

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Twin Rivers Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Christine Bothne	President	2015
Davanna Fedkenheuer	Vice President	2015
Brandon Jenson	Board Member	2015
Tom Olson	Board Member	2017
Sharon Berte	Board Member	2015

**School Officials**

Greg Darling	Superintendent	2015
Rhiannon Lange	District Secretary	2015
Annie Rathke	Finance Director/District Treasurer	2015
Lisa Thul	Assistant Finance Manager	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Twin Rivers Community School District:**

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, Twin Rivers Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Rivers Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2016 on our consideration of Twin Rivers Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Twin Rivers Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2016  
Newton, Iowa

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

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Twin Rivers 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 \$1,974,406 in fiscal year 2014 to \$2,341,844 in fiscal year 2015, while General Fund expenditures increased from \$1,835,144 in fiscal year 2014 to \$1,963,195 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$1,615,202 at June 30, 2014 to a balance of \$1,993,851 at June 30, 2015, a 23.44% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources received in fiscal year 2015. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.



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

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

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

### ***Fund Financial Statements***

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

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, 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 fund.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 4,544,359	4,253,289	8,663	6,987	4,553,022	4,260,276	6.87%
Capital assets	341,009	364,445	2,965	3,615	343,974	368,060	-6.54%
Total assets	4,885,368	4,617,734	11,628	10,602	4,896,996	4,628,336	5.80%
Deferred outflows of resources	76,055	-	1,756	-	77,811	-	100.00%
Long-term obligations	380,819	45,540	7,788	-	388,607	45,540	753.33%
Other liabilities	308,133	332,520	117	247	308,250	332,767	-7.37%
Total liabilities	688,952	378,060	7,905	247	696,857	378,307	84.20%
Deferred inflows of resources	1,289,312	1,206,367	2,970	-	1,292,282	1,206,367	7.12%
Net position:							
Net investment in capital assets	341,009	364,445	2,965	3,615	343,974	368,060	-6.54%
Restricted	991,411	954,232	-	-	991,411	954,232	3.90%
Unrestricted	1,650,739	1,714,630	(456)	6,740	1,650,283	1,721,370	-4.13%
Total net position	\$ 2,983,159	3,033,307	2,509	10,355	2,985,668	3,043,662	-1.91%

The District's combined net position decreased by 1.91%, or \$57,994, from the prior year. The largest portion of the District's net position is invested in capital assets, net of 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 \$37,179, or 3.90% over the prior year. The increase in restricted net position can be attributed to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$71,087, or 4.13%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$385,911 and \$9,450, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 45,872	26,492	6,992	6,438	52,864	32,930	60.53%
Operating grants, contributions and restricted interest	213,096	160,330	31,269	35,350	244,365	195,680	24.88%
General revenues:							
Property tax	1,210,436	1,118,529	-	-	1,210,436	1,118,529	8.22%
Income surtax	117,131	217,779	-	-	117,131	217,779	-46.22%
Statewide sales, services and use tax	164,889	140,518	-	-	164,889	140,518	17.34%
Unrestricted state grants	784,090	594,980	-	-	784,090	594,980	31.78%
Unrestricted investment earnings	7,849	7,442	6	6	7,855	7,448	5.46%
Other	2,788	6,459	102	-	2,890	6,459	-55.26%
Total revenues	2,546,151	2,272,529	38,369	41,794	2,584,520	2,314,323	11.67%
Program expenses:							
Instructional	1,492,416	1,377,150	-	-	1,492,416	1,377,150	8.37%
Support services	588,084	668,583	-	111	588,084	668,694	-12.05%
Non-instructional programs	-	-	36,765	41,598	36,765	41,598	-11.62%
Other expenses	129,888	127,523	-	-	129,888	127,523	1.85%
Total expenses	2,210,388	2,173,256	36,765	41,709	2,247,153	2,214,965	1.45%
Change in net position	335,763	99,273	1,604	85	337,367	99,358	239.55%
Net position beginning of year, as restated	2,647,396	2,934,034	905	10,270	2,648,301	2,944,304	-10.05%
Net position end of year	\$ 2,983,159	3,033,307	2,509	10,355	2,985,668	3,043,662	-1.91%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 89.41% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.72% of the revenue from business type activities.

The District's total revenues were approximately \$2.58 million of which approximately \$2.54 million was for governmental activities and approximately \$0.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.67% increase in revenues and a 1.45% increase in expenses. The increase in revenues was due to an increase in unrestricted state grants received compared to the prior year. The increase in expenses was related primarily to an increase in expenses incurred in the instructional functional area as compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$2,546,151 and expenses were \$2,210,388 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,492,416	1,377,150	8.37%	1,311,405	1,266,204	3.57%
Support services	588,084	668,583	-12.04%	585,889	667,224	-12.19%
Other expenses	129,888	127,523	1.85%	54,126	53,006	2.11%
<b>Total</b>	<b>\$ 2,210,388</b>	<b>2,173,256</b>	<b>1.71%</b>	<b>1,951,420</b>	<b>1,986,434</b>	<b>-1.76%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$45,872.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$213,096.
- The net cost of governmental activities was financed with \$1,210,436 in property tax, \$117,131 in income surtax, \$164,889 in statewide sales, services and use tax, \$784,090 in unrestricted state grants, \$7,849 in unrestricted investment earnings, and \$2,788 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$38,369 and expenses were \$36,765 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Twin Rivers 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 \$2,967,831, above last year's ending fund balances of \$2,545,910. The primary reason for the increase in combined fund balances is due to the increase in fund balance of the General Fund.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from a balance of \$1,615,202 at June 30, 2014 to \$1,993,851 at June 30, 2015. An increase in state sources received as compared to the prior year led to the increase in revenues.
- The Management Levy Fund balance increased from \$490,461 at June 30, 2014 to \$521,685 at June 30, 2015.
- The Capital Projects Fund balance increased from \$428,022 at June 30, 2014 to \$439,923 at June 30, 2015. The increase in Capital Projects Fund balance is mainly attributable to an increase in Statewide Sales, Services and Use Tax revenues as compared to the previous year.

### **Proprietary Fund Highlights**

The School Nutrition Fund's net position increased from a restated net position of \$905 at July 1, 2014 to \$2,509 at June 30, 2015, representing an increase of 177.24%. This increase can be attributed to a decrease in supply expenditures incurred compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$186,401 more than budgeted revenues, a variance of 7.56%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$343,974, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 6.54% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$107,687.

The original cost of the District's capital assets was \$2,071,479. Governmental funds account for \$1,961,225 with the remainder of \$110,254 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and improvements category. The District's building and improvements totaled \$173,272 at June 30, 2014, compared to \$148,820 reported at June 30, 2015. This decrease is primarily due to depreciation expenses incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Buildings and improvements	148,820	173,272	-	-	148,820	173,272	-14.11%
Land improvements	73,452	80,748	-	-	73,452	80,748	-9.04%
Machinery and equipment	113,737	105,425	2,965	3,615	116,702	109,040	7.03%
Total	\$ 341,009	364,445	2,965	3,615	343,974	368,060	-6.54%

### Long-Term Debt

At June 30, 2015, the District had \$388,607 in other long-term debt outstanding. This represents an increase of 753.33% from last year. (See Figure A-7) Of the total long-term debt remaining, \$12,541 is due within one year. More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Termination benefits	\$ 12,541	-	-	-	12,541	-	100.00%
Net pension liability	318,040	-	7,788	-	325,828	-	100.00%
Net OPEB liability	50,238	45,540	-	-	50,238	45,540	10.32%
Total	\$ 380,819	45,540	7,788	-	388,607	45,540	753.33%

- The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$12,541 at June 30, 2015.
- The District had a net pension liability of \$325,828 at June 30, 2015. Of this, \$318,040 is attributable to governmental activities with the remaining \$7,788 attributable to the business activities of the District.
- The District had a net OPEB liability of \$50,238 attributable to governmental activities at June 30, 2015.

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

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

- Declining enrollment will lead to declining revenues in the General Fund.
- The District participates in a whole grade sharing agreement with Humboldt Community School District for grades 6-12.
- Shared administration services with Humboldt Community School District reduces costs for the District.
- Allowable growth is not keeping up with the increased cost of living.

## **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 Annie Rathke, Finance Director/District Treasurer or Lisa Thul, Assistant Finance Manager, Twin Rivers Community School District, 23 3<sup>rd</sup> Street N, PO Box 130, Dakota City, Iowa, 50529.

## **BASIC FINANCIAL STATEMENTS**

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,210,065	9,490	3,219,555
Receivables:			
Property tax:			
Delinquent	16,905	-	16,905
Succeeding year	1,168,021	-	1,168,021
Income surtax	100,374	-	100,374
Due from (to) other funds	5,000	(5,000)	-
Due from other governments	43,994	892	44,886
Inventories	-	3,281	3,281
Capital assets, net of accumulated depreciation	341,009	2,965	343,974
<b>TOTAL ASSETS</b>	<b>4,885,368</b>	<b>11,628</b>	<b>4,896,996</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	76,055	1,756	77,811
<b>LIABILITIES</b>			
Accounts payable	308,133	72	308,205
Unearned revenue	-	45	45
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	12,541	-	12,541
Portion due after one year:			
Net pension liability	318,040	7,788	325,828
Net OPEB liability	50,238	-	50,238
<b>TOTAL LIABILITIES</b>	<b>688,952</b>	<b>7,905</b>	<b>696,857</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,168,021	-	1,168,021
Pension related deferred inflows	121,291	2,970	124,261
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,289,312</b>	<b>2,970</b>	<b>1,292,282</b>
<b>NET POSITION</b>			
Net investment in capital assets	341,009	2,965	343,974
Restricted for:			
Categorical funding	29,972	-	29,972
Management levy purposes	509,144	-	509,144
Student activities	12,372	-	12,372
School infrastructure	294,625	-	294,625
Physical plant and equipment	145,298	-	145,298
Unrestricted	1,650,739	(456)	1,650,283
<b>TOTAL NET POSITION</b>	<b>\$ 2,983,159</b>	<b>2,509</b>	<b>2,985,668</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,120,364	41,117	30,733	(1,048,514)	-	(1,048,514)
Special	281,811	-	27,341	(254,470)	-	(254,470)
Other	90,241	4,755	77,065	(8,421)	-	(8,421)
	<u>1,492,416</u>	<u>45,872</u>	<u>135,139</u>	<u>(1,311,405)</u>	<u>-</u>	<u>(1,311,405)</u>
Support services:						
Student	1,898	-	-	(1,898)	-	(1,898)
Instructional staff	57,180	-	-	(57,180)	-	(57,180)
Administration	257,596	-	-	(257,596)	-	(257,596)
Operation and maintenance of plant	177,341	-	-	(177,341)	-	(177,341)
Transportation	94,069	-	2,195	(91,874)	-	(91,874)
	<u>588,084</u>	<u>-</u>	<u>2,195</u>	<u>(585,889)</u>	<u>-</u>	<u>(585,889)</u>
Other expenses:						
AEA flowthrough	75,762	-	75,762	-	-	-
Depreciation(unallocated)*	54,126	-	-	(54,126)	-	(54,126)
	<u>129,888</u>	<u>-</u>	<u>75,762</u>	<u>(54,126)</u>	<u>-</u>	<u>(54,126)</u>
Total governmental activities	<u>2,210,388</u>	<u>45,872</u>	<u>213,096</u>	<u>(1,951,420)</u>	<u>-</u>	<u>(1,951,420)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	36,765	6,992	31,269	-	1,496	1,496
Total business type activities	<u>36,765</u>	<u>6,992</u>	<u>31,269</u>	<u>-</u>	<u>1,496</u>	<u>1,496</u>
Total	<u>\$ 2,247,153</u>	<u>52,864</u>	<u>244,365</u>	<u>(1,951,420)</u>	<u>1,496</u>	<u>(1,949,924)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,173,363	-	1,173,363
Capital outlay				37,073	-	37,073
Income surtax				117,131	-	117,131
Statewide sales, services and use tax				164,889	-	164,889
Unrestricted state grants				784,090	-	784,090
Unrestricted investment earnings				7,849	6	7,855
Other general revenues				2,788	102	2,890
Total general revenues				<u>2,287,183</u>	<u>108</u>	<u>2,287,291</u>
Change in net position				335,763	1,604	337,367
Net position beginning of year, as restated				<u>2,647,396</u>	<u>905</u>	<u>2,648,301</u>
Net position end of year				<u>\$ 2,983,159</u>	<u>2,509</u>	<u>2,985,668</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,225,686	520,774	451,233	12,372	3,210,065
Receivables:					
Property tax:					
Delinquent	15,476	911	518	-	16,905
Succeeding year	1,130,151	-	37,870	-	1,168,021
Income surtax	100,374	-	-	-	100,374
Due from other funds	5,000	-	-	-	5,000
Due from other governments	18,252	-	25,742	-	43,994
<b>TOTAL ASSETS</b>	<b>\$ 3,494,939</b>	<b>521,685</b>	<b>515,363</b>	<b>12,372</b>	<b>4,544,359</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 270,563	-	37,570	-	308,133
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,130,151	-	37,870	-	1,168,021
Income surtax	100,374	-	-	-	100,374
Total deferred inflows of resources	1,230,525	-	37,870	-	1,268,395
Fund balances:					
Restricted for:					
Categorical funding	29,972	-	-	-	29,972
Management levy purposes	-	521,685	-	-	521,685
Student activities	-	-	-	12,372	12,372
School infrastructure	-	-	294,625	-	294,625
Physical plant and equipment	-	-	145,298	-	145,298
Unassigned	1,963,879	-	-	-	1,963,879
Total fund balances	1,993,851	521,685	439,923	12,372	2,967,831
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,494,939</b>	<b>521,685</b>	<b>515,363</b>	<b>12,372</b>	<b>4,544,359</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds</b> (page 20)	\$	2,967,831
 <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 report as assets in the governmental funds.		341,009
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		100,374
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	\$ 76,055	
Deferred inflows of resources	<u>(121,291)</u>	(45,236)
Other post employment benefits payable, termination benefits payable, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(380,819)</u>
<b>Net position of governmental activities</b> (page 18)	<b>\$</b>	<b><u><u>2,983,159</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,293,393	65,219	37,073	-	1,395,685
Tuition	26,725	-	-	-	26,725
Other	24,817	3,891	929	147	29,784
State sources	903,866	177	164,989	-	1,069,032
Federal sources	93,043	-	-	-	93,043
<b>TOTAL REVENUES</b>	<b>2,341,844</b>	<b>69,287</b>	<b>202,991</b>	<b>147</b>	<b>2,614,269</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,045,461	-	-	-	1,045,461
Special	269,964	-	-	-	269,964
Other	76,235	-	-	-	76,235
	<b>1,391,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,391,660</b>
Support services:					
Student	1,818	-	-	-	1,818
Instructional staff	28,932	-	26,000	-	54,932
Administration	248,432	-	-	-	248,432
Operation and maintenance of plant	135,154	33,364	-	-	168,518
Transportation	81,437	4,699	54,800	-	140,936
	<b>495,773</b>	<b>38,063</b>	<b>80,800</b>	<b>-</b>	<b>614,636</b>
Capital outlay	-	-	110,290	-	110,290
Other expenditures:					
AEA flowthrough	75,762	-	-	-	75,762
<b>TOTAL EXPENDITURES</b>	<b>1,963,195</b>	<b>38,063</b>	<b>191,090</b>	<b>-</b>	<b>2,192,348</b>
Change in fund balances	378,649	31,224	11,901	147	421,921
Fund balances beginning of year	1,615,202	490,461	428,022	12,225	2,545,910
Fund balances end of year	<b>\$ 1,993,851</b>	<b>521,685</b>	<b>439,923</b>	<b>12,372</b>	<b>2,967,831</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds (page 22)** \$ 421,921

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

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

Capital outlay	\$ 83,601		
Depreciation expense	<u>(107,037)</u>	▼	(23,436)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.			(68,118)
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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.			48,737
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	(12,541)		
Pension expense	(26,102)		
Other postemployment benefits	<u>(4,698)</u>	▼	<u>(43,341)</u>

**Change in net position of governmental activities (page 19)** \$ 335,763

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 9,490
Due from other governments	892
Inventories	3,281
Total current assets	13,663
Non-current assets:	
Capital assets, net of accumulated depreciation	2,965
<b>TOTAL ASSETS</b>	<b>16,628</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	1,756
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	72
Due to other funds	5,000
Unearned revenue	45
Total current liabilities	5,117
Long-term liabilities:	
Net pension liability	7,788
<b>TOTAL LIABILITIES</b>	<b>12,905</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	2,970
<b>NET POSITION</b>	
Net investment in capital assets	2,965
Unrestricted	(456)
<b>TOTAL NET POSITION</b>	<b>\$ 2,509</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 6,992
Miscellaneous	102
TOTAL OPERATING REVENUES	7,094
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	12,798
Benefits	1,614
Supplies	21,703
Depreciation	650
TOTAL OPERATING EXPENSES	36,765
OPERATING LOSS	(29,671)
NON-OPERATING REVENUES:	
State sources	313
Federal sources	30,956
Interest on investments	6
TOTAL NON-OPERATING REVENUES	31,275
Change in net position	1,604
Net position beginning of year, as restated	905
Net position end of year	\$ 2,509

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 6,901
Cash received from miscellaneous sources	102
Cash payments to employees for services	(14,860)
Cash payments to suppliers for goods or services	(18,708)
Net cash used by operating activities	(26,565)
Cash flows from non-capital financing activities:	
Repayment to General Fund	(2,000)
State grants received	313
Federal grants received	26,700
Net cash provided by non-capital financing activities	25,013
Cash flows from investing activities:	
Interest on investments	6
Net decrease in cash and cash equivalents	(1,546)
Cash and cash equivalents at beginning of year	11,036
Cash and cash equivalents at end of year	\$ 9,490
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (29,671)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	3,364
Depreciation	650
Increase in inventories	(330)
Decrease in accounts payable	(39)
Decrease in net pension liability	(2,809)
Increase in deferred outflows of resources	(609)
Increase in deferred inflows of resources	2,970
Decrease in unearned revenue	(91)
Net cash used by operating activities	\$ (26,565)

**NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:**

During the year ended June 30, 2015, the District received Federal commodities valued at \$3,364.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 86,778	
Accounts receivable		19
Land		702,188
<b>TOTAL ASSETS</b>		<u>788,985</u>
<b>LIABILITIES</b>		<u>-</u>
<b>NET POSITION</b>		
Held in trust for scholarships	\$ 788,985	

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Rent	\$ 34,053
Interest income	115
Total additions	<u>34,168</u>
Deductions:	
Instruction:	
Scholarships awarded	17,146
Support services:	
Farm maintenance costs	2,762
Total deductions	<u>19,908</u>
Change in net position before other financing sources	14,260
Other financing sources:	
Unrealized loss on land	<u>(42,082)</u>
Change in net position	(27,822)
Net position beginning of year	<u>816,807</u>
Net position end of year	<u>\$ 788,985</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Bode and Livermore, Iowa, and the agricultural territory in Humboldt and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District also contracted with the Humboldt Community School District to educate students in grades six through twelve.

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

**A. Reporting Entity**

For financial reporting purposes, Twin Rivers Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Twin Rivers Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's 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 three categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The Management Levy Fund is utilized for the payment of insurance, unemployment and termination benefits.

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

The District also reports the following non-major proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a non-major fund used to account for the food service operations of the District.

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, Pooled Investments and Cash Equivalents - The cash balance 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 purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 500
Buildings and improvements	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings and improvements	50 years
Land improvements	5-20 years
Intangibles	3-10 years
Machinery and equipment	3-15 years

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of succeeding year property tax receivable and income surtax receivable that are not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included the preceding spendable classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash and Pooled Investments**

The District's deposits 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 no investments.

### **Note 3. Deficit Balances**

At June 30, 2015, the District had deficit unrestricted net position of \$456 in the School Nutrition Fund.

**Note 4. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	<u>\$ 5,000</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for salaries and benefits of the prior year that have not been repaid.

**Note 5. 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Total capital assets not being depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings and improvements	881,093	22,378	-	903,471
Land improvements	247,406	-	-	247,406
Machinery and equipment	744,125	61,223	-	805,348
Total capital assets being depreciated	<u>1,872,624</u>	<u>83,601</u>	<u>-</u>	<u>1,956,225</u>
Less accumulated depreciation for:				
Buildings and improvements	707,821	46,830	-	754,651
Land improvements	166,658	7,296	-	173,954
Machinery and equipment	638,700	52,911	-	691,611
Total accumulated depreciation	<u>1,513,179</u>	<u>107,037</u>	<u>-</u>	<u>1,620,216</u>
Total capital assets being depreciated, net	<u>359,445</u>	<u>(23,436)</u>	<u>-</u>	<u>336,009</u>
Governmental activities capital assets, net	<u>\$ 364,445</u>	<u>(23,436)</u>	<u>-</u>	<u>341,009</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 110,254	-	-	110,254
Less accumulated depreciation	106,639	650	-	107,289
Business type activities capital assets, net	<u>\$ 3,615</u>	<u>(650)</u>	<u>-</u>	<u>2,965</u>

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:

Regular	\$ 32,273
Other	9,875

Support services:

Administration	582
Operation and maintenance of plant	1,367
Transportation	8,814
	<u>52,911</u>

Unallocated depreciation

54,126

Total governmental activities depreciation expense

\$ 107,037

**Business type activities:**

Food services operations

\$ 650

## **Note 6. Long-Term Debt**

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

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Termination benefits	\$ -	12,541	-	12,541	12,541
Net pension liability	432,772	-	114,732	318,040	-
Net OPEB liability	45,540	4,698	-	50,238	-
Total	<u>\$ 478,312</u>	<u>17,239</u>	<u>114,732</u>	<u>380,819</u>	<u>12,541</u>
<b><u>Business type Activities:</u></b>					
Net pension liability	<u>\$ 10,597</u>	<u>-</u>	<u>2,809</u>	<u>7,788</u>	<u>-</u>

## **Note 7. Other Postemployment Benefits (OPEB)**

*Plan Description* - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 7,113
Interest on net OPEB obligation	1,139
Adjustment to annual required contribution	(3,554)
Annual OPEB cost	<u>4,698</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	4,698
Net OPEB obligation beginning of year	<u>45,540</u>
Net OPEB obligation end of year	<u>\$ 50,238</u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	1,923	0.0%	40,298
2014	5,242	0.0%	45,540
2015	4,698	0.0%	50,238

*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 \$41,528, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$41,528. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$401,386, and the ratio of the UAAL to covered payroll was 10.3%. 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$49,823.

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 \$325,828 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 .008051 percent, which was an increase of .00022 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$26,740. 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	\$ 3,541	\$ -
Changes of assumptions	14,380	-
Net difference between projected and actual earnings on pension plan investments	-	124,261
Changes in proportion and differences between District contributions and proportionate share of contributions	10,067	-
District contributions subsequent to the measurement date	49,823	-
<b>Total</b>	<b>\$ 77,811</b>	<b>\$ 124,261</b>

\$49,823 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	\$ (24,526)
2017	(24,526)
2018	(24,526)
2019	(24,526)
2020	1,831
	<b>\$ (96,273)</b>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 615,643	\$ 325,828	\$ 81,194

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

**Note 9. Risk Management**

Twin Rivers 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. 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 \$75,762 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 3,740
Successful progression for early readers	22,657
Teacher leadership grants	131
Professional development	3,444
Total restricted for categorical funding	<u>\$ 29,972</u>

**Note 12. Private Purpose Trust Land Value**

Land value in Humboldt County for 2015 was obtained from Iowa State University Extension and Outreach. The value of land in the Private Purpose Trust for fiscal year 2015 was calculated as follows:

<u>2014 Humboldt County</u>	<u>Tillable</u>	<u>Rounded</u>
<u>Dollars/acre</u>	<u>Acres</u>	<u>Total</u>
\$8,827	79.55	<u>\$ 702,188</u>

**Note 13. Accounting Change/Restatement**

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

	<u>Governmental</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 3,033,307	\$ 10,355
Net pension liability at June 30, 2014	(432,772)	(10,597)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	46,861	1,147
Net position July 1, 2014, as restated	<u>\$ 2,647,396</u>	<u>\$ 905</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,452,194	7,100	1,459,294	1,517,968	1,517,968	(58,674)
State sources	1,069,032	313	1,069,345	860,269	860,269	209,076
Federal sources	93,043	30,956	123,999	88,000	88,000	35,999
Total revenues	<u>2,614,269</u>	<u>38,369</u>	<u>2,652,638</u>	<u>2,466,237</u>	<u>2,466,237</u>	<u>186,401</u>
Expenditures/expenses:						
Instruction	1,391,660	-	1,391,660	1,506,300	1,506,300	114,640
Support services	614,636	-	614,636	675,000	675,000	60,364
Non-instructional programs	-	36,765	36,765	49,000	49,000	12,235
Other expenditures/expenses	186,052	-	186,052	204,370	204,370	18,318
Total expenditures/expenses	<u>2,192,348</u>	<u>36,765</u>	<u>2,229,113</u>	<u>2,434,670</u>	<u>2,434,670</u>	<u>205,557</u>
Excess of revenues over expenditures/expenses	421,921	1,604	423,525	31,567	31,567	391,958
Balances beginning of year, as restated	<u>2,545,910</u>	<u>905</u>	<u>2,546,815</u>	<u>2,132,980</u>	<u>2,132,980</u>	<u>413,835</u>
Balances end of year	<u>\$ 2,967,831</u>	<u>2,509</u>	<u>2,970,340</u>	<u>2,164,547</u>	<u>2,164,547</u>	<u>805,793</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS 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 Government 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

TWIN RIVERS 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	0.008051%
District's proportionate share of the net pension liability	\$ 325,828
District's covered-employee payroll	\$ 557,930
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.40%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 49,823	48,008	43,910	40,414	63,315	74,372	68,179	67,601	63,307	62,796
Contributions in relation to the statutorily required contribution	(49,823)	(48,008)	(43,910)	(40,414)	(63,315)	(74,372)	(68,179)	(67,601)	(63,307)	(62,796)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 557,928	537,604	506,459	500,793	911,007	1,070,101	1,073,685	1,117,372	1,100,991	1,092,104
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS 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.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 304,000	304,000	0.0%	\$ 970,000	31.3%
2011	July 1, 2009	-	304,000	304,000	0.0%	993,000	30.6
2012	July 1, 2009	-	304,000	304,000	0.0%	528,000	57.6
2013	July 1, 2012	-	49,385	49,385	0.0%	376,563	13.1
2014	July 1, 2012	-	45,344	45,344	0.0%	380,396	11.9
2015	July 1, 2012	-	41,528	41,528	0.0%	401,386	10.3

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SUPPLEMENTARY INFORMATION**

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 306,453	144,780	451,233
Receivables:			
Property tax:			
Delinquent	-	518	518
Succeeding year	-	37,870	37,870
Due from other governments	25,742	-	25,742
<b>TOTAL ASSETS</b>	<b>\$ 332,195</b>	<b>183,168</b>	<b>515,363</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 37,570	-	37,570
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	37,870	37,870
Fund balances:			
Restricted for:			
School infrastructure	294,625	-	294,625
Physical plant and equipment levy	-	145,298	145,298
Total fund balances	294,625	145,298	439,923
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 332,195</b>	<b>183,168</b>	<b>515,363</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	37,073	37,073
Other	469	460	929
State sources	164,889	100	164,989
<b>TOTAL REVENUES</b>	<b>165,358</b>	<b>37,633</b>	<b>202,991</b>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	26,000	-	26,000
Transportation	-	54,800	54,800
Capital outlay	84,711	25,579	110,290
<b>TOTAL EXPENDITURES</b>	<b>110,711</b>	<b>80,379</b>	<b>191,090</b>
Change in fund balances	54,647	(42,746)	11,901
Fund balances beginning of year	239,978	188,044	428,022
Fund balances end of year	\$ 294,625	145,298	439,923

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary spirit	\$ 4,047	147	-	4,194
High school spirit	2,572	-	-	2,572
Student council	407	-	-	407
Yearbook	5,199	-	-	5,199
TOTAL	<u>\$ 12,225</u>	<u>147</u>	<u>-</u>	<u>12,372</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 1,395,685	1,319,274	1,638,644	1,539,017	1,643,170	1,674,445	1,650,709	1,450,158	1,266,904	1,262,332
Tuition	26,725	8,277	8,446	1,900	172,052	225,743	271,697	267,517	264,904	271,106
Other	29,784	32,116	55,155	66,349	205,048	201,629	220,358	207,383	261,665	211,712
Intermediate sources	-	-	-	-	-	16,000	15,000	-	-	-
State sources	1,069,032	829,277	703,885	796,520	687,714	619,041	774,837	753,438	701,089	697,987
Federal sources	93,043	66,551	71,523	141,890	186,557	227,870	85,304	63,932	113,519	187,679
<b>Total</b>	<b>\$ 2,614,269</b>	<b>2,255,495</b>	<b>2,477,653</b>	<b>2,545,676</b>	<b>2,894,541</b>	<b>2,964,728</b>	<b>3,017,905</b>	<b>2,742,428</b>	<b>2,608,081</b>	<b>2,630,816</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 1,045,461	1,001,495	977,258	904,108	1,176,774	1,081,180	1,155,544	1,128,014	1,042,653	1,142,993
Special	269,964	241,144	277,035	343,319	205,222	202,080	245,513	191,522	183,552	252,462
Other	76,235	70,997	65,118	76,471	198,846	289,338	308,304	308,216	403,932	302,559
<b>Support services:</b>										
Student	1,818	1,711	1,776	23,649	29,658	21,617	26,770	25,545	57,376	24,309
Instructional staff	54,932	45,908	32,123	57,761	14,834	59,694	105,488	102,398	106,626	129,070
Administration	248,432	379,113	294,158	273,783	327,452	319,548	352,617	367,227	344,898	369,144
Operation and maintenance of plant	168,518	160,232	162,161	162,245	174,315	170,560	214,689	194,587	207,671	245,557
Transportation	140,936	75,079	86,120	90,258	86,042	222,148	81,440	78,746	210,387	136,270
Capital outlay	110,290	23,191	51,110	98,626	181,472	143,220	111,320	5,201	41,559	228,534
<b>Long-term debt:</b>										
Principal	-	-	47,355	17,968	17,164	23,045	17,585	76,852	143,284	73,417
Interest and other charges	-	-	2,362	5,077	5,881	-	4,705	7,454	4,133	9,817
<b>Other expenditures:</b>										
AEA flow-through	75,762	74,517	70,705	70,537	77,988	77,067	72,587	70,247	68,762	66,796
<b>Total</b>	<b>\$ 2,192,348</b>	<b>2,073,387</b>	<b>2,067,281</b>	<b>2,123,802</b>	<b>2,495,648</b>	<b>2,609,497</b>	<b>2,696,562</b>	<b>2,556,009</b>	<b>2,814,833</b>	<b>2,980,928</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Twin Rivers Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2016.

**Internal Control Over Financial Reporting**

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

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

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

## **Twin Rivers Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2016  
Newton, Iowa

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - entering payroll contracts into the system and approval, recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Journal entries - writing, posting and approval
- 12) Computer systems - performing all general accounting functions and controlling all data input and output.
- 13) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We will continue to review our procedures to obtain the best controls possible.

Conclusion - Response accepted.

## **Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - District expenditures/expenses for the year ended June 30, 2015, did not exceed the amount budgeted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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. However, we did note instances of travel reimbursements that were not supported by receipts or proper supporting documentation.

Recommendation - The District should review its procedures to ensure all reimbursements are properly supported, so the District can audit and review the purchase to ensure all expenditures appear in accordance with District requirements and meet public purpose requirements as set forth by the Attorney General.

Response - The District has implemented procedures to correct this issue.

Conclusion - Response accepted.

II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Department of Education was understated by 4.5 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

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

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

II-J-15 Certified Annual Report - We noted the Transportation Report portion of the Certified Annual Report was not filed with the Department of Education by the September 15, 2015 deadline.

Recommendation - The District should take steps to ensure the Transportation Report and all other reports required with the District's Certified Annual Report are certified by the September 15<sup>th</sup> deadline.

Response – The District will ensure the Transportation Report and all other reports required with the District’s Certified Annual Report are certified by the September 15<sup>th</sup> deadline.

Conclusion – Response accepted.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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 for the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 239,978
Revenues:		
Sales tax revenues	\$ 164,889	
Other local revenue	469	165,358
		<u>405,336</u>
Expenditures:		
School infrastructure construction	15,814	
Other	94,897	110,711
		<u>110,711</u>
Ending balance		<u>\$ 294,625</u>

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

II-M-15 Interfund Loans - We noted during our audit that the District has an interfund loan from the General Fund to the Enterprise: School Nutrition Fund of \$5,000, which was on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District’s year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District’s Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according Chapter 74 of the Iowa Code.

Recommendation - The District should seek and obtain anticipatory warrants to comply with the declaratory ruling in order to repay the interfund loan.

Response - The loan will be paid off this fiscal year.

Conclusion - Response accepted.

II-N-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted net position of \$456 in the School Nutrition Fund. The primary reason for the deficit was due to the implementation of GASB Statement No. 68 and No. 71 during the year.

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

Response - The District has procedures in place for this new accounting change/restatement.

Conclusion - Response accepted.