

Turkey Valley Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2015

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Turkey Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jolene Steinlage	President	2015
Ernie Schmitt	Vice President	2015
Don Blazek Jr	Board Member	2017
Leon Shatek	Board Member	2017
Renee Thronson	Board Member	2017
School Officials		
Clark Goltz	Superintendent	2015
Janice Myers	Board Treasurer/Business Manager	2015
Joan Busta	Board Secretary	2015
Brian Gruhn	Attorney	2015

Independent Auditor's Report

To the Board of Education of
Turkey Valley Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Turkey Valley 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, Turkey Valley Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

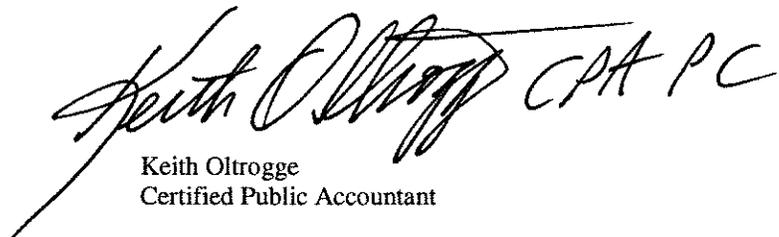
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I 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 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 my 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, I have also issued my report dated March 24, 2016 on my consideration of Turkey Valley Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Turkey Valley Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 24, 2016

Turkey Valley Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Turkey Valley 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 \$4,444,732 in fiscal 2014 to \$4,488,235 in fiscal 2015, while General Fund expenditures decreased from \$4,937,300 in fiscal 2014 to \$4,894,954 in fiscal 2015. The District's General Fund balance decreased from adjusted \$1,044,522 in fiscal year 2014 to \$637,825 in fiscal year 2015, a 38.4% decrease.
- The increase in General Fund revenues was attributable to increases in federal sources in fiscal 2015. The decrease in expenditures was due to a decrease in instructional expenses.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 14.6% in 2014 to 5.6% in fiscal 2015. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Turkey Valley 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 Turkey Valley 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 Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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 non-major governmental funds.

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

Figure A-1
Turkey Valley Community School District Annual Financial Report

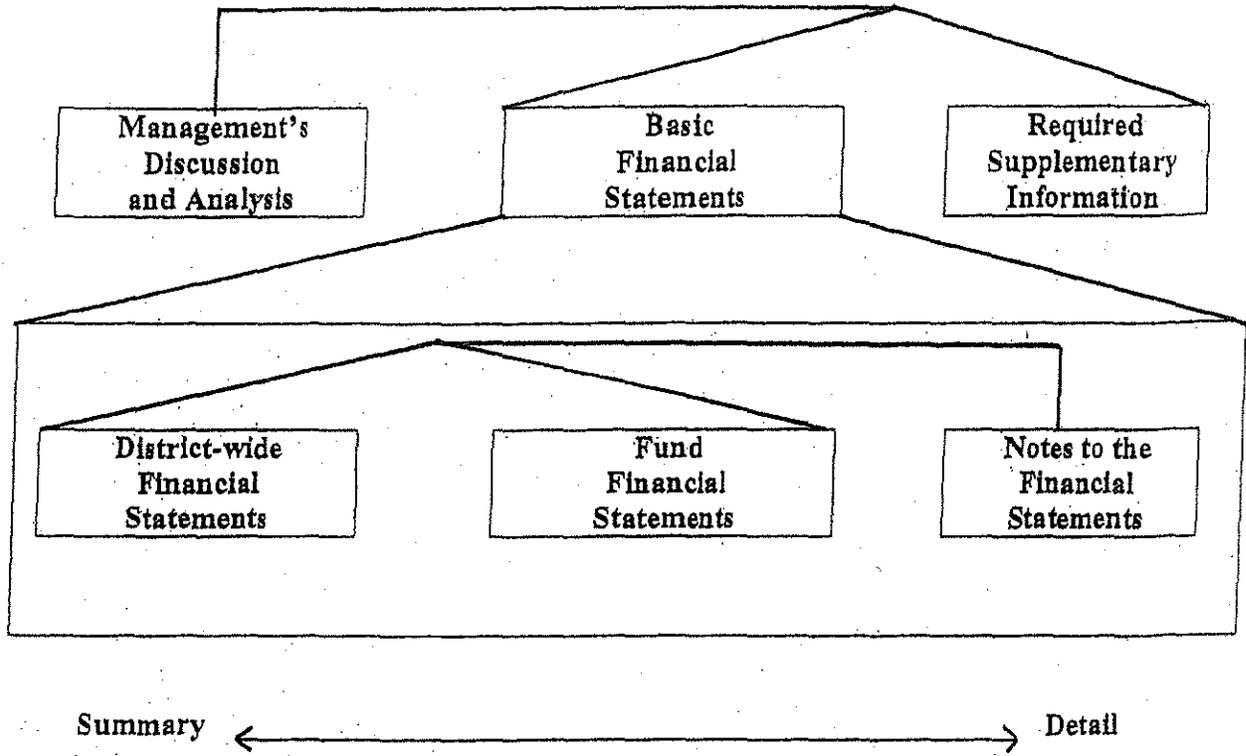


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period

Figure A-2

Major Features of the Government-wide and Fund Financial Statements (continued):

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's 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,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$5,508,922	\$5,697,261	\$113,105	\$125,242	\$5,622,027	\$5,822,503	-3.5%
Capital assets	3,688,346	3,440,648	18,217	18,797	3,706,563	3,459,445	7.1%
Total assets	\$9,197,268	\$9,137,909	\$131,322	\$144,039	\$9,328,590	\$9,281,948	0.5%
Deferred outflows of resources	\$524,496	-	\$22,591	\$-	\$547,087	\$-	100%
Long-term liabilities	\$1,864,297	\$93,514	\$73,655	\$-	\$1,937,952	\$93,514	1,972.4%
Other liabilities	785,952	764,348	32,935	32,692	818,887	797,040	2.7%
Total liabilities	\$2,650,249	\$857,862	\$106,590	\$32,692	\$2,756,839	\$890,554	207.8%
Deferred inflows of resources	\$3,068,215	\$2,359,529	\$28,090	\$-	\$3,096,305	\$2,359,529	31.2%
Net position:							
Net investment in capital assets	\$3,688,346	\$3,440,648	\$18,217	\$18,797	\$3,706,563	\$3,459,445	7.1%
Restricted	1,969,802	1,818,325	-	-	1,969,802	1,818,325	8.3%
Unrestricted	-1,654,822	662,370	990	91,725	-1,653,832	754,095	-319.3%
Total net position	\$4,003,326	\$5,921,343	\$19,207	\$110,522	\$4,022,533	\$6,031,865	-33.3%

The District's total net position decreased 33.3%, or \$2,009,332, from the prior year. The largest portion of the District's net position is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$151,477, or 8.3% over the prior year. The increase is due to reclassifications.

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 \$2,009,332, or 33.3%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,110,771 and \$91,701, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$679,836	\$800,829	\$192,546	\$207,884	\$872,382	\$1,008,713	-13.5%
Operating grants, contributions and restricted interest	813,539	807,048	95,633	84,758	909,172	891,806	1.9%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,361,915	2,397,025	-	-	2,361,915	2,397,025	-1.5%
Statewide sales, services and use tax	338,162	330,406	-	-	338,162	330,406	2.3%
Unrestricted state grants	1,320,828	1,380,500	-	-	1,320,828	1,380,500	-4.3%
Unrestricted investment earnings	5,382	11,065	26	92	5,408	11,157	-51.5%
Other	108,925	68,202	-	3,950	108,925	72,152	51.0%
Total revenues	\$5,628,587	\$5,795,075	\$288,205	\$296,684	\$5,916,792	\$6,091,759	-2.9%
Program expenses:							
Governmental activities:							
Instruction	\$3,645,219	\$3,948,177	\$37,569	\$53,845	\$3,682,788	\$4,002,022	-8.0%
Support services	1,577,467	1,614,839	-	-	1,577,467	1,614,839	-2.3%
Non-instructional programs	2,695	182	250,250	227,641	252,945	227,823	11.0%
Other expenses	227,952	190,917	-	-	227,952	190,917	19.4%
Total expenses	\$5,453,333	\$5,754,115	\$287,819	\$281,486	\$5,741,152	\$6,035,601	-4.9%
Change in net position	\$175,254	\$40,960	\$386	\$15,198	\$175,640	\$56,158	212.8%
Other financing sources:							
Sale of assets	17,500	-	-	-	17,500	-	100%
Change in net position	\$192,754	\$40,960	\$386	\$15,198	\$193,140	\$56,158	243.9%
Net position, beginning of year, as restated	\$3,810,572	\$5,878,826	\$18,821	\$95,324	\$3,829,393	\$5,974,150	-35.9%
Prior period adjustment	-	1,557	-	-	-	1,557	-100%
Adjusted net position, beginning of Year, as restated	\$3,810,572	\$5,880,383	\$18,821	\$95,324	\$3,829,393	\$5,975,707	-35.9%
Net position, end of year	\$4,003,326	\$5,921,343	\$19,207	\$110,522	\$4,022,533	\$6,031,865	-33.3%

In fiscal year 2015, property tax and unrestricted state grants account for 65.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$5.9 million, of which approximately \$5.6 million was for governmental activities and \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.9% decrease in revenues and a 4.9% decrease in expenses. Property tax decreased \$35,110.

Governmental Activities

Revenues for governmental activities were \$5,628,587 and expenses were \$5,453,333 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change 2014-2015	Net Cost of Services		Change 2014-2015
	2015	2014 (Not restated)		2015	2014 (Not restated)	
Instruction	\$3,645,219	\$3,948,177	-7.7%	\$2,258,790	\$2,445,615	-7.6%
Support services	1,577,467	1,614,839	-2.3%	1,470,521	1,509,524	-2.6%
Non-instructional programs	2,695	182	1,380.8%	2,695	182	1,380.8%
Other expenses	227,952	190,917	19.4%	227,952	190,917	19.4%
Totals	\$5,453,333	\$5,754,115	-5.2%	\$3,959,958	\$4,146,238	-4.5%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$872,382.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$909,172.
- The net cost of governmental activities was financed with \$2,700,077 in property and other taxes and \$1,320,828 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$288,205 and expenses were \$287,819. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Turkey Valley 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 \$4,003,326, well above last year's adjusted ending fund balances of \$3,810,572.

Governmental Fund Highlights

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students. The General Fund balance decreased from adjusted \$1,044,522 to \$637,825 due, in part, to expenditures exceeding revenue.
- The Capital Projects Fund balance decreased from \$834,700 to \$696,127 due, in part, to the increase in expenditures.
- The Management Levy Fund balance increased from \$478,169 to \$754,517, due to the increase in property taxes.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased \$3,872 due to the increase in expenditures.
- The Preschool Program net position increased from adjusted -\$52,158 at June 30, 2014 to -\$47,900 at June 30, 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, Turkey Valley Community School District amended its budget one time to reflect additional expenditures associated with the fitness facility.

The District's Governmental total revenues were \$20,244 less than total budgeted revenues, a variance of 0.4%. The variance resulted from the District receiving less in local sources than originally anticipated.

Total Governmental 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 practice, the certified budget was exceeded in the instruction, support services and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the budget.

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated, fund balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authorization to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent budget authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review Committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2014 and 2015.

	Unspent Budget Authority Comparison		
	2014	2015	Change
Budget Revenue			
Maximum General Fund District Cost	\$3,468,600	\$3,588,215	3.4%
Preschool Foundation Aid	76,513	92,307	20.6%
Instructional Support Fund	203,312	207,070	1.8%
Other Miscellaneous Income	835,395	866,243	3.7%
Previous Year Unspent Budget Authority	861,337	507,857	-41.0%
Maximum Budget Authority	\$5,445,157	\$5,261,692	-3.4%
Total Expenditures	\$4,937,300	\$4,894,933	-0.9%
End Fiscal Year Unspent Budget Authority	\$507,857	\$366,759	-27.8%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$3,706,565, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$329,833.

The original cost of the District's capital assets was \$10,058,705. Governmental funds account for \$10,010,935, with the remainder of \$47,770 accounted for in the Proprietary, School Nutrition Fund.

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	2014-2015
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	-
Construction in process	95,862	167,506	-	-	95,862	167,506	-42.8%
Buildings	2,942,963	2,535,923	-	-	2,942,963	2,535,923	16.1%
Improvements other than buildings	143,756	148,038	-	-	143,756	148,038	-0.3%
Furniture and equipment	474,719	558,135	18,217	18,797	492,936	576,932	-14.6%
Totals	\$3,688,346	\$3,440,648	\$18,217	\$18,797	\$3,706,563	\$3,459,445	7.1%

Long-Term Debt

At June 30, 2015, the District had only early retirement, net OPEB liability and net pension liability for long term debt. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District does not have any outstanding general obligation debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of existing circumstances which could significantly affect its financial health in the future except for:

- The District has experienced declining enrollment for the past several years and expects it to continue to decline in the future.

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 Janice Myers, Board Treasurer, Turkey Valley Community School District, 3219 State Highway 24, Jackson Junction IA 52171-8308.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,713,123	\$ 107,801	\$ 2,820,924
Receivables:			
Property tax:			
Delinquent	30,703	-	30,703
Succeeding year	2,416,037	-	2,416,037
Accounts	122,652	28	122,680
Due from other governments	226,407	-	226,407
Inventories	-	5,276	5,276
Capital assets, net of accumulated depreciation/amortization	3,688,346	18,217	3,706,563
Total Assets	\$ 9,197,268	\$ 131,322	\$ 9,328,590
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 524,496	\$ 22,591	\$ 547,087
Liabilities			
Accounts payable	\$ 345,197	\$ 1,526	\$ 346,723
Salaries and benefits payable	440,755	-	440,755
Excess cash over bank warrants	-	26,966	26,966
Unearned revenue	-	4,443	4,443
Long-term liabilities:			
Portion due within one year:			
Early retirement	33,203	-	33,203
Portion due after one year:			
Early retirement	29,506	-	29,506
Net pension liability	1,710,089	73,655	1,783,744
Net OPEB liability	91,499	-	91,499
Total Liabilities	\$ 2,650,249	\$ 106,590	\$ 2,756,839
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,416,037	\$ -	\$ 2,416,037
Pension related deferred inflows	652,178	28,090	680,268
Total Deferred Inflows of Resources	\$ 3,068,215	\$ 28,090	\$ 3,096,305
Net Position			
Net investment in capital assets	\$ 3,688,346	\$ 18,217	\$ 3,706,563
Restricted for:			
Categorical funding	163,377	-	163,377
General fund	200,000	-	200,000
School infrastructure	481,164	-	481,164
Management levy purposes	691,808	-	691,808
Student activities	218,490	-	218,490
Physical plant and equipment	214,963	-	214,963
Unrestricted	-1,654,822	990	-1,653,832
Total Net Position	\$ 4,003,326	\$ 19,207	\$ 4,022,533

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	-1,457,632	\$	-	\$ -1,457,632
	-443,529		-	-443,529
	-357,629		-	-357,629
\$	-2,258,790	\$	-	\$ -2,258,790
\$	-204,797	\$	-	\$ -204,797
	-65,371		-	-65,371
	-503,076		-	-503,076
	-392,392		-	-392,392
	-304,885		-	-304,885
\$	-1,470,521	\$	-	\$ -1,470,521
\$	-2,695	\$	-	\$ -2,695
\$	-52,520	\$	-	\$ -52,520
	-175,432		-	-175,432
\$	-227,952	\$	-	\$ -227,952
\$	-3,959,958	\$	-	\$ -3,959,958
\$	-	\$	-3,898	\$ -3,898
	-		4,258	4,258
\$	-	\$	360	\$ 360
\$	-3,959,958	\$	360	\$ -3,959,598

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,177,411	\$ -	\$ 2,177,411
184,504	-	184,504
338,162	-	338,162
1,320,828	-	1,320,828
5,382	26	5,408
108,925	-	108,925
<hr/> \$ 4,135,212	<hr/> \$ 26	<hr/> \$ 4,135,238
\$ 175,254	\$ 386	\$ 175,640
17,500	-	17,500
<hr/> \$ 192,754	<hr/> \$ 386	<hr/> \$ 193,140
3,810,572	18,821	3,829,393
<hr/> \$ 4,003,326	<hr/> \$ 19,207	<hr/> \$ 4,022,533

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2015

	General	Management Levy	Capital Projects	Non-Major Funds	Total
Assets					
Cash, Cash Equivalents and Pooled Investments	\$ 999,366	\$ 777,100	\$ 717,758	\$ 218,899	\$ 2,713,123
Receivables:					
Property Tax:					
Delinquent	23,099	5,206	2,398	-	30,703
Succeeding year	2,025,192	200,000	190,845	-	2,416,037
Accounts	122,604	-	48	-	122,652
Due from other governments	174,071	-	52,336	-	226,407
Interfund receivable	26	-	-	-	26
Total Assets	\$ 3,344,358	\$ 982,306	\$ 963,385	\$ 218,899	\$ 5,508,948
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 268,184	\$ 191	\$ 76,413	\$ 409	\$ 345,197
Salaries and benefits payable	413,157	27,598	-	-	440,755
Total liabilities	\$ 681,341	\$ 27,789	\$ 76,413	\$ 409	\$ 785,952
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,025,192	\$ 200,000	\$ 190,845	\$ -	\$ 2,416,037
Total deferred inflows of resources	\$ 2,025,192	\$ 200,000	\$ 190,845	\$ -	\$ 2,416,037
Fund Balances:					
Restricted for:					
Categorical funding	\$ 163,377	\$ -	\$ -	\$ -	\$ 163,377
General fund	200,000	-	-	-	200,000
Management levy purposes	-	754,517	-	-	754,517
Student activities	-	-	-	218,490	218,490
School infrastructure	-	-	481,164	-	481,164
Physical plant and equipment	-	-	214,963	-	214,963
Unassigned	274,448	-	-	-	274,448
Total fund balances	\$ 637,825	\$ 754,517	\$ 696,127	\$ 218,490	\$ 2,306,959
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,344,358	\$ 982,306	\$ 963,385	\$ 218,899	\$ 5,508,948

See notes to financial statements.

Turkey Valley 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 18)	\$	2,306,959
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,688,346
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	524,496
Deferred inflows of resources		-652,178
		<u>-127,682</u>
Long-term liabilities, including early retirement, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds		<u>-1,864,297</u>
Net Position of governmental activities (page 15)	\$	<u>4,003,326</u>

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015

	General	Management Levy	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,777,008	\$ 400,403	\$ 184,504	\$ -	\$ 2,361,915
Tuition	299,559	-	-	-	299,559
Other	280,440	-	1,958	212,185	494,583
Intermediate sources	-	-	-	-	-
State sources	1,893,151	2,151	339,151	-	2,234,453
Federal sources	238,077	-	-	-	238,077
Total Revenues	\$ 4,488,235	\$ 402,554	\$ 525,613	\$ 212,185	\$ 5,628,587
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,015,451	\$ 83,285	\$ 105,026	\$ -	\$ 2,203,762
Special instruction	709,003	-	-	-	709,003
Other instruction	418,806	-	-	210,513	629,319
	\$ 3,143,260	\$ 83,285	\$ 105,026	\$ 210,513	\$ 3,542,084
Support Services:					
Student services	\$ 221,561	\$ -	\$ -	\$ -	\$ 221,561
Instructional staff services	69,293	-	-	-	69,293
Administration services	616,484	-	-	-	616,484
Operation and maintenance of plant services	380,243	33,475	8,237	-	421,955
Transportation services	288,659	9,446	-	-	298,105
	\$ 1,576,240	\$ 42,921	\$ 8,237	\$ -	\$ 1,627,398
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 568,423	\$ -	\$ 568,423
AEA flow-through	175,432	-	-	-	175,432
	\$ 175,432	\$ -	\$ 568,423	\$ -	\$ 743,855
Total Expenditures	\$ 4,894,932	\$ 126,206	\$ 681,686	\$ 210,513	\$ 5,913,337
Excess (deficiency) of revenue over (under) expenditures	\$ -406,697	\$ 276,348	\$ -156,073	\$ 1,672	\$ -284,750
Other financing sources (uses):					
Sale of assets	-	-	17,500	-	17,500
Change in fund balances	\$ -406,697	\$ 276,348	\$ -138,573	\$ 1,672	\$ -267,250
Fund balances beginning of year	1,044,522	478,169	834,700	216,818	2,574,209
Fund Balances End of Year	\$ 637,825	\$ 754,517	\$ 696,127	\$ 218,490	\$ 2,306,959

See notes to financial statements.

Turkey Valley 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 20) \$ -267,250

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, these 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. Capital outlay expenditures exceeded depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 587,898	
Depreciation expense	-325,832	
Adjustment	-14,368	247,698
		<hr/>

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. 254,885

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, are as follows:

Early retirement	\$ -29,454	
Pension expense	18,115	
Other postemployment benefits	-31,240	-42,579
		<hr/>

Change in Net Position of Governmental Activities (page 17) \$ 192,754

Turkey Valley Community School District

Statement of Net Position
Proprietary Funds

June 30, 2015

	School Nutrition	Preschool Program	Total
Assets			
Current Assets:			
Cash, cash equivalents and pooled investments	\$ 107,801	\$ -	\$ 107,801
Accounts receivable	28	-	28
Inventories	5,276	-	5,276
Total current assets	\$ 113,105	\$ -	\$ 113,105
Non-Current Assets:			
Capital assets, net of accumulated depreciation	\$ 18,217	\$ -	\$ 18,217
Total Assets	\$ 131,322	\$ -	\$ 131,322
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 16,616	\$ 5,975	\$ 22,591
Liabilities			
Current Liabilities:			
Due to other funds	\$ 26	\$ -	\$ 26
Accounts payable	1,526	-	1,526
Excess cash over bank warrants	-	26,966	26,966
Unearned revenue	4,443	-	4,443
Total current liabilities	\$ 5,995	\$ 26,966	\$ 32,961
Non-Current Liabilities:			
Net pension liability	\$ 54,175	\$ 19,480	\$ 73,655
Total Liabilities	\$ 60,170	\$ 46,446	\$ 106,616
Deferred Inflows of Resources			
Pension related deferred inflows	\$ 20,661	\$ 7,429	\$ 28,090
Net Position			
Net investment in capital assets	\$ 18,217	\$ -	\$ 18,217
Unrestricted	48,890	-47,900	990
Total Net Position	\$ 67,107	\$ -47,900	\$ 19,207

See notes to financial statements.

Turkey Valley Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2015

	School Nutrition	Preschool Program	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 150,719	\$ 40,827	\$ 191,546
Contributions	-	1,000	1,000
	<u>\$ 150,719</u>	<u>\$ 41,827</u>	<u>\$ 192,546</u>
Operating expenses:			
Instructional programs:			
Salaries	\$ -	\$ 34,947	\$ 34,947
Benefits	-	2,527	2,527
Supplies	-	95	95
Total	<u>\$ -</u>	<u>\$ 37,569</u>	<u>\$ 37,569</u>
Non-instructional programs:			
Salaries	\$ 96,391	-	\$ 96,391
Benefits	20,352	-	20,352
Purchased services	7,008	-	7,008
Supplies	121,649	-	121,649
Depreciation	4,001	-	4,001
Miscellaneous	849	-	849
Total	<u>\$ 250,250</u>	<u>\$ -</u>	<u>\$ 250,250</u>
Total operating expenses	<u>\$ 250,250</u>	<u>\$ 37,569</u>	<u>\$ 287,819</u>
Operating income (loss)	<u>\$ -99,531</u>	<u>\$ 4,258</u>	<u>\$ -95,273</u>
Non-operating revenues:			
State sources	\$ 1,809	-	\$ 1,809
Federal sources	93,824	-	93,824
Interest income	26	-	26
Total non-operating revenues	<u>\$ 95,659</u>	<u>\$ -</u>	<u>\$ 95,659</u>
Change in net position	\$ -3,872	\$ 4,258	\$ 386
Net position beginning of year, as restated	70,979	-52,158	18,821
Net Position End of Year	<u>\$ 67,107</u>	<u>\$ -47,900</u>	<u>\$ 19,207</u>

See notes to financial statements.

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2015

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees and donations	\$ -	\$ 41,827
Cash received from sale of lunches and breakfasts	151,054	-
Cash paid to employees for services	-126,969	-40,592
Cash paid to suppliers for goods or services	-93,414	-3,585
Net cash provided (used) by operating activities	<u>\$ -69,329</u>	<u>\$ -2,350</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 1,809	\$ -
Federal grants received	63,728	-
Net cash provided by non-capital financing activities	<u>\$ 65,537</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -3,421	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 26	\$ -
Net increase (decrease) in cash and cash equivalents	\$ -7,187	\$ -2,350
Cash and cash equivalents beginning of year	114,988	-24,616
Cash and Cash Equivalents End of Year	<u>\$ 107,801</u>	<u>\$ -26,966</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ -99,531	\$ 4,258
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	30,096	-
Depreciation	4,001	-
(Increase) Decrease in inventories	4,920	-
(Increase) Decrease in accounts receivable	30	-
Increase (Decrease) in accounts payable	1,077	-3,489
Increase (Decrease) in unearned revenue	305	-
Increase (Decrease) in due to other funds	-799	-
Increase (Decrease) in net pension liability	-21,545	-7,443
Decrease (Increase) in deferred outflows of resources	-8,544	-3,105
(Decrease) Increase in deferred inflows of resources	20,661	7,429
Net Cash Provided (Used) by Operating Activities	<u>\$ -69,329</u>	<u>\$ -2,350</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$30,096 of federal commodities.

See notes to financial statements.

Turkey Valley Community School District

Statement of Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 1,154
Liabilities	
Accounts payable	\$ -
Net Position	
Reserved for scholarships	<u>\$ 1,154</u>

See notes to financial statements.

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 7
Deductions:	
Support services:	
Scholarships awarded	\$ 600
Change in net position	\$ -593
Net Position beginning of year	<u>1,747</u>
Net Position End of Year	<u>\$ 1,154</u>

See notes to financial statements.

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in Eastern Chickasaw, Northwestern Fayette, Southern Howard and Southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization – 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 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are 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 preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The Management Levy Fund is used to account for the revenues and expenditures for the District's insurance and early retirement benefits.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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 and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable – Property tax in governmental funds is 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 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 and furniture and equipment, 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 repair 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	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20 – 50
Furniture and equipment	5 – 15

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.

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized 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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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 amounts budgeted in the instruction, support services and other expenditures functions.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$509,961 pursuant to Rule 2a-7 under the investment Company Act of 1940. The investment in the Iowa Joint Investment Trust were rated Aaam by Standard & Poor's Financial Services.

(3) **Due From and Due To Other Funds**

The detail of inter-fund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition Fund	<u>\$26</u>

The Enterprise – School Nutrition Fund owes the General Fund for unreimbursed salaries. The balance will be repaid by June 30, 2016.

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Construction in process	167,506	95,862	167,506	95,862
Total capital assets not being depreciated	<u>\$ 198,552</u>	<u>\$ 95,862</u>	<u>\$ 167,506</u>	<u>\$ 126,908</u>
Capital assets being depreciated:				
Buildings	\$ 3,965,401	\$ 578,217	\$ 44,900	\$ 4,498,718
Improvements other than buildings	267,096	9,330	-	276,426
Furniture and equipment	5,036,888	71,995	-	5,108,883
Total capital assets being depreciated	<u>\$ 9,269,385</u>	<u>\$ 659,542</u>	<u>\$ 44,900</u>	<u>\$ 9,884,027</u>
Less accumulated depreciation for:				
Buildings	\$ 1,429,478	\$ 156,809	\$ 30,532	\$ 1,555,755
Improvements other than buildings	119,058	13,612	-	132,670
Furniture and equipment	4,478,753	155,411	-	4,634,164
Total accumulated depreciation	<u>\$ 6,027,289</u>	<u>\$ 325,832</u>	<u>\$ 30,532</u>	<u>\$ 6,322,589</u>
Total capital assets being depreciated, net	<u>\$ 3,242,096</u>	<u>\$ 333,710</u>	<u>\$ 14,368</u>	<u>\$ 3,561,438</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,440,648</u>	<u>\$ 429,572</u>	<u>\$ 181,874</u>	<u>\$ 3,688,346</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 44,349	\$ 3,421	\$ -	\$ 47,770
Less accumulated depreciation	25,552	4,001	-	29,553
Business Type Activities Capital Assets, Net	<u>\$ 18,797</u>	<u>\$ -580</u>	<u>\$ -</u>	<u>\$ 18,217</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 230,524
Other	19,936

Support services:

Support service	3,094
Administration	115
Operation and maintenance of plant	28,631
Transportation	43,532

Total Depreciation Expense – Governmental Activities \$ 325,832

Business Type Activities:

Food service operations \$ 4,001

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 33,255	\$ 75,565	\$ 46,111	\$ 62,709	\$ 33,203
Net OPEB liability	60,259	31,240	-	91,499	-
Net pension liability	2,362,648	-	652,559	1,710,089	-
Total	\$ 2,456,162	\$ 106,805	\$ 698,670	\$ 1,864,297	\$ 33,203
Business type activities:					
Net pension liability	\$ 102,643	\$ -	\$ 28,988	\$ 73,655	\$ -
Total	\$ 102,643	\$ -	\$ 28,988	\$ 73,655	\$ -

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and must have completed twenty years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. The early retirement benefits paid during the year ended June 30, 2015 totaled \$46,111.

(6) Pension Plan

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

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

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 \$254,885.

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 \$1,783,744 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 0.044075 percent, which was an increase of 0.000534 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$139,179. 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	\$ 19,386	\$ -
Changes of assumptions	78,721	-
Net difference between projected and actual earnings on pension plan investments	-	680,268
Changes in proportion and differences between District contributions and proportionate share of contributions	24,267	-
District contributions subsequent to the measurement date	424,713	-
Total	<u>\$ 547,087</u>	<u>\$ 680,268</u>

\$254,885 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	\$ 198,659
2017	198,659
2018	198,659
2019	198,659
2020	8,006
Total	<u>\$ 802,642</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:

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$3,370,334	\$1,783,744	\$444,497

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 in IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and 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 51 active and 5 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 results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$	48,280
Interest on net OPEB obligation		1,506
Adjustment to annual required contribution		-2,413
Annual OPEB cost	\$	47,373
Contributions made		-16,133
Increase in net OPEB obligation	\$	31,240
Net OPEB obligation beginning of year		60,259
Net OPEB obligation end of year	\$	91,499

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$316,667 to the medical plan. Plan members eligible for benefits contributed \$31,724 of the premium costs or 9.0%.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$37,203	104%	-\$1,489
June 30, 2011	\$38,217	105%	-\$5,106
June 30, 2012	\$40,021	80%	-\$306
June 30, 2013	\$49,263	40%	\$29,047
June 30, 2014	\$45,300	32%	\$60,259
June 30, 2015	\$48,280	33%	\$91,499

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 \$274,725, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$274,725. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,778,461 and the ratio of the UAAL to covered payroll was 9.0%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$310.88 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$175,432 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

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

Program	Amount
Home School Assistance	\$ 1,714
Gifted and Talented Programs	25,013
Teacher Salary Supplement	53,204
Core Curriculum	611
Preschool	48,800
Mentor	232
Early Reader	27,440
Teacher Leadership	6,363
Total	<u>\$ 163,377</u>

(11) Subsequent Events

The District has evaluated subsequent events through March 24, 2016 which is the date that the financial statement were available to be issued.

(12) Construction Commitments

The District entered into a contract totaling \$471,700 for a heating system upgrade. As of June 30, 2015, costs of \$95,862 had been incurred against the contract. The balance of \$375,838 will be paid as work on the project progresses.

(13) **Deficit Balances**

The District's Enterprise, Preschool Fund had a negative, unrestricted net position balance of \$47,900 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:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 5,921,343	\$ 110,522
Net pension liability at June 30, 2014	-2,362,648	-102,643
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	251,877	10,942
Net position July 1, 2014, as restated	\$ 3,810,572	\$ 18,821

Required Supplementary Information

	Total Actual	Budgeted Amount		Final To Actual Variance
		Original	Final	
\$	3,348,629	\$ 3,670,887	\$ 3,670,887	\$ -322,258
	-	-	-	-
	2,236,262	1,942,476	1,942,476	293,786
	331,901	323,673	323,673	8,228
\$	5,916,792	\$ 5,937,036	\$ 5,937,036	\$ -20,244
\$	3,579,653	\$ 3,423,000	\$ 3,423,000	\$ -156,653
	1,627,398	1,624,404	1,624,404	-2,994
	250,250	250,000	500,000	249,750
	743,855	544,959	544,959	-198,896
\$	6,201,156	\$ 5,842,363	\$ 6,092,363	\$ -108,793
\$	-284,364	\$ 94,673	\$ -155,327	\$ -129,037
	17,500	-	-	17,500
\$	-266,864	\$ 94,673	\$ -155,327	\$ -111,537
\$	2,684,731	\$ 2,675,570	\$ 2,675,570	\$ 9,161
	-91,701	-	-	-91,701
\$	2,593,030	\$ 2,675,570	\$ 2,675,570	\$ -82,540
\$	2,326,166	\$ 2,770,243	\$ 2,520,243	\$ -194,077

Turkey Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$250,000.

During the year ended June 30, 2015, expenditures in the instruction, support services and other expenditures functions exceeded the amounts budgeted.

Turkey Valley 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		0.044075%
District's proportionate share of the net pension liability	\$	1,783,744
District's covered-employee payroll	\$	2,854,251
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		62.4%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

See accompanying independent auditor's report.

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

	2010	2009	2008	2007	2006
\$	196,040	\$ 188,778	\$ 173,989	\$ 166,248	\$ 166,178
	-196,040	-188,778	-173,989	-166,248	-166,178
\$	-	\$ -	\$ -	\$ -	\$ -
\$	2,947,970	\$ 2,972,882	\$ 2,875,851	\$ 2,891,270	\$ 2,890,052
	6.65%	6.35%	6.05%	5.75%	5.75%

Turkey Valley 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.

Turkey Valley Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

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)
2009	July 1, 2008	\$-	\$445	\$455	0.0%	\$2,676	17.0%
2010	July 1, 2009	\$-	\$399	\$399	0.0%	\$2,784	14.3%
2011	July 1, 2009	\$-	\$364	\$364	0.0%	\$2,462	14.8%
2012	July 1, 2009	\$-	\$336	\$336	0.0%	\$2,992	12.6%
2013	July 1, 2012	\$-	\$318	\$318	0.0%	\$2,272	14.0%
2014	July 1, 2012	\$-	\$296	\$296	0.0%	\$2,191	13.5%
2015	July 1, 2012	\$-	\$275	\$275	0.0%	\$2,778	9.0%

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

Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2015

	<u>Special Revenue</u>
	<u>Student Activity</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 218,899
Total Assets	<u>\$ 218,899</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Accounts payable	\$ 409
Total liabilities	<u>\$ 409</u>
Fund Balances:	
Restricted for:	
Student activities	\$ 218,490
Total fund balances	<u>\$ 218,490</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 218,899</u>

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2015

		<u>Special Revenue</u>
		<u>Student Activity</u>
Revenues:		
Local Sources:		
Other		\$ 212,185
Total Revenues		<u>\$ 212,185</u>
Expenditures:		
Current:		
Instruction:		
Other instruction		\$ 210,513
Total Expenditures		<u>\$ 210,513</u>
Change in fund balances		\$ 1,672
Fund balances beginning of year		<u>216,818</u>
Fund Balances End of Year		<u>\$ 218,490</u>

See accompanying independent auditor's report.

Turkey Valley 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
Assets			
Cash, cash equivalents and pooled investments	\$ 499,989	\$ 217,769	\$ 717,758
Receivables:			
Property Tax:			
Delinquent	-	2,398	2,398
Succeeding year	-	190,845	190,845
Accounts receivable	48	-	48
Due from other governments	52,336	-	52,336
Total Assets	\$ 552,373	\$ 411,012	\$ 963,385
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 71,209	\$ 5,204	\$ 76,413
Total Liabilities	\$ 71,209	\$ 5,204	\$ 76,413
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 190,845	\$ 190,845
Total deferred inflows of resources	\$ -	\$ 190,845	\$ 190,845
Fund Balances:			
Restricted for:			
School infrastructure	\$ 481,164	\$ -	\$ 481,164
Physical plant and equipment	-	214,963	214,963
Total fund balances	\$ 481,164	\$ 214,963	\$ 696,127
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 552,373	\$ 411,012	\$ 963,385

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 184,504	\$ 184,504
Other	1,503	455	1,958
State sources	338,162	989	339,151
Total Revenues	<u>\$ 339,665</u>	<u>\$ 185,948</u>	<u>\$ 525,613</u>
Expenditures:			
Instruction:			
Regular instruction	\$ -	\$ 105,026	\$ 105,026
Support Services:			
Operation and maintenance of plant services	-	8,237	8,237
Other Expenditures:			
Facilities acquisition	525,754	42,669	568,423
Total Expenditures	<u>\$ 525,754</u>	<u>\$ 155,932</u>	<u>\$ 681,686</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -186,089	\$ 30,016	\$ -156,073
Other financing sources (uses):			
Sale of assets	15,200	2,300	17,500
Change in fund balances	<u>\$ -170,889</u>	<u>\$ 32,316</u>	<u>\$ -138,573</u>
Fund balances beginning of year	652,053	182,647	834,700
Fund Balances End of Year	<u>\$ 481,164</u>	<u>\$ 214,963</u>	<u>\$ 696,127</u>

See accompanying independent auditor's report.

Turkey Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
General Account	\$ -	\$ -	\$ -	\$ 2,334	\$ 2,334
Athletics	116,936	145,214	139,128	-	123,022
Drama	7,100	5,803	6,068	286	7,121
Music Boosters	944	4,097	2,765	-157	2,119
Music Resale	-258	666	986	578	-
Volleyball Camp	3,630	2,171	2,155	-1,233	2,413
Cheerleaders	162	1,254	1,382	-34	-
Basketball Camp	2,977	480	983	-	2,474
Football Camp	2,580	510	1,828	273	1,535
Baseball Camp	1,855	-	-	-1,855	-
Lift-A-Thon	1,674	400	3,016	1,140	198
Student Vending	4,516	-	-	-	4,516
Faculty Vending	755	1,138	377	364	1,880
Student Trip	173	-	-	2,119	2,292
Elementary Book Fair	6,006	5,797	5,571	630	6,862
Pre-School	967	375	313	271	1,300
Yearbook	-12,617	8,150	8,022	12,489	-
Change	1,930	457	549	-4	1,834
Joe Kuennen Memorial	150	-	-	-	150
Interest Now	12,022	383	-	-12,405	-
ISJIT Interest	9,144	2	-	-9,146	-
Defibrillator	616	72	32	-360	296
Industrial Arts	12	1,460	2,009	537	-
Ind Arts Glasses	143	-	-	-	143
Business Ed	1,211	-	-	-	1,211
Science	-387	-	-	387	-
Home Economics	-	596	566	-	30
Art Supplies	6,019	-	-	27	6,046
Senior Class	1,811	1,090	4,070	1,253	84
Junior Class	4,665	388	1,627	-2,591	835
Sophomore Class	-15	5,406	3,169	95	2,317
Freshman Class	-	25	-	-25	-
Grade 8	-90	-	-	90	-
Elementary Clothing	1,679	1,240	883	850	2,886
Mod Hdcp Classroom	1,756	280	-	245	2,281
Elementary Classes	-	1,296	1,219	16	93
Elementary Fundraisers	17,300	3,731	2,265	902	19,668
Alumni	1,466	-	32	1,173	2,607
Elementary Computer Lab	100	-	-	-	100
Student Senate	8,101	13,238	14,830	-436	6,073
NHS	470	691	757	1,987	2,391
Creative Tech	5,357	3,655	3,480	-296	5,236

See accompanying independent auditor's report.

Turkey Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Elementary Recycling	\$ 1,033	\$ -	\$ -	\$ -	\$ 1,033
Science Club	4,407	1,452	1,624	349	4,584
Environmental	354	668	660	-	362
School Garden	164	-	-	-	164
PE Resale	-	-	147	147	-
Total	\$ 216,818	\$ 212,185	\$ 210,513	\$ -	\$ 218,490

See accompanying independent auditor's report.

Modified Accrual Basis

2011	2010	2009	2008	2007	2006
\$ 2,693,374	\$ 2,488,771	\$ 2,379,007	\$ 2,245,185	\$ 2,284,801	\$ 1,841,014
315,171	267,580	354,181	300,172	276,491	279,544
769,547	533,416	430,812	449,689	397,752	686,953
2,241	5,494	-	26,149	32,849	30,789
2,135,936	1,838,904	2,350,109	2,369,384	2,392,953	2,321,536
437,647	436,164	277,176	75,968	133,742	131,944
\$ 6,353,916	\$ 5,570,329	\$ 5,791,285	\$ 5,466,547	\$ 5,518,588	\$ 5,291,780

\$ 2,228,528	\$ 2,299,165	\$ 2,237,723	\$ 2,256,909	\$ 2,462,001	\$ 2,222,574
635,574	638,381	613,753	474,371	401,676	413,974
671,070	627,431	599,412	556,330	559,421	590,696
197,287	184,449	175,525	127,405	112,758	160,743
126,857	134,429	174,950	102,524	52,301	106,291
545,102	519,988	470,865	530,167	562,666	527,835
401,388	397,110	472,150	435,928	382,882	351,085
244,892	315,515	285,884	378,865	241,569	386,655
-	-	-	-	3,089	1,650
340,103	193,657	703,054	310,862	112,810	149,259
35,073	125,927	-	70,320	138,520	133,499
211	3,158	-	597	4,196	8,623
198,719	198,761	184,893	181,309	179,715	175,642
\$ 5,624,804	\$ 5,637,971	\$ 5,918,209	\$ 5,425,587	\$ 5,213,604	\$ 5,228,526

**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**

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
Turkey Valley Community School District:

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley 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 my report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. They are described as items I-I-15 and I-J-15 in the accompanying Schedules of Findings. I also noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

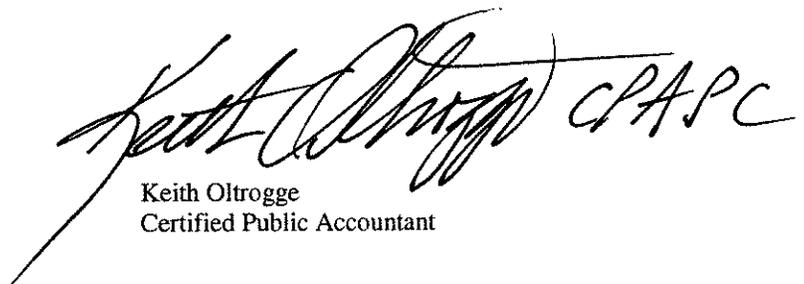
Turkey Valley Community School District's Responses to the Findings

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

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 24, 2016

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – With the limited number of personnel involved in accounting for Organization activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the Organization's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-15 Supporting Documentation – I noted 3 nutrition fund and 1 activity fund checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures to ensure that 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.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

- I-C-15 Disbursement Approval – For 13 of 24 general fund, 18 of 26 student activity fund and 13 of 14 nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response – We will ensure all expenditures are properly approved and will maintain documentation of the approval.

Conclusion – Response acknowledged.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-D-15 Disbursement Approval – For 4 of 64 disbursements tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved by the Board.

Conclusion – Response accepted.

I-E-15 Financial Reporting – During the audit, I identified material amounts of property tax receipts that were recorded in incorrect accounts in the District’s financial statements. I also identified material amounts of expenses in the general fund and student activity fund accounts that were not coded properly.

Recommendation – The District should review the coding of all bills and receipts to ensure they are properly coded in accordance with the Uniform Financial Accounting for Iowa LEAs and AEAs.

Response – The District will review the coding of bills and receipts, to ensure they are all properly recorded.

Conclusion – Response acknowledged.

I-F-15 Checks Written as Bearer Paper – I noted during my audit that the District is writing checks to “cash” for a variety of things, including start-up money at athletic events, meal money at athletic events, retirement gifts and other items. Checks made out to “cash” are bearer paper and in the event the check would be lost or stolen, anyone could cash the check.

Recommendation – The District should only write checks payable to the custodian/sponsor of the athletic event or directly to vendors for purchases.

Response – The District has reviewed its procedures and will not issue checks written only to “cash”. Instead, they will write the checks out to the sponsor or vendor.

Conclusion – Response acknowledged.

I-G-15 Payroll – I noted the following during my review and testing of the District’s payroll:

1 of 15 employees tested were not paid at the contract amount.

Recommendation – An independent person should review the salary amounts in the computer software each time the amounts are changed.

Response – We will review our payroll procedures.

Conclusion – Response accepted

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-H-15 Annual Financial Statements – The ability to apply U.S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine this is a control deficiency the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INSTANCES OF NON-COMPLIANCE:

I-I-15 Adult Meal Pricing – The USDA’s Food and Nutrition Service requires that adult meals must be priced high enough so they are not subsidized by the federal reimbursements and other income of the school nutrition program. I noted the adult lunch prices were fifty-seven cents (\$.57) below the required price.

Recommendation – The District should increase adult meal prices.

Response – Meal prices were increased.

Conclusion – Response accepted.

I-J-15 Nutrition Fund Excess Cash – The school food service account is required to operate as a non-profit entity, and current regulations requires it not exceed a three month operating balance in its bank account. I noted the District has cash in excess of the maximum allowed.

Recommendation – The District should use the excess funds to update kitchen equipment or add additional kitchen staff.

Response – We will review needs and add or update accordingly.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting:

II-A-15 **Certified Budget** – Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the instruction, support service and other expenditures functional areas. The District amended the certified budget but did not follow the requirements for public hearing as required by the Code of Iowa.

Recommendation – The certified budget should have been amended in accordance with Code of Iowa when amending the certified budget.

Response – Future budgets will be amended properly by the Code of Iowa and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-15 **Questionable Expenditures** – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General:		
The Flower Pot	Funeral gift	\$52.32
MasterCard	4 member board meals	\$144.48
Sam’s Club	Staff memberships	\$315.00
Activity:		
Employee	Gift cards	\$25.00
The Flower Pot	Flowers	\$26.16
The Blue Iris	Flowers	\$27.50
Midway USA Foundation	Donation	\$3,000.00
Huber’s Store	Turkey & Hams	\$197.67
The Blue Iris	Flowers	\$65.00
Jackson Heights Golf Course	Staff party	\$498.00
Echer Flowers	Flowers	\$30.00
Employee	Staff appreciation	\$79.98

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, I do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2016, we will not make any purchases for teacher appreciation supplies or other items that are not appropriate, and will have supporting documentation for all purchases.

Conclusion – Response acknowledged.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

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

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

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

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Vrda Backhoe – Manager – Employee	Services	\$1,157
Turkey Valley Trap Range Inc.	Transfer funds	\$8,256

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Turkey Valley Trap Range Inc. may represent a conflict of interest since the total purchase exceeded \$1,500 for the year and was not entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation – The District should use a competitive bidding process for amounts over \$1,500.

Response – We will use competitive bidding in the future.

Conclusion – Response accepted.

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 the coverage is adequate for current operations.

II-F-14 Board Minutes – As previously noted four disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All disbursements will be approved by the Board. Procedures have been revised to ensure minutes are published as required.

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 variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

II-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

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

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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		\$	652,053
Revenues/transfers in:			
Sales tax revenues	\$		338,162
Other local revenues			1,503
Sale of assets			15,200
			354,865
		\$	1,006,918
Expenditures/transfers out:			
School infrastructure			525,754
			525,754
Ending balance		\$	481,164

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$ -	\$	338,162
Physical plant and equipment levy (PPEL)	-		124,642
Public educational and recreational levy (PERL)	-		-
Total		\$	462,804

II-M-15 Financial Condition – I noted during my audit that the Enterprise, Preschool Fund had a deficit balance of \$47,900.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit fund balance.

Response – The District will continue to monitor and investigate alternatives to return the fund to a sound financial position.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-N-5 Sales Tax – Sales tax was paid by the District on one disbursement tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.