</u>	<u>(30,408)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,248,188	-	2,248,188	2,308,300	2,455,000	206,812
Support services	1,113,852	34,209	1,148,061	1,310,250	1,434,468	286,407
Non-instructional programs	-	112,980	112,980	95,000	215,000	102,020
Other expenditures	514,405	-	514,405	563,449	483,449	(30,956)
Total expenditures/expenses	<u>3,876,445</u>	<u>147,189</u>	<u>4,023,634</u>	<u>4,276,999</u>	<u>4,587,917</u>	<u>564,283</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(80,948)	4,184	(76,764)	(299,721)	(610,639)	533,875
Balances beginning of year, as restated	<u>1,483,496</u>	<u>(60,691)</u>	<u>1,422,805</u>	<u>1,426,562</u>	<u>1,426,562</u>	<u>(3,757)</u>
Balances end of year	<u>\$ 1,402,548</u>	<u>(56,507)</u>	<u>1,346,041</u>	<u>1,126,841</u>	<u>815,923</u>	<u>530,118</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$310,918.

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

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

	2015
District's proportion of the net pension liability	0.028638%
District's proportionate share of the net pension liability	\$ 1,159,003
District's covered-employee payroll	\$ 1,539,750
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.27%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 137,499	170,769	155,980	145,903	137,470	128,071	126,003	120,529	100,399	96,702
Contributions in relation to the statutorily required contribution	(137,499)	(170,769)	(155,980)	(145,903)	(137,470)	(128,071)	(126,003)	(120,529)	(100,399)	(96,702)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,539,750	1,912,307	1,799,077	1,807,968	1,977,986	1,842,748	1,984,299	1,992,215	1,746,070	1,681,774
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

*Changes of benefit terms:*

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

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

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

*Changes of assumptions:*

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 215,000	\$ 215,000	0.00%	\$ 2,736,818	7.86%
2011	July 1, 2009	-	215,000	215,000	0.00%	1,977,984	10.87%
2012	July 1, 2009	-	215,000	215,000	0.00%	1,807,973	11.89%
2013	July 1, 2012	-	97,293	97,293	0.00%	1,316,224	7.39%
2014	July 1, 2012	-	98,442	98,442	0.00%	1,656,887	5.94%
2015	July 1, 2012	-	96,603	96,603	0.00%	1,471,485	6.57%

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.

**TRI-COUNTY COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 72,602	108,374	180,976
Receivables:			
Property tax:			
Delinquent	-	4,883	4,883
Succeeding year	-	107,622	107,622
<b>TOTAL ASSETS</b>	<u>\$ 72,602</u>	<u>220,879</u>	<u>293,481</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 215	-	215
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	107,622	107,622
Fund balances:			
Restricted for:			
Student Activity	72,387	-	72,387
Debt Service	-	113,257	113,257
Total fund balances	<u>72,387</u>	<u>113,257</u>	<u>185,644</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 72,602</u>	<u>220,879</u>	<u>293,481</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Local tax	\$ -	274,811	274,811
Other	122,252	21	122,273
Total revenues	<u>122,252</u>	<u>274,832</u>	<u>397,084</u>
Expenditures:			
Current:			
Instruction:			
Other	113,089	-	113,089
Long-term debt:			
Principal	-	349,592	349,592
Interest	-	18,982	18,982
Total expenditures	<u>113,089</u>	<u>368,574</u>	<u>481,663</u>
Excess(Deficiency) of revenues over(under) expenditures	9,163	(93,742)	(84,579)
Other financing sources:			
Transfer in	-	93,398	93,398
Change in fund balances	9,163	(344)	8,819
Fund balances beginning of year	<u>63,224</u>	<u>113,601</u>	<u>176,825</u>
Fund balances end of year	<u>\$ 72,387</u>	<u>113,257</u>	<u>185,644</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 450,345	90,894	541,239
Receivables:			
Property tax:			
Delinquent	-	892	892
Succeeding year	-	53,334	53,334
Income surtax	-	52,991	52,991
Due from other governments	38,245	-	38,245
<b>TOTAL ASSETS</b>	<b>\$ 488,590</b>	<b>198,111</b>	<b>686,701</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	3,788	3,788
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	53,334	53,334
Income surtax	-	52,991	52,991
Total deferred inflows of resources	-	106,325	106,325
Fund balances:			
Restricted for:			
School infrastructure	488,590	-	488,590
Physical plant and equipment	-	87,998	87,998
Total fund balances	488,590	87,998	576,588
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 488,590</b>	<b>198,111</b>	<b>686,701</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	102,140	102,140
Other	-	49	49
State sources	253,338	-	253,338
Total revenues	253,338	102,189	355,527
Expenditures:			
Current:			
Instruction:			
Regular	41,790	14,666	56,456
Support services:			
Operation and maintenance of plant	75,875	7,108	82,983
Transportation	-	82,989	82,989
Capital outlay	6,251	24,643	30,894
Total expenditures	123,916	129,406	253,322
Excess(Deficiency) of revenues over(under) expenditures	129,422	(27,217)	102,205
Other financing uses:			
Transfer out	(61,475)	(31,923)	(93,398)
Change in fund balances	67,947	(59,140)	8,807
Fund balances beginning of year	420,643	147,138	567,781
Fund balances end of year	\$ 488,590	87,998	576,588

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Drama	\$ 1,711	5,201	3,893	-	3,019
Inst/vocal trip	3,314	-	460	-	2,854
Basketball	650	1,215	900	539	1,504
Girl's Basketball	84	1,085	860	539	848
Volleyball	2,874	1,683	1,595	673	3,635
Athletic resale	-	18,268	11,537	(6,731)	-
Athletic gate receipts	2,124	20,388	170	(19,495)	2,847
Track	-	1,864	3,450	2,259	673
Baseball	1,106	2,826	3,009	538	1,461
Wrestling	1,601	1,121	1,321	538	1,939
Student interest	(43)	42	33	34	-
Student petty cash	46	-	-	-	46
Student council	4,435	1,648	2,457	125	3,751
TAG	157	1,088	95	560	1,710
Cheerleading	1,979	4,400	5,183	-	1,196
Dance squad	217	27	-	-	244
National honor society	1,870	825	1,428	-	1,267
Class of 2015	6,432	13,574	17,531	1,291	3,766
Class of 2016	3,573	5,290	1,367	(228)	7,268
Class of 2017	2,767	2,031	-	-	4,798
Class of 2018	1,876	1,137	-	-	3,013
Class of 2019	-	133	-	-	133
Class of 2020	-	455	-	-	455
FCCLA	2,162	-	-	-	2,162
Trojan annual	5,441	5,035	5,268	-	5,208
FFA	3,292	20,480	20,280	-	3,492
Horticulture	1,598	1,162	1,532	-	1,228
Instrumental	804	160	576	-	388
Shop resale	375	872	250	-	997
Elementary Trojan Garden	-	505	-	-	505
Youth Sports	1,630	1,736	3,087	(279)	-
Elementary Trojans	2,944	785	825	279	3,183
Elementary fund raisers	8,200	701	3,336	-	5,565
Elementary library books	5	2,221	2,226	-	-
Athletics non-resale	-	-	16,433	16,433	-
Football	-	4,267	3,195	1,621	2,693
Softball	-	27	792	1,304	539
<b>Total</b>	<b>\$ 63,224</b>	<b>122,252</b>	<b>113,089</b>	<b>-</b>	<b>72,387</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**TRI-COUNTY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,627,025	1,844,349	2,118,670	2,034,364	1,799,952	1,710,225	1,589,720	1,480,082	1,558,501	1,505,041
Tuition	82,672	71,241	81,779	20,591	114,737	55,460	45,330	99,472	71,744	97,048
Other	171,716	209,011	165,901	208,277	200,676	210,029	239,005	235,323	292,229	271,836
State sources	1,816,520	1,763,019	1,478,277	1,697,115	1,516,565	1,419,810	1,757,254	1,685,116	1,579,975	1,602,663
Federal sources	97,564	111,403	126,684	176,513	193,575	289,583	139,586	122,882	126,530	133,778
Total	\$ 3,795,497	3,999,023	3,971,311	4,136,860	3,825,505	3,685,107	3,770,895	3,622,875	3,628,979	3,610,366
Expenditures:										
Instruction:										
Regular	\$ 1,368,805	1,378,824	1,331,503	1,257,067	1,742,665	1,359,485	1,358,594	1,378,382	1,273,126	1,159,799
Special	303,107	319,830	372,676	270,907	362,728	406,540	404,524	489,216	485,136	491,618
Other	576,276	635,522	626,997	606,898	680,156	619,654	584,454	368,264	378,135	340,554
Support services:										
Student	20,385	4,939	5,571	3,115	3,200	5,138	1,754	18,750	31,031	57,696
Instructional staff	15,930	15,860	15,620	39,340	28,838	47,860	49,453	57,315	62,312	65,420
Administration	344,507	386,714	403,375	342,572	403,479	300,081	368,835	383,751	323,994	335,427
Operation and maintenance of plant	419,353	551,080	430,330	373,703	407,071	375,102	358,536	364,777	330,843	316,066
Transportation	313,677	262,797	255,282	228,842	236,129	241,110	234,187	219,808	272,527	200,568
Non-instructional programs	-	-	-	-	-	150	-	7,608	19,554	20,641
Capital outlay	30,894	3,967	10,516	157,699	92,659	76,121	217,403	190,462	157,535	92,957
Long-term debt:										
Principal	349,592	320,454	310,886	297,720	155,000	150,000	145,000	140,000	135,000	130,000
Interest and fiscal charges	18,982	29,882	38,091	47,300	35,940	40,390	44,392	50,563	55,743	59,867
Other expenditures:										
AEA flowthrough	114,937	114,425	109,846	111,566	126,091	126,997	119,869	114,659	110,869	106,737
Total	\$ 3,876,445	4,024,294	3,910,693	3,736,729	4,273,956	3,748,628	3,887,001	3,783,555	3,635,805	3,377,350

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Tri-County Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

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

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

Tri-County Community School District's Responses to Findings

Tri-County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri-County Community School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tri-County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2016  
Newton, Iowa

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following areas had individuals performing incompatible duties for the District.

- 1) *Cash* - initiating cash receipt and disbursement transactions and handling and recording cash and reconciling in the Activity Fund.
- 2) *Investments* - investing, detailed recordkeeping, custody of investments.
- 3) *Receipts* - collecting, recording, and depositing in the Student Activity Fund.
- 4) *School lunch program* - collecting receipts, recording and depositing.

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

Response - The District is reviewing current procedures, and assigning new roles where possible.

Conclusion - Response accepted.

I-B-15 Accounts Payable Procedures - We noted during our audit, that the District paid a late fee on a semi-annual computer lease payment to PNC Equipment Finance. The payment of the late fees would appear to be an unnecessary expense for the District had the bill been processed timely.

Recommendation - The District should review its accounts payable procedures to ensure all bills and invoices are paid in a timely manner and by their appropriate due dates ensuring the District is not subjected to late fees or unnecessary penalties.

Response - The District is reviewing the due dates of all invoices to ensure late fees are not incurred in the future.

Conclusion - Response accepted.

I-C-15 Supporting Documents for Credit Card Payments - During our audit we noted several instances of purchases on the District credit card that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice. This additional approval should be noted in written form as part of the purchase made.

Response - The District has reviewed its policy with all employees to ensure proper supporting documentation is obtained for all purchase orders and credit card purchases.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - In the future, the District's budget will be amended accordingly.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - During our audit we noted instances of questioned items as follows:

**Retirement Gift Purchases:** We noted the District purchased commemorative clocks to be given to employees who retired during the year.

Recommendation - Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for the public benefit. Expenditures in these "gray" areas should be evaluated and determined through the criteria of "public purpose" and the Board should document the public purpose served including how the public benefits through the expenditure of public funds for the particular purpose such as gift awards to staff.

Documentation should be in the Board minutes and/or through established Board policy. The decision and documentation should be in place prior to spending the public funds. Keep in mind, this decision and related documentation may not eliminate the shadow of doubt surrounding this type of expenditure. It simply establishes the District's consideration and justification for the expenditure.

A better alternative would be to ask an outside organization such as a Booster Club or Foundation to provide the gifts to the teachers in lieu of using public funds for the purchase.

Response - The District will no longer purchase gifts for any purposes, and will seek outside assistance from booster clubs if these types of purchases wish to be made.

Conclusion - Response accepted.

**Prizes:** We noted the District purchased prizes from Adrenaline Fundraising to be given to students for being top sellers in District fundraisers. Prizes purchased by the District do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to students for being top sellers in fundraisers, as performance incentives or for good behavior to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District is working with its fundraising vendors to eliminate this practice.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Jody Schroeder, Board Member Spouse owns Schroeder's Service	Repairs	\$1,073
Justin Lear, Board Member Owns J&R Construction	Purchased Services	\$375
Karen Sieren, Board Member Brother-in-law owns Matt Dobbins Mowing	Purchased Services	\$8,120

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the relatives of Board Members, Jody Schroeder and Karen Sieren do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with Board Member Justin Lear 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 insure that the coverage is adequate for current operations.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted District board minutes were not always published in a timely manner.

Recommendation - The District should publish District board minutes within two weeks of the Board meeting, as required by Chapter 279.35 of the Code of Iowa.

Response - The District will publish minutes in a timely manner, and will print supporting documentation showing date minutes were sent/received by the paper.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-15 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education, and we noted no significant deficiencies in amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 420,643
Revenues:		
Sales tax revenues		<u>253,338</u>
		673,981
Expenditures/transfers out:		
School infrastructure construction	\$ 6,251	
Equipment	41,790	
Other	75,875	
Transfers to other funds:		
Debt service fund	<u>61,475</u>	<u>185,391</u>
Ending balance		<u><u>\$ 488,590</u></u>

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

- II-M-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted net position of \$66,943 and deficit total net position of \$56,507 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position of \$1,216,696 in its governmental activities. The primary reason for the deficit net positions in the School Nutrition Fund and the District's governmental activities is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District is currently taking steps to ensure administration and the board of education fully understand GASB 68 & 71 and how they will affect the District's financials.

Conclusion - Response accepted.

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

**Target Donations:** We noted during the audit that the District was receipting money from Target donations into the student activity fund. When donations are received they should be deposited into the fund that can expend the donations in accordance with the donor intent. Target donations are considered to be undesignated donations and should be receipted into the general fund unless the Board of Directors designates them for a specific purpose.

Recommendation - The District should review its procedures to ensure proper accounting for donations. Target donations should be receipted to the General Fund unless otherwise designated by the District's Board of Education.

Response - Target donations are now being receipted to the General Fund.

Conclusion - Response accepted.

**Scholarships:** We noted scholarships awarded from the Student Council account within the Student Activity Fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - When fundraising takes place, the District should deposit the proceeds into the appropriate fund. Moneys fundraised for scholarships should be receipted and expensed from the Private Purpose Trust Fund. Furthermore, scholarships should not be paid from the Student Activity Fund as those expenses are not extracurricular or co-curricular in nature.

Response - The District will create a scholarship account for this purpose. The District will no longer receipt that money into the Student Activity Fund.

Conclusion - Response accepted.

**Petty Cash Account:** We noted an account that is referred to as Student petty cash. It does not appear that this is associated with a particular group and it appears that this is an administratively maintained account.

Recommendation - Accounts in the Student Activity Fund should be associated with a specific group. The District should investigate where the money initially came from and reallocate the balance in the account to other accounts in the Student Activity Fund with approval of the Board of Education.

Response - The petty cash account has been eliminated. The money was put into the gate receipts account within the Student Activity Fund.

Conclusion - Response accepted.

II-O-15 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Student Activity Fund which have been outstanding for over two years.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District determined these checks needed to be voided.

Conclusion - Response accepted.

II-P-15 Officiating Contracts - We noted during our audit that Activity Fund officiating contracts are not currently signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District, including contracts with athletic officials, to be in compliance with 291.1 of the Code of Iowa.

Response - The Board President is now signing or stamping all contracts.

Conclusion - Response accepted.