

**WATERLOO COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

Table of Contents

Board of Education and School District Officials	1
Independent Auditor’s Report	2-3
Management's Discussion and Analysis (MD&A)	4-14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities.....	16
Governmental Fund Financial Statements	
Balance Sheet.....	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	18
Statement of Revenue, Expenditures and Changes in Fund Balances.....	19
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities.....	20-21
Proprietary Funds Financial Statements	
Statement of Net Position	22
Statement of Revenue, Expenses and Changes in Fund Net Position	23
Statement of Cash Flows	24
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	27-48
Required Supplementary Information	
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund	49
Notes to Required Supplementary Information - Budgetary Reporting.....	50
Schedule of Proportionate Share of the Net Pension Liability	51
Schedule of Contributions.....	52
Notes to Required Supplementary Information - Pension Liability.....	53-54
Schedule of Funding Progress for the Retiree Health Plan	55
Supplementary Information	
Nonmajor Governmental Funds	
Description of Funds.....	56
Combining Balance Sheet.....	57
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	58
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	59
Capital Projects Accounts	
Description of Accounts	60
Combining Balance Sheet.....	61
Combining Schedule of Revenue, Expenditures and Changes in Balances	62
Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund.....	63
Schedule of Revenue by Source, Expenditures by Function and Other Financing Sources and Uses - All Governmental Fund Types (Modified Accrual Basis).....	64
Schedule of Expenditures of Federal Awards	65-66
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	
	67-68
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	
	69-70
Schedule of Findings and Questioned Costs	71-75

Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Shanlee McNally	President (after November, 2014)	September, 2015
	Vice-President (before November, 2014)	
Mike Young	Vice President (after November, 2014)	September, 2017
	President (before November, 2014)	
Sue Flynn	Board Member	September, 2015
Mike Kindschi	Board Member	September, 2017
Lyle Schmitt	Board Member	September, 2015
Andrea Sparks	Board Member	September, 2015
Angela Weekley	Board Member	September, 2017
School Officials		
Dr. Jane Lindaman	Superintendent	Indefinite
Pam Arndorfer	District Secretary	2015
Michael Coughlin	District Treasurer	2015
Steve Weidner	Attorney	Indefinite
Timothy Luce	Attorney	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Waterloo Community School District
Waterloo, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waterloo Community School District, Waterloo, 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, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Waterloo Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Waterloo Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 14, 49 and 55 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 Waterloo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2008 through June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the years ended June 30, 2006 and June 30, 2007 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 56 through 66, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. 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 a report dated December 15, 2015 on our consideration of Waterloo Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterloo Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waterloo 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 this narrative overview and analysis.

Financial Highlights

- The assets of Waterloo Community School District exceeded its liabilities at the close of the most recent fiscal year by \$72,485,458 (net position).
- The General Fund cash, cash equivalents and investments increased \$6,855,828 and the General Fund balance increased \$3,453,665.
- The General Fund unspent balance ratio which measures the percent of authorized budget unspent increased from 8.2% in fiscal year 2014 to 9.1% in fiscal year 2015. This was due to an increase in state budget revenue while the District continued the commitment to fund additional teaching/coaching positions to support the need for improved student achievement.
- The State of Iowa granted a 4% allowable growth rate for fiscal year 2015. The state previously granted 4% allowable growth in 2014 [2% permanent and 2% one time only], 0% in fiscal years 2013 and 2012, 2% in fiscal years 2011 and 2010 and 4% in fiscal years 2006-2009. As a general rule, an allowable growth rate of 6% is required to fully maintain the increases of the budget for all programs to remain constant. The past history of the allowable growth rate set between 0% and 4% has posed many challenges to the District's educational delivery system.
- By 2008 State Legislative action, Local Option Sales and Service Tax (LOSST) which had been voter approved in every county, was changed to a state tax, Secure an Advanced Vision for Education (SAVE). The one-cent sales tax will be in effect until 2029 and subject to review and extension. The state collections will be received by the districts based upon enrollment times an estimated three-year average which will reduce the actual funds received in Black Hawk County by approximately 20%, but guarantees the longevity and ability for the District to bond against the proceeds for future facility projects. The Urban Education Network (20 largest districts in Iowa) are promoting the extension of SAVE during the 2016 Legislative session.
- In 2015, the District completed construction and remodeling on the technology department offices and a District bus garage complex. These projects provided additional technology workspace and inventory storage and the bus garage moved to a central location in the District to provide more efficiency.
- Since the original LOSST/SAVE funding began in fiscal year 1999-2000, the District has constructed nine new elementary schools, one new middle school, extensively remodeled two elementary schools and completed other significant projects.

Walter Cunningham School of Excellence	2001-2002	New Building
East High School	2001-2002	Commons Area
West High School	2001-2002	Commons Area
Irving Elementary	2002-2003	New Building
Bunger Middle School	2003-2004	Classrooms Addition
Lincoln Elementary	2003-2004	New Building
Lou Henry Elementary	2004-2005	New Building
Hoover Middle School	2004-2005	Classrooms Addition
Kingsley Elementary	2005-2006	Remodel Building
Lowell Elementary	2004-2008	Remodel Building
Poyner Elementary	2006-2007	New Building
East High School	2006-2007	Auditorium Project
West High School	2006-2007	Locker Room Project
East High School	2007-2008	Locker Room Project
West High School	2008-2009	Auditorium Project
George Washington Carver Academy	2008-2009	New Building
Kittrell Elementary School	2008-2009	New Building
Highland Elementary School	2008-2009	New Building
Expo Alternative Education Center	2010-2011	Remodel Building
Kittrell Early Childhood Center	2010-2011	Remodel Building
West High School	2011-2012	Remodel Classrooms
Fred Becker Elementary	2011-2012	New Building
Orange Elementary	2012-2013	New Building
Hoover Middle School	2012-2014	Music and Commons Area
Bus Garage/Technology Offices	2014-2015	Remodel Buildings
- The District property tax rate of \$15.97526 per thousand dollars of taxable property valuation remains below the average for the 25 largest districts within Iowa.

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 Waterloo 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 Waterloo Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Waterloo Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to the 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. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

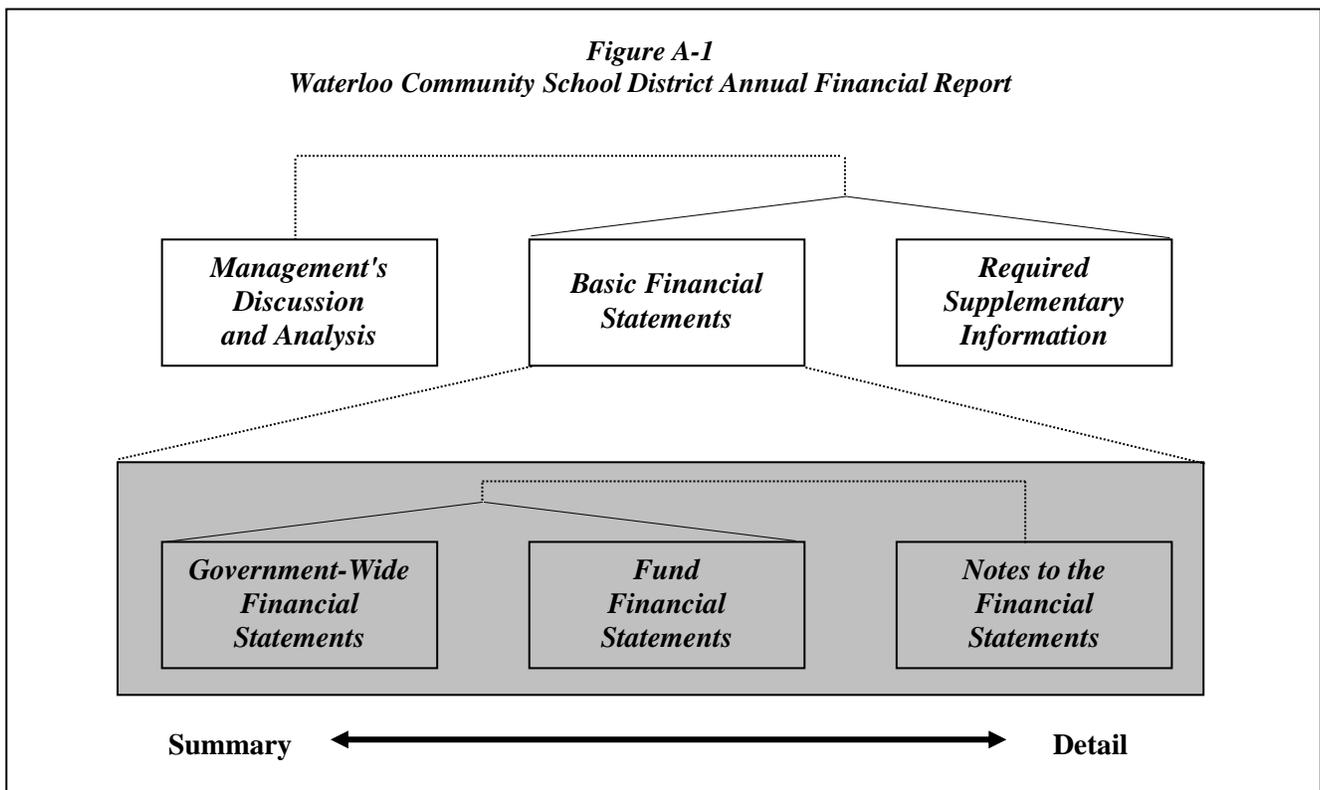


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and agency monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital 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 revenue and expenses during year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 it is properly using certain revenue 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 (a) how cash and other financial assets that can readily be converted to cash flow in and out and (b) 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, 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 fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's internal service fund is the Print Shop Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, 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 the Private-Purpose Trust and Agency Funds.

The Private-Purpose Trust Fund is used to account for outside donations for scholarships for individual students.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments for the purpose of school uniforms and reading materials for students within the District.

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 as of June 30, 2015 compared to June 30, 2014.

**Figure A-3
Condensed Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change June 30, 2015-14</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	2015	2014 As Restated*	2015	2014 As Restated*	2015	2014 As Restated*	
Current and other assets	\$ 87,337,294	\$ 78,537,503	\$ 220,332	\$ 277,718	\$ 87,557,626	\$ 78,815,221	11.1%
Capital assets	177,820,186	179,328,330	918,703	1,078,456	178,738,889	180,406,786	(0.9)
Total Assets	265,157,480	257,865,833	1,139,035	1,356,174	266,296,515	259,222,007	2.7
Deferred Outflows of Resources	8,915,182	—	226,715	—	9,141,897	—	100.0
Total Assets and Deferred Outflows of Resources	\$ 274,072,662	\$ 257,865,833	\$ 1,365,750	\$ 1,356,174	\$ 275,438,412	\$ 259,222,007	6.3
Current liabilities	\$ 18,104,616	\$ 19,210,292	\$ 146,959	\$ 171,992	\$ 18,251,575	\$ 19,382,284	(5.8)
Long-term liabilities	125,466,169	80,663,744	1,060,172	—	126,526,341	80,663,744	56.9
Total Liabilities	143,570,785	99,874,036	1,207,131	171,992	144,777,916	100,046,028	44.7
Deferred Inflows of Resources	57,757,112	42,243,752	417,926	—	58,175,038	42,243,752	37.7
Net Position							
Net investment in capital assets	105,208,898	109,082,308	918,703	1,078,456	106,127,601	110,160,764	(3.7)
Restricted	14,000,419	9,032,725	152	31	14,000,571	9,032,756	55.0
Unrestricted	(46,464,552)	(2,366,988)	(1,178,162)	105,695	(47,642,714)	(2,261,293)	(2,006.9)
Total Net Position	72,744,765	115,748,045	(259,307)	1,184,182	72,485,458	116,932,227	(38.0)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 274,072,662	\$ 257,865,833	\$ 1,365,750	\$ 1,356,174	\$ 275,438,412	\$ 259,222,007	6.3

* Prior year numbers have been restated for adjustments other than GASB No. 68.

The District's total net position decreased 38.0%, or approximately \$44,447,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$4,968,000, or 55%, over the prior year. The increase was primarily a result of revenue bonds issued.

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 approximately \$45,381,000, or 2,006.7%. The decrease in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year with the adoption of GASB Statement No. 68.

The 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 beginning net position as of July 31, 2014 for governmental activities and business-type activities were restated by \$53,840,818 and \$1,343,615, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

**Figure A-4
Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2015-14</u>
	<u>2015</u>	<u>2014 As Restated*</u>	<u>2015</u>	<u>2014 As Restated*</u>	<u>2015</u>	<u>2014 As Restated*</u>	
Revenue							
Program Revenue							
Charges for service	\$ 4,392,411	\$ 5,030,234	\$ 1,361,144	\$ 1,376,975	\$ 5,753,555	\$ 6,407,209	(10.2)%
Operating grants, contributions and restricted interest	28,261,920	26,420,632	4,656,571	4,508,190	32,918,491	30,928,822	6.4
Capital grants, contributions and restricted interest	329,038	353,198	—	—	329,038	353,198	(6.8)
General Revenue							
Property tax	41,644,560	42,476,135	—	—	41,644,560	42,476,135	(2.0)
Statewide sales, services and use tax	10,423,134	9,414,543	—	—	10,423,134	9,414,543	10.7
Unrestricted state grants	61,830,614	56,672,275	—	—	61,830,614	56,672,275	9.1
Unrestricted investment earnings	<u>207,929</u>	<u>161,244</u>	<u>476</u>	<u>359</u>	<u>208,405</u>	<u>161,603</u>	29.0
Total Revenue	<u>147,089,606</u>	<u>140,528,261</u>	<u>6,018,191</u>	<u>5,885,524</u>	<u>153,107,797</u>	<u>146,413,785</u>	4.6

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2015-14</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
		<u>As Restated*</u>		<u>As Restated*</u>		<u>As Restated*</u>	
Program Expenses							
Instruction	\$ 88,604,601	\$ 88,852,811	\$ —	\$ —	\$ 88,604,601	\$ 88,852,811	(0.3)%
Support services	39,039,479	39,463,246	—	—	39,039,479	39,463,246	(1.1)
Noninstructional programs	31,399	56,164	6,123,005	6,014,868	6,154,404	6,071,032	1.4
Other	<u>8,571,649</u>	<u>8,028,401</u>	<u>—</u>	<u>—</u>	<u>8,571,649</u>	<u>8,028,401</u>	6.8
Total Expenses	<u>136,247,128</u>	<u>136,400,622</u>	<u>6,123,005</u>	<u>6,014,868</u>	<u>142,370,133</u>	<u>142,415,490</u>	0.0
Excess (Deficiency) Before Transfers	10,842,478	4,127,639	(104,814)	(129,344)	10,737,664	3,998,295	168.6
Transfers	<u>(4,940)</u>	<u>(236,365)</u>	<u>4,940</u>	<u>236,365</u>	<u>—</u>	<u>—</u>	0.0
Change in Net Position	10,837,538	3,891,274	(99,874)	107,021	10,737,664	3,998,295	168.6
Net Position - Beginning of Year, as restated	<u>61,907,227</u>	<u>111,856,771</u>	<u>(159,433)</u>	<u>1,077,161</u>	<u>61,747,794</u>	<u>112,933,932</u>	(45.3)
Net Position - End of Year	<u>\$ 72,744,765</u>	<u>\$ 115,748,045</u>	<u>\$ (259,307)</u>	<u>\$ 1,184,182</u>	<u>\$ 72,485,458</u>	<u>\$ 116,932,227</u>	(38.0)

* Prior year numbers have been restated for adjustments other than GASB No. 68.

In fiscal year 2015, property tax and unrestricted state grants accounted for 70.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for almost 100% of business-type activities revenue. The District's total revenue was approximately \$153.1 million, of which approximately \$147.1 million was for governmental activities and \$6 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 4.6% increase in revenue and a less than 0.1% decrease in expenses. Operating grants, contributions and restricted interest increased approximately \$1,990,000 and unrestricted state grants increased approximately \$5,158,000 to fund expenses. The decrease in expenses is related to less costs for regular instruction and special instruction.

Governmental Activities

Revenue for governmental activities was \$147,089,606 and expenses were \$136,247,128, which net of \$4,940 transfers out amounted to an increase in net position of \$10,837,538 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, noninstructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Change 2015-14</u>	<u>Net Cost of Services</u>		<u>Change 2015-14</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
		<u>As Restated*</u>			<u>As Restated*</u>	
Instruction	\$ 88,604,601	\$ 88,852,811	(0.3)%	\$ 57,507,072	\$ 59,254,419	(2.9)%
Support services	39,039,479	39,463,246	(1.1)	37,973,566	38,078,385	(0.3)
Noninstructional programs	31,399	56,164	(44.1)	31,399	56,164	(44.1)
Other	<u>8,571,649</u>	<u>8,028,401</u>	6.8	<u>7,751,722</u>	<u>7,207,590</u>	7.5
Total	<u>\$ 136,247,128</u>	<u>\$ 136,400,622</u>	(0.1)	<u>\$ 103,263,759</u>	<u>\$ 104,596,558</u>	(1.3)

* Prior year numbers have been restated for adjustments other than GASB No. 68.

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$4,392,411.
- Federal and state governments and private entities subsidized certain programs with grants and contributions totaling \$28,590,958.
- The net cost of governmental activities was financed with \$52,067,694 in property and other taxes, \$61,830,614 in unrestricted state grants and \$207,929 in unrestricted investment earnings.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$6,018,191, representing a 2.3% increase over the prior year, while expenses totaled \$6,123,005, a 1.8% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenue of these activities was comprised of charges for service, federal and state reimbursements and grants and investment earnings.

- Business-type activities expenses exceeded revenue and transfers by \$99,874 for fiscal year 2015 and revenue and transfers exceeded expenses by \$107,021 for fiscal year 2014.
- Charges for service represent 22.6% of total revenue for fiscal year 2015 compared to 23.4% for fiscal year 2014. This represents the amount paid by students/staff for daily food service.
- Federal and state operating grants, included reimbursement for meals, payments for free and reduced lunches, commodities provided to the District and other miscellaneous grants, totaled \$4,656,571, or 77.4%, of total revenue. This is reflective of the District's population of "free and reduced" students, which was approximately 69% of total students.

INDIVIDUAL FUND ANALYSIS

As previously noted, Waterloo 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 \$29,455,531, above last year's ending fund balances of \$18,360,567. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 was due to revenue bonds issued and an increase in state funding received.

Governmental Fund Highlights

The General Fund is the chief operating fund of the District. At the end of fiscal year 2015, unassigned fund balance of the General Fund was \$4,774,487 while total fund balance increased from \$5,087,143 at the end of fiscal year 2014 to \$8,540,808 at the end of fiscal year 2015.

The General Fund balance increased by \$3,453,665, or 67.9%, during the current fiscal year. The main reason for this increase was an increase in state funding received.

The Debt Service Fund balance increased from \$14,059,941 at the end of fiscal year 2014 to \$15,164,372 at the end of fiscal year 2015. Current year expenditures included bond interest and fiscal charges and principal payments. The increase in fund balance is related to statewide sales, services and use tax revenue held and restricted for future bond interest and principal payments.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from (\$159,433) as of June 30, 2014 to (\$259,307) as of June 30, 2015, representing a decrease of 62.6%. The decrease was primarily a result of decreased capital contributions received.

BUDGETARY HIGHLIGHTS

The District adopts a budget in April for the following year and at the same time considers a budget amendment for expenditures for the current year. The District did not amend its original budget for fiscal year 2015.

A schedule showing the original budget amounts compared to the District's actual financial activity is provided in this report as required supplementary information.

The District's total revenue was \$5,685,241 less than total budgeted revenue, a variance of 3.6%.

Total expenditures were \$14,187,842 less than total budgeted expenditures, a variance of 8.8%.

The certified budget and the District's total spending authority were not exceeded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$178,738,889, net of accumulated depreciation, in a broad range of capital assets, including land, buildings and improvements, land improvements, equipment, furniture and construction in progress. (See Figure A-6). This represents a net decrease of 0.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense was \$5,628,039 for Governmental Activities and \$169,953 for Business-Type Activities.

The original cost of the District's capital assets was approximately \$245.8 million. Governmental funds account for approximately \$242.1 million with the remainder of approximately \$3.7 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change June 30, 2015-14</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Land	\$ 3,279,397	\$ 3,293,867	\$ —	\$ —	\$ 3,279,397	\$ 3,293,867	(0.4)%
Construction in progress	135,928	4,027,275	—	—	135,928	4,027,275	(96.6)
Buildings and improvements	163,920,537	160,899,873	—	—	163,920,537	160,899,873	1.9
Improvements other than buildings	6,248,660	6,530,859	—	—	6,248,660	6,530,859	(4.3)
Furniture and equipment	<u>4,235,664</u>	<u>4,576,456</u>	<u>918,703</u>	<u>1,078,456</u>	<u>5,154,367</u>	<u>5,654,912</u>	(8.9)
Total	<u>\$ 177,820,186</u>	<u>\$ 179,328,330</u>	<u>\$ 918,703</u>	<u>\$ 1,078,456</u>	<u>\$ 178,738,889</u>	<u>\$ 180,406,786</u>	(0.9)

The amount of construction in progress decreased by \$3,891,347. The decrease from fiscal year 2014 to fiscal year 2015 is due to completing work on several construction projects. This decrease was capitalized in the various depreciable capital asset categories.

Significant construction in progress as of June 30, 2014 included:

- Renovation and addition at Hoover Middle School
- Various roofing projects
- Remodel of East High School elevator
- Renovation of Hoover Middle School Commons

Significant construction in progress as of June 30, 2015 included:

- Renovation of bus garage

Long-Term Debt

As of June 30, 2015, the District had \$78,889,288 of total long-term debt outstanding. This represents an increase of 3.1% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of debt districts can issue to 5% of the assessed value of all taxable property within the District. The District’s outstanding debt is significantly below its constitutional debt limit of approximately \$204 million.

In June, 2015, the District issued \$5,060,000 of Statewide Sales, Services and Use Tax revenue bonds to finance various construction projects.

**Figure A-7
Outstanding Long-Term Debt**

	<u>Total District</u>		Total Change June 30, 2015-14
	<u>June 30,</u>		
	2015	2014	
Revenue bonds	\$ 78,514,539	\$ 76,109,539	3.2%
Unamortized bond premium	<u>374,749</u>	<u>414,483</u>	(9.6)
Total	<u>\$ 78,889,288</u>	<u>\$ 76,524,022</u>	3.1

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The United States, as well as the world, experienced financial upheaval and have struggled through a gradual recovery process. This has affected the State of Iowa revenue and the ability to fund schools. At the height of economic decline in October, 2009, the Governor announced a 10% across-the-board cut reducing the District’s budget by \$5.5 million. In response, after funding fiscal years 2006-2009 at 4% allowable growth, fiscal years 2010 and 2011 were funded at 2% allowable growth. As state budget struggles continued, fiscal years 2012 and 2013 were set at 0% allowable growth which required District budget reductions through noninstructional staffing and operational efficiencies. In the recovery process, allowable growth for fiscal years 2014 and 2015 was set at 4%, which resulted in improved financial indicators and enabling the District to continue support of student achievement programming and goals. For fiscal year 2016, State Supplemental Aid (formerly allowable growth) was reduced to 1.25% after a lengthy legislative session and Governor veto of additional funding.

- In addition to state budget funding, the Governor established funding for a fiscal year 2015 Educational Reform Grant. This program funds the support of instruction through teacher professional development along with teacher modeling and mentoring. Instructional coaches in math and literacy also support the goals of raising student achievement. The District was part of the first round of schools to qualify for the \$309/student annual funding. This funding transitioned from a one-year grant, to an annual component of the funding formula in 2016 and beyond.
- To maintain adequate allowable growth is critical. In the recent years of recovery, growth in employee wages and benefits have outpaced state funding to schools. Salary and benefits represent approximately 79% of General Fund expenditures. Salary and benefit settlements with any employee group exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- Budget shortfalls usually mean staff reductions, but the District has maintained all instructional positions to invest in student achievement goals. This resulted in a reduction of the unspent authorized budget balance in fiscal year 2013. Increases in budget authority of 4% were allowed for fiscal year 2014 and 2015 allowing the District to regain some financial stability. However, current allowable growth for fiscal year 2016 has been set at 1.25% and the uncertainty of future years will be a major challenge for the District.
- District enrollment declined approximately 300 students in 2007-2010 but showed recovery by increasing 85 students in the fall of 2011, 83 students in the fall of 2012, 188 students in the fall of 2013 and 142 students in the fall of 2014. In a reverse of trends, the fall of 2015 saw a decline in enrollment of 197 students. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation. Enrollment changes have been spread across all grades, but strongest trends have occurred in the elementary grades.
- The major concern with enrollment is the graduation rate, almost 30% of students do not graduate with their classmates and 20% do not graduate at all. The District has 100-150 students drop out each year. To address this, during the last several years, the District has expanded programs for at-risk students centered in the Alternative High School, added additional online classes and offered a learning center at the local shopping mall.
- In 2013, the District started a major initiative to identify, design and construct a 21st century high school system with career technical education as a major component to meet the needs of the students, businesses and industries in the Cedar Valley. The District is voting on a General Obligation Bond of \$47,000,000 in the spring of 2016 to build a Career and Technical Education Center to open in the fall of 2018.
- As a catalyst for future success of the District, the new Superintendent's qualifications specialize in student assessment and achievement through educational excellence.

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 Michael L. Coughlin, Chief Financial Officer, Waterloo Community School District, 1516 Washington Street, Waterloo, Iowa 50702.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and investments	\$ 40,218,202	\$ 126,272	\$ 40,344,474
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	449,795	—	449,795
Succeeding year	41,010,167	—	41,010,167
Accounts	468,499	—	468,499
Due from other governments	4,837,640	57,201	4,894,841
Inventories	240,976	36,859	277,835
Prepaid items	112,015	—	112,015
Capital assets, net of accumulated depreciation	174,404,861	918,703	175,323,564
Capital assets not being depreciated	3,415,325	—	3,415,325
Total Assets	<u>265,157,480</u>	<u>1,139,035</u>	<u>266,296,515</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>8,915,182</u>	<u>226,715</u>	<u>9,141,897</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 274,072,662</u>	<u>\$ 1,365,750</u>	<u>\$ 275,438,412</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 811,551	\$ 7,308	\$ 818,859
Salaries and benefits payable	13,672,550	102,222	13,774,772
Advances from grantors	316,782	—	316,782
Due to other governments	1,586,575	—	1,586,575
Accrued interest payable	1,717,158	—	1,717,158
Unearned revenue	—	37,429	37,429
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds, net of unamortized premium	2,799,734	—	2,799,734
Compensated absences	281,332	—	281,332
Portion Due After One Year			
Revenue bonds, net of unamortized premium	76,089,554	—	76,089,554
Compensated absences	93,777	—	93,777
Net pension liability	42,482,772	1,060,172	43,542,944
Net OPEB liability	3,719,000	—	3,719,000
Total Liabilities	<u>143,570,785</u>	<u>1,207,131</u>	<u>144,777,916</u>
Deferred Inflows of Resources			
Deferred property tax revenue	41,010,167	—	41,010,167
Pension-related deferred inflows	16,746,945	417,926	17,164,871
Total Deferred Inflows of Resources	<u>57,757,112</u>	<u>417,926</u>	<u>58,175,038</u>
Net Position			
Net investment in capital assets	105,208,898	918,703	106,127,601
Restricted for			
Categorical funding	596,754	—	596,754
Debt service	7,169,214	—	7,169,214
Student activities	1,118,318	—	1,118,318
Management levy purposes	1,223,708	—	1,223,708
School infrastructure	2,679,324	—	2,679,324
Physical plant and equipment	1,213,101	—	1,213,101
Farm to school grant	—	152	152
Unrestricted	(46,464,552)	(1,178,162)	(47,642,714)
Total Net Position	<u>72,744,765</u>	<u>(259,307)</u>	<u>72,485,458</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 274,072,662</u>	<u>\$ 1,365,750</u>	<u>\$ 275,438,412</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 58,118,773	\$ 2,226,666	\$ 19,831,423	\$ —	\$ (36,060,684)	\$ —	\$ (36,060,684)
Special	27,665,186	238,578	6,668,091	—	(20,758,517)	—	(20,758,517)
Vocational	174,717	—	445,916	—	271,199	—	271,199
Other	2,645,925	1,686,855	—	—	(959,070)	—	(959,070)
Total Instruction	<u>88,604,601</u>	<u>4,152,099</u>	<u>26,945,430</u>	<u>—</u>	<u>(57,507,072)</u>	<u>—</u>	<u>(57,507,072)</u>
Support Services							
Student	4,279,947	—	—	—	(4,279,947)	—	(4,279,947)
Instructional staff	3,295,677	—	191,918	—	(3,103,759)	—	(3,103,759)
General administration	2,380,531	—	—	—	(2,380,531)	—	(2,380,531)
School administration	7,387,505	—	—	—	(7,387,505)	—	(7,387,505)
Business and central administration	3,995,183	—	—	—	(3,995,183)	—	(3,995,183)
Operation and maintenance of plant	12,712,732	231,223	—	329,038	(12,152,471)	—	(12,152,471)
Transportation	4,987,904	9,089	304,645	—	(4,674,170)	—	(4,674,170)
Total Support Services	<u>39,039,479</u>	<u>240,312</u>	<u>496,563</u>	<u>329,038</u>	<u>(37,973,566)</u>	<u>—</u>	<u>(37,973,566)</u>
Noninstructional Programs	<u>31,399</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(31,399)</u>	<u>—</u>	<u>(31,399)</u>
Debt Service							
Interest and fiscal charges	3,453,182	—	819,927	—	(2,633,255)	—	(2,633,255)
Depreciation (unallocated)*	5,118,467	—	—	—	(5,118,467)	—	(5,118,467)
Total Governmental Activities	<u>136,247,128</u>	<u>4,392,411</u>	<u>28,261,920</u>	<u>329,038</u>	<u>(103,263,759)</u>	<u>—</u>	<u>(103,263,759)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations	<u>6,123,005</u>	<u>1,361,144</u>	<u>4,656,571</u>	<u>—</u>	<u>—</u>	<u>(105,290)</u>	<u>(105,290)</u>
Total	<u>\$ 142,370,133</u>	<u>\$ 5,753,555</u>	<u>\$ 32,918,491</u>	<u>\$ 329,038</u>	<u>(103,263,759)</u>	<u>(105,290)</u>	<u>(103,369,049)</u>
General Revenue							
Property Tax Levied for							
General purposes					35,906,348	—	35,906,348
Management levy purposes					2,950,429	—	2,950,429
Capital outlay					2,787,783	—	2,787,783
Statewide sales, services and use tax					10,423,134	—	10,423,134
Unrestricted state grants					61,830,614	—	61,830,614
Unrestricted investment earnings					207,929	476	208,405
Total General Revenue					<u>114,106,237</u>	<u>476</u>	<u>114,106,713</u>
Transfers					<u>(4,940)</u>	<u>4,940</u>	<u>—</u>
Change in Net Position					<u>10,837,538</u>	<u>(99,874)</u>	<u>10,737,664</u>
Net Position - Beginning of Year, as restated (Note 16)					61,907,227	(159,433)	61,747,794
Net Position - End of Year					<u>\$ 72,744,765</u>	<u>\$ (259,307)</u>	<u>\$ 72,485,458</u>

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

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Debt Service	Nonmajor	Total
Assets				
Cash, cash equivalents and investments	\$ 20,676,541	\$ 15,164,372	\$ 4,377,289	\$ 40,218,202
Receivables, Net of Allowance for Uncollectible Amounts				
Property Tax				
Current year delinquent.....	388,332	—	61,463	449,795
Succeeding year.....	35,977,733	—	5,032,434	41,010,167
Accounts	398,317	—	66,500	464,817
Due from other funds	28,118	—	—	28,118
Due from other governments	2,735,909	—	2,101,731	4,837,640
Inventories.....	216,502	—	—	216,502
Prepaid items	98,333	—	13,682	112,015
Total Assets.....	<u>\$ 60,519,785</u>	<u>\$ 15,164,372</u>	<u>\$ 11,653,099</u>	<u>\$ 87,337,256</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable.....	\$ 488,285	\$ —	\$ 323,266	\$ 811,551
Salaries and benefits payable.....	13,669,640	—	2,910	13,672,550
Advances from grantors.....	316,782	—	—	316,782
Due to other governments	1,526,537	—	60,038	1,586,575
Total Liabilities	<u>16,001,244</u>	<u>—</u>	<u>386,214</u>	<u>16,387,458</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	35,977,733	—	5,032,434	41,010,167
Other	—	—	484,100	484,100
Total Deferred Inflows of Resources.....	<u>35,977,733</u>	<u>—</u>	<u>5,516,534</u>	<u>41,494,267</u>
Fund Balances				
Nonspendable				
Inventories	216,502	—	—	216,502
Prepaid items.....	98,333	—	13,682	112,015
Restricted for				
Categorical funding.....	596,754	—	—	596,754
Debt service.....	—	15,164,372	—	15,164,372
Student activities.....	—	—	1,118,318	1,118,318
Management levy purposes.....	—	—	1,210,026	1,210,026
School infrastructure.....	—	—	2,195,224	2,195,224
Physical plant and equipment.....	—	—	1,213,101	1,213,101
Assigned for				
Alternate health insurance plan	2,854,732	—	—	2,854,732
Unassigned	4,774,487	—	—	4,774,487
Total Fund Balances	<u>8,540,808</u>	<u>15,164,372</u>	<u>5,750,351</u>	<u>29,455,531</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 60,519,785</u>	<u>\$ 15,164,372</u>	<u>\$ 11,653,099</u>	<u>\$ 87,337,256</u>

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2015

Total Fund Balances of Governmental Funds (Page 17) **\$ 29,455,531**

***Amounts reported for governmental activities in the
statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 177,820,186

An internal service fund is used by management to charge the costs of the District's print shop services to various entities and individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 38

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds..... 484,100

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (1,717,158)

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.....	\$ 8,915,182	
Deferred inflows of resources.....	<u>(16,746,945)</u>	(7,831,763)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds, net of unamortized premium	\$ (78,889,288)	
Compensated absences.....	(375,109)	
Net pension liability	(42,482,772)	
Net OPEB liability	<u>(3,719,000)</u>	<u>(125,466,169)</u>

Net Position of Governmental Activities (Page 15) **\$ 72,744,765**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General	Debt Service	Nonmajor	Total
Revenue				
Local Sources				
Local tax.....	\$ 35,906,348	\$ —	\$ 5,738,212	\$ 41,644,560
Tuition	482,499	—	—	482,499
Other	2,508,242	104,021	1,734,602	4,346,865
State sources	80,167,361	—	10,546,584	90,713,945
Federal sources	9,081,310	—	819,927	9,901,237
Total Revenue	<u>128,145,760</u>	<u>104,021</u>	<u>18,839,325</u>	<u>147,089,106</u>
Expenditures				
Current				
Instruction				
Regular	58,871,606	—	1,249,438	60,121,044
Special	23,102,264	—	54,160	23,156,424
Vocational	169,756	—	—	169,756
Other	836,426	—	1,785,089	2,621,515
Total Instruction	<u>82,980,052</u>	<u>—</u>	<u>3,088,687</u>	<u>86,068,739</u>
Support Services				
Student	4,383,829	—	47,400	4,431,229
Instructional staff	3,339,224	—	49,663	3,388,887
General administration	2,425,117	—	25,973	2,451,090
School administration	7,568,748	—	57,048	7,625,796
Business and central administration.....	3,864,156	—	121,707	3,985,863
Operation and maintenance of plant	9,974,848	—	862,356	10,837,204
Transportation	4,966,162	—	—	4,966,162
Total Support Services	<u>36,522,084</u>	<u>—</u>	<u>1,164,147</u>	<u>37,686,231</u>
Noninstructional Programs	—	—	31,399	31,399
AEA Flowthrough	5,160,012	—	—	5,160,012
Facilities Acquisition	—	—	5,916,295	5,916,295
Debt Service				
Principal	—	2,655,000	—	2,655,000
Interest and fiscal charges	—	3,485,666	50,800	3,536,466
Total Debt Service	<u>—</u>	<u>6,140,666</u>	<u>50,800</u>	<u>6,191,466</u>
Total Expenditures	<u>124,662,148</u>	<u>6,140,666</u>	<u>10,251,328</u>	<u>141,054,142</u>
Revenue Over (Under) Expenditures	<u>3,483,612</u>	<u>(6,036,645)</u>	<u>8,587,997</u>	<u>6,034,964</u>
Other Financing Sources (Uses)				
Revenue bonds issued	—	—	5,060,000	5,060,000
Transfers in	—	7,141,076	29,947	7,171,023
Transfers out	(29,947)	—	(7,141,076)	(7,171,023)
Total Other Financing Sources (Uses)	<u>(29,947)</u>	<u>7,141,076</u>	<u>(2,051,129)</u>	<u>5,060,000</u>
Change in Fund Balances	3,453,665	1,104,431	6,536,868	11,094,964
Fund Balances - Beginning of Year, as restated (Note 16)	5,087,143	14,059,941	(786,517)	18,360,567
Fund Balances - End of Year	<u>\$ 8,540,808</u>	<u>\$ 15,164,372</u>	<u>\$ 5,750,351</u>	<u>\$ 29,455,531</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 19) \$ 11,094,964

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

Capital outlays to purchase or build capital assets are reported in the 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 amount of capital outlay expenditures and depreciation expense for the year is as follows:

Expenditures for capital outlay	\$ 4,196,090	
Depreciation expense.....	<u>(5,628,039)</u>	(1,431,949)

The net book value of capital assets disposed of during the year.....		(76,195)
---	--	----------

Certain local option sales tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....		500
--	--	-----

Proceeds from issuing long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year issuances and repayments is as follows:		
Issued	\$ (5,060,000)	
Repaid	<u>2,655,000</u>	(2,405,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		43,550
--	--	--------

Amortization of premiums on bonds payable does not change current financial resources to governmental funds but it decreases liabilities in the statement of net position. ...		39,734
--	--	--------

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.		6,578,617
--	--	-----------

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2015

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

Early retirement.....	\$	420,000		
Compensated absences.....		138,613		
Pension expense.....		(3,052,334)		
Net OPEB liability.....		<u>(513,000)</u>		\$ (3,006,721)

An internal service fund is used by management to charge the costs of the District's print shop services to various entities and individuals. The change in net position of the internal service fund is reported in governmental activities...

		<u>38</u>
Change in Net Position of Governmental Activities (Page 16)		<u>\$ 10,837,538</u>

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Print Shop</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and investments	\$ 126,272	\$ —
Accounts receivable	—	3,682
Due from other governments	57,201	—
Inventories	<u>36,859</u>	<u>24,474</u>
Total Current Assets	<u>220,332</u>	<u>28,156</u>
Capital Assets, Net of Accumulated Depreciation	<u>918,703</u>	<u>—</u>
Total Assets	<u>1,139,035</u>	<u>28,156</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	<u>226,715</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,365,750</u>	<u>\$ 28,156</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 7,308	\$ —
Salaries and benefits payable	102,222	—
Due to other funds	—	28,118
Unearned revenue	<u>37,429</u>	<u>—</u>
Total Current Liabilities	<u>146,959</u>	<u>28,118</u>
Net Pension Liability	<u>1,060,172</u>	<u>—</u>
Total Liabilities	<u>1,207,131</u>	<u>28,118</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	<u>417,926</u>	<u>—</u>
Net Position		
Investment in capital assets	918,703	—
Restricted - farm to school grant	152	—
Unrestricted	<u>(1,178,162)</u>	<u>38</u>
Total Net Position	<u>(259,307)</u>	<u>38</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,365,750</u>	<u>\$ 28,156</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Print Shop</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 1,332,509	\$ 342,573
Other receipts	28,635	—
Total Operating Revenue	<u>1,361,144</u>	<u>342,573</u>
Operating Expenses		
Noninstructional Programs		
Food Service and Print Shop Operations		
Salaries	1,890,361	98,189
Benefits	809,734	42,827
Purchased services	78,093	76,279
Supplies	3,158,293	125,240
Other	16,571	—
Depreciation	169,953	—
Total Operating Expenses	<u>6,123,005</u>	<u>342,535</u>
Income (Loss) From Operations	<u>(4,761,861)</u>	<u>38</u>
Nonoperating Revenue		
State sources	50,065	—
Federal sources	4,606,506	—
Interest on investments	476	—
Total Nonoperating Revenue	<u>4,657,047</u>	<u>—</u>
Income (Loss) Before Capital Contributions	<u>(104,814)</u>	<u>38</u>
Capital Contributions	<u>4,940</u>	<u>—</u>
Change in Net Position	(99,874)	38
Net Position - Beginning of Year, as restated (Note 16)	(159,433)	—
Net Position - End of Year	<u>\$ (259,307)</u>	<u>\$ 38</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Print Shop</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 1,331,616	\$ —
Cash received from print shop services.....	—	338,891
Cash received from other	28,635	—
Cash paid to employees for services	(2,753,180)	(141,016)
Cash paid to suppliers for goods or services	<u>(2,923,042)</u>	<u>(225,993)</u>
Net Cash Used in Operating Activities.....	<u>(4,315,971)</u>	<u>(28,118)</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	50,065	—
Federal grants received.....	4,261,817	—
Proceeds from interfund loans.....	3,343,000	28,118
Repayment of interfund loans.....	<u>(3,343,000)</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,311,882</u>	<u>28,118</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(5,260)</u>	<u>—</u>
Cash Flows From Investing Activities		
Interest on investments	<u>476</u>	<u>—</u>
Net Decrease in Cash, Cash Equivalents and Investments	(8,873)	—
Cash, Cash Equivalents and Investments - Beginning of Year	<u>135,145</u>	<u>—</u>
Cash, Cash Equivalents and Investments - End of Year	<u>\$ 126,272</u>	<u>\$ —</u>
Reconciliation of Income (Loss) From Operations to Net Cash Used in Operating Activities		
Income (loss) from operations.....	\$ (4,761,861)	\$ 38
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Used in Operating Activities		
Commodities used.....	381,157	—
Depreciation.....	169,953	—
Changes in Assets and Liabilities		
Increase in accounts receivable	—	(3,682)
(Increase) decrease in inventories.....	12,045	(24,474)
Increase in deferred outflows of resources	(226,715)	—
Decrease in accounts payable.....	(63,287)	—
Increase in salaries and benefits payable.....	39,147	—
Decrease in unearned revenue	(893)	—
Decrease in net pension liability	(283,443)	—
Increase in deferred inflows of resources	<u>417,926</u>	<u>—</u>
Net Cash Used in Operating Activities.....	<u>\$ (4,315,971)</u>	<u>\$ (28,118)</u>

Noncash Investing, Capital and Related Financing Activities

During the year ended June 30, 2015, the District received \$375,196 of federal commodities.

The District received \$4,940 of equipment contributed from the Capital Projects Fund and purchased additional equipment, resulting in total cash paid of \$5,260 for the year ended June 30, 2015.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2015

	<u>Private- Purpose Trust</u> Scholarship
Assets	
Cash.....	<u>\$ 5,392</u>
Net Position	
Reserved for scholarships	<u>\$ 5,392</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2015

	Private- Purpose Trust <hr style="width: 100%;"/> Scholarship
Additions	
Local Sources	
Contributions.....	<u>\$ 14,192</u>
Deductions	
Instruction	
Regular	
Scholarships awarded.....	<u>8,800</u>
Change in Net Position	5,392
Net Position - Beginning of Year.....	<u>—</u>
Net Position - End of Year	<u>\$ 5,392</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Waterloo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District also either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Waterloo, Evansdale, Elk Run Heights, Raymond, Gilbertville and a portion of Cedar Falls, Iowa, and the surrounding predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

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

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

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

The Internal Service, Print Shop Fund is utilized to account for printing services provided by 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments for the purpose of school uniforms and reading materials for students within the District. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. The trust and agency funds are custodial in nature and have no measurement focus; however, they use the accrual basis of accounting.

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

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

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

Cash, Cash Equivalents and Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

Property Tax Receivable

Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due From Other Governments

Due from other governments represents primarily amounts due from the State of Iowa, also included are amounts due for various shared revenue, grants and reimbursements from other governments.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories are recorded as expenses when consumed rather than when purchased or received in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, inventories are accounted for using the consumption method whereby inventory acquisitions are recorded in inventory accounts when purchased and are charged to operations when consumed or sold.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Capital Assets

Capital assets, which include property and furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful 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.

Land.....	\$ 5,000
Buildings and improvements	5,000
Improvements other than buildings	5,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	5,000

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

Buildings and improvements	7 - 50 Years
Improvements other than buildings	20 - 30 Years
Furniture and equipment	5 - 25 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 employees with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

(1) Summary of Significant Accounting Policies

Advances from Grantors

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

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 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.

Fund Equity

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

Nonspendable - Amounts that cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

(1) Summary of Significant Accounting Policies

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. Enabling legislation did not result in any restricted fund balance.

Assigned - Amounts the Board of Education intends to use for specific purposes. Amounts constrained by the District's intent to use them for a specific purpose. It is the District's policy that the authority to assign fund balance has been delegated by the District's Board of Education to the Superintendent.

Unassigned - All amounts not included in the preceding classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Investments

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 improvements certificates of a drainage district.

As of June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,035 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The value of the investment is the same as the value of the pool shares. The Iowa Schools Joint Investment Trust is registered with and regulated by the Securities and Exchange Commission.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Investments

Interest Rate Risk

The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District. The District did not own any investments as of June 30, 2015 other than deposits held in the Iowa Schools Joint Investment Trust.

Credit Risk

The Board authorizes the District to invest funds in excess of current needs in interest-bearing savings, money market and checking accounts in the District's authorized depositories; the Iowa Schools Joint Investment Trust; obligations of the United States governments, its agencies and instrumentalities; and certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions. The Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services. The District's policy does not further limit the District's investments in relation to credit risk.

Concentration of Credit Risk

The District's general investment policy is to apply the prudent-person rule: in making investments, the District shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

The investments in the Iowa Schools Joint Investment Trust are not subject to concentration of credit risk.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District's deposits in banks as of 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.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Internal Service Print Shop	<u>\$ 28,118</u>

The Internal Service, Print Shop Fund is repaying the General Fund for various expenses not reimbursed before year end. The balance is to be repaid by June 30, 2016.

Notes to the Financial Statements

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	\$ 7,141,076
Special Revenue Student Activity	General	<u>29,947</u>
		<u>\$ 7,171,023</u>

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect the resources to the fund that statute or budget requires to expend the resources or (2) use unrestricted revenue collected in a certain fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

The Capital Projects Fund also made a capital contribution of \$4,940 to the School Nutrition Fund which is treated as a transfer on the statement of activities.

(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
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 3,293,867	\$ 38,570	\$ 53,040	\$ 3,279,397
Construction in progress	<u>4,027,275</u>	<u>4,152,828</u>	<u>8,044,175</u>	<u>135,928</u>
Total Capital Assets Not Being Depreciated.....	<u>7,321,142</u>	<u>4,191,398</u>	<u>8,097,215</u>	<u>3,415,325</u>
Capital Assets Being Depreciated				
Buildings and improvements ..	209,577,973	7,581,298	1,300,526	215,858,745
Improvements other than buildings.....	9,482,582	146,458	58,209	9,570,831
Furniture and equipment	<u>13,624,124</u>	<u>321,111</u>	<u>677,566</u>	<u>13,267,669</u>
Total Capital Assets Being Depreciated.....	<u>232,684,679</u>	<u>8,048,867</u>	<u>2,036,301</u>	<u>238,697,245</u>
Less Accumulated Depreciation for				
Buildings and improvements ..	48,678,100	4,547,639	1,287,531	51,938,208
Improvements other than buildings.....	2,951,723	418,496	48,048	3,322,171
Furniture and equipment	<u>9,047,668</u>	<u>661,904</u>	<u>677,567</u>	<u>9,032,005</u>
Total Accumulated Depreciation	<u>60,677,491</u>	<u>5,628,039</u>	<u>2,013,146</u>	<u>64,292,384</u>
Total Capital Assets Being Depreciated, Net	<u>172,007,188</u>	<u>2,420,828</u>	<u>23,155</u>	<u>174,404,861</u>
Governmental Activities Capital Assets, Net.....	<u>\$ 179,328,330</u>	<u>\$ 6,612,226</u>	<u>\$ 8,120,370</u>	<u>\$ 177,820,186</u>
Business-Type Activities				
Furniture and equipment	\$ 3,641,213	\$ 10,200	\$ —	\$ 3,651,413
Less accumulated depreciation ..	<u>2,562,757</u>	<u>169,953</u>	<u>—</u>	<u>2,732,710</u>
Business-Type Activities Capital Assets, Net.....	<u>\$ 1,078,456</u>	<u>\$ (159,753)</u>	<u>\$ —</u>	<u>\$ 918,703</u>

Notes to the Financial Statements

(5) Capital Assets

The changes in capital assets used in the operation of governmental funds by function and activity as of June 30, 2015 are as follows:

Function and Activity	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Education	\$ 233,512,310	\$ 12,203,042	\$ 10,133,516	\$ 235,581,836
Transportation	240,750	—	—	240,750
Maintenance.....	3,558,587	37,223	—	3,595,810
Administration.....	2,694,174	—	—	2,694,174
	<u>\$ 240,005,821</u>	<u>\$ 12,240,265</u>	<u>\$ 10,133,516</u>	<u>\$ 242,112,570</u>

The capital assets used in the operation of governmental funds by function and activity as of June 30, 2015 are as follows:

Function and Activity	Construction in Progress	Land and Improvements Other Than Buildings	Buildings and Improvements	Furniture and Equipment	Total
Education	\$ 135,928	\$ 12,326,411	\$ 214,931,803	\$ 8,187,694	\$ 235,581,836
Transportation	—	7,000	52,000	181,750	240,750
Maintenance.....	—	458,638	522,221	2,614,951	3,595,810
Administration.....	—	58,179	352,721	2,283,274	2,694,174
	<u>\$ 135,928</u>	<u>\$ 12,850,228</u>	<u>\$ 215,858,745</u>	<u>\$ 13,267,669</u>	<u>\$ 242,112,570</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction		
Regular		\$ 44,591
Special		1,793
Vocational		24,311
Other.....		61,984
Support Services		
Student		295
General administration		1,304
School administration.....		623
Business and central administration.....		107,067
Operation and maintenance of plant		244,287
Transportation.....		23,317
Unallocated		5,118,467
Total Depreciation Expense - Governmental Activities		<u>\$ 5,628,039</u>

Business-Type Activities

Food Service Operations.....		<u>\$ 169,953</u>
------------------------------	--	--------------------------

Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year As Restated	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 76,109,539	\$ 5,060,000	\$ 2,655,000	\$ 78,514,539	\$ 2,760,000
Unamortized bond premium.....	414,483	—	39,734	374,749	39,734
Early retirement.....	420,000	76,326	496,326	—	—
Compensated absences	513,722	—	138,613	375,109	281,322
Net pension liability	60,100,275	—	17,617,503	42,482,772	—
Net OPEB liability ...	3,206,000	1,018,000	505,000	3,719,000	—
Total	<u>\$ 140,764,019</u>	<u>\$ 6,154,326</u>	<u>\$ 21,452,176</u>	<u>\$ 125,466,169</u>	<u>\$ 3,081,056</u>

Business-Type Activities

Net pension liability	<u>\$ 1,499,822</u>	<u>\$ —</u>	<u>\$ 439,650</u>	<u>\$ 1,060,172</u>	<u>\$ —</u>
-----------------------	---------------------	-------------	-------------------	---------------------	-------------

Revenue Bonds

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

Year Ending June 30,	Bonds Issued April 26, 2011 - Series A			Bonds Issued April 26, 2011 - Series B				Interest Net of Credit
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Credit	
2016	4.00%	\$ 1,800,000	\$ 2,256,550	5.85%	—	\$ 958,203	\$ (884,495)	\$ 73,708
2017	4.00	1,900,000	2,182,550	5.85	—	958,203	(884,495)	73,708
2018	4.00	1,900,000	2,106,550	5.85	—	958,203	(884,495)	73,708
2019	4.00	2,000,000	2,028,550	5.85	—	958,203	(884,495)	73,708
2020	4.00	2,100,000	1,946,550	5.85	—	958,203	(884,495)	73,708
2021-2025 .	4.00 - 5.00	11,300,000	8,259,750	5.85	—	4,791,015	(4,422,475)	368,540
2026-2030 .	5.00 - 5.25	27,030,000	4,160,000	5.85	16,379,539	479,102	(442,248)	36,854
Total.....		<u>\$ 48,030,000</u>	<u>\$ 22,940,500</u>		<u>\$ 16,379,539</u>	<u>\$ 10,061,132</u>	<u>\$ (9,287,198)</u>	<u>\$ 773,934</u>

Year Ending June 30,	Bonds Issued April 22, 2013			Bonds Issued June 30, 2015		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2016	2.00%	\$ 960,000	\$ 173,963	2.5%	\$ —	\$ 63,601
2017	2.00	970,000	154,662	2.5	2,060,000	100,750
2018	2.00	975,000	135,213	2.5	3,000,000	37,500
2019	2.00	990,000	115,562		—	—
2020	2.00	1,000,000	95,663		—	—
2021-2025 .	2.00 - 2.25	4,150,000	177,119		—	—
2026-2030 .		—	—		—	—
Total.....		<u>\$ 9,045,000</u>	<u>\$ 852,182</u>		<u>\$ 5,060,000</u>	<u>\$ 201,851</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Year Ending June 30,	Total		Total
	Principal	Interest Net of Credit	
2016	\$ 2,760,000	\$ 2,567,822	\$ 5,327,822
2017	4,930,000	2,511,670	7,441,670
2018	5,875,000	2,352,971	8,227,971
2019	2,990,000	2,217,820	5,207,820
2020	3,100,000	2,115,921	5,215,921
2021-2025	15,450,000	8,805,409	24,255,409
2026-2030	43,409,539	4,196,854	47,606,393
Total	<u>\$ 78,514,539</u>	<u>\$ 24,768,467</u>	<u>\$ 103,283,006</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$67,840,000 of bonds issued in April, 2011 (Series A), April, 2013 and June, 2015. The bonds were issued for the purpose of financing a portion of the costs associated with site acquisition, construction, reconstruction, remodeling and refurbishing certain District facilities, refunding the District's outstanding statewide sales, services and use tax revenue bonds, Series 2009 (2011 issue only) and paying the costs of issuing the bonds. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District. The 2011, 2013 and 2015 issues mature January 1, 2030, July 1, 2023 and July 1, 2017, respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$86,129,533. For the current year, principal of \$2,655,000 and interest of \$2,519,663 was paid on the bonds.

The District has also pledged future statewide sales, services and use tax revenue to repay the \$16,379,539 of qualified school construction bonds Series B (direct pay) issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs associated with site acquisition and construction of a new elementary school. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District and mature July 1, 2025. The bonds have an interest rate of 5.85% but the District is entitled to a credit from the federal government at a rate of 5.4% (Build America Bonds). The District must remit interest net of any credits received to the bondholder semi-annually. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest net of credits remaining to be paid on the bonds is \$17,153,473. For the current year, no principal and interest net of credit of \$138,276 was paid on the bonds.

Annual principal and interest payments on all outstanding bonds are expected to require nearly 60% of the statewide sales, services and use tax revenue. For the current year, total statewide sales, services and use tax revenue was \$10,422,634.

The resolutions providing for the issuance of the statewide, sales, services and use tax revenue (and refunding) bonds include the following provisions:

- a. A portion of the proceeds from the issuance of the bonds be used to pay off any remaining principal and interest due on the 2009 series bonds (2011 Series A only).

Notes to the Financial Statements

(6) Long-Term Liabilities

- b. 10% of the proceeds from the issuance of the revenue bonds (2011 Series A and Series 2013 only) shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- c. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- d. Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- e. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2015.

The District did not exceed its legal debt margin as of June 30, 2015, as follows:

Total Assessed Valuation	<u>\$ 4,071,191,917</u>
Debt limit (5% of total assessed valuation)	\$ 203,559,596
Amount of debt applicable to debt limit (total bonded debt).....	<u>78,514,539</u>
Excess of Debt Limit Over Bonded Debt Outstanding (Legal Debt Margin)....	<u>\$ 125,045,057</u>

Line of Credit

During the fiscal year ended June 30, 2015, the Board approved using a short-term line of credit maturing on November 11, 2014 with a local bank for a maximum of \$10,000,000. The line of credit bore 2.82% interest per annum. Funds were drawn to pay operating expenses and were repaid when funds were received from operations or other funding. In the fiscal year ended June 30, 2015, \$8,937,500 was drawn and repaid on the line of credit. No balance was outstanding as of June 30, 2015. Current year interest paid was \$3,020.

(7) Pension and Retirement Benefits

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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

(7) Pension and Retirement Benefits

Pension Benefits

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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% 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 one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$6,747,022.

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

As of June 30, 2015, the District reported a liability of \$43,542,944 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. As of June 30, 2014, the District's proportion was 1.075909% which was a decrease of 0.012046% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$3,128,507. As of 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	\$ 473,227	\$ —
Changes of assumptions	1,921,648	—
Net difference between projected and actual earnings on pension plan investments.....	—	16,606,024
Changes in proportion and differences between District contributions and proportionate share of contributions	—	558,847
District contributions subsequent to the measurement date.....	6,747,022	—
Total	<u>\$ 9,141,897</u>	<u>\$ 17,164,871</u>

\$6,747,022 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ (3,722,527)
2017	(3,722,527)
2018	(3,722,528)
2019	(3,722,528)
2020	120,114
Total	<u>\$ (14,769,996)</u>

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) 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	\$ 82,273,164	\$ 43,542,944	\$ 10,850,620

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

As of June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,431,946 for legally required employer contributions and \$954,096 for legally required employee contributions which had been or will be withheld from employee wages but not yet remitted to IPERS.

(8) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and therefore are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2015 was approximately \$13,700,000.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year.

(10) Area Education Agency Support

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 \$5,160,012 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.

(11) Early Retirement Plan

The District offers a voluntary early retirement plan to its teachers, administrative support staff and administrators. The application for early retirement is subject to approval by the Board of Education.

The District provides a one-time supplemental benefit payment for administrative support staff and administrators. The District offers the plan on an annual basis. To be eligible for the benefit, the administrative support staff or administrator must have attained age 55 by August 1, have completed 13 years of service with the District and have submitted application for retirement by March 31. In addition, for administrators to qualify, at least ten of the years of service must have been as an administrator. Benefits are computed as 30%-40% of salary based on age at retirement. The administrative support staff and administrators are also eligible to continue participation in the District's group health insurance program to age 65, as described in Note 12.

As of June 30, 2015, four administrative support staff and administrators requested early retirement under the fiscal year 2015 incentive. The District had no remaining obligation for this incentive as the one-time payments were made during the year.

The District adopted temporary supplemental early retirement incentives for teachers who applied for early retirement in fiscal year 2013 no later than March 15, 2013. Eligible teachers must have completed at least 13 years of full-time service to the District and must have reached the age of 55 on or before June 30 in the calendar year in which early retirement commences. The benefit amount was \$30,000 per teacher payable over three years, final payment was due in June, 2015.

As of June 30, 2015, 43 teachers had requested early retirement under the fiscal year 2013 incentive. The District had no remaining obligation for this incentive as all remaining payments were made during the year.

Early retirement expenditures for the year ended June 30, 2015 totaled \$496,326.

The early retirement plan liability is liquidated by the Management Fund, a nonmajor governmental fund.

(12) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 1,513 active and 72 retired members in the plan. Retired participants must be age 55 or older at retirement. The plan does not issue a stand-alone financial report.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy rate and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Notes to the Financial Statements

(12) Other Postemployment Benefits (OPEB)

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 liquidated primarily through the General Fund.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 1,004,000
Interest on net OPEB obligation.....	128,000
Adjustment to annual required contribution.....	<u>(114,000)</u>
Annual OPEB Cost	1,018,000
Contributions made	<u>(505,000)</u>
Increase in Net OPEB Obligation	513,000
Net OPEB Obligation - Beginning of Year.....	<u>3,206,000</u>
Net OPEB Obligation - End of Year	<u>\$ 3,719,000</u>

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

For the year ended June 30, 2015, the District contributed \$505,000 to the medical plan. Plan members eligible for benefits contributed \$37,427, or 6.9%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 959,000	24.2%	\$ 2,598,000
June 30, 2014	965,000	37.0	3,206,000
June 30, 2015	1,018,000	49.6	3,719,000

(12) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$9.073 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.073 million. The covered payroll (annual payroll of active employees covered by the plan) was \$69.496 million and the ratio of the UAAL to covered payroll was 13.1%. 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 healthcare 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 the 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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced by 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 3.5% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$821 per month for retirees and spouses age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Notes to the Financial Statements

(13) Categorical Funding

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

Beginning teacher mentoring and induction	\$ 6,920
Educator quality, professional development	49,127
Gifted and talented program	46,063
Statewide voluntary 4-year-old preschool program	376,536
Successful progression for early readers program	103,693
Textbook aid for nonpublic students	14,415
Total	<u>\$ 596,754</u>

(14) Commitments

The District has entered into agreements with various companies for nursing, management of the District's food service operations and operation of the District's student transportation services. Terms of the agreements range from one to five years, and all agreements contain provisions for renewal.

The District has entered into various contracts for several projects which are primarily being funded by the statewide sales, services and use tax. The projects include an addition and renovation of Hoover Middle School, renovation of the bus garage and other various projects. As of June 30, 2015, the remaining commitment on these contracts was approximately \$243,000.

(15) Subsequent Events

Management has evaluated subsequent events through December 15, 2015, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the District approved interfund loans from the General Fund to the Capital Projects Fund of up to \$3 million and the School Nutrition Fund of up to \$1.2 million to meet cash flow needs. The loans bear interest at 1% and are to be repaid in full by October 1, 2016.

(16) Accounting Change and Prior Period Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to

Notes to the Financial Statements

(16) Accounting Change and Prior Period Restatement

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.

The District also restated beginning fund balance/net position to account for a health insurance adjustment paid in May, 2015 related to the fiscal year ended June 30, 2014.

The effect of the restatements on the District's beginning fund balance/net position were as follows:

	Governmental Activities	Business- Type Activities	General Fund
Fund Balance/Net Position - June 30, 2014, as previously reported.....	\$ 116,887,838	\$ 1,195,692	\$ 6,226,936
Net pension liability as of June 30, 2014.....	(60,100,275)	(1,499,822)	—
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	6,259,457	156,207	—
Record fiscal year 2014 health insurance adjustment	<u>(1,139,793)</u>	<u>(11,510)</u>	<u>(1,139,793)</u>
Fund Balance/Net Position - July 1, 2014, as Restated.....	<u>\$ 61,907,227</u>	<u>\$ (159,433)</u>	<u>\$ 5,087,143</u>

(17) Deficit Balance

The District reported a business-type activities and Student Nutrition Fund deficit net position of \$259,307 as of June 30, 2015 due to recording the net pension liability.

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2015

	Actual		Total	Original and Final Budget	Over (Under) Budget
	Governmental Funds	Proprietary Fund			
Revenue					
Local sources	\$ 46,473,924	\$ 1,361,620	\$ 47,835,544	\$ 60,206,715	\$ (12,371,171)
Intermediate sources.....	—	—	—	625,000	(625,000)
State sources	90,713,945	50,065	90,764,010	81,245,132	9,518,878
Federal sources	9,901,237	4,606,506	14,507,743	16,715,691	(2,207,948)
Total Revenue	<u>147,089,106</u>	<u>6,018,191</u>	<u>153,107,297</u>	<u>158,792,538</u>	<u>(5,685,241)</u>
Expenditures/Expenses					
Instruction.....	86,068,739	—	86,068,739	93,750,000	(7,681,261)
Support services	37,686,231	—	37,686,231	42,737,000	(5,050,769)
Noninstructional programs ..	31,399	6,123,005	6,154,404	7,000,000	(845,596)
Other expenditures.....	17,267,773	—	17,267,773	17,877,989	(610,216)
Total Expenditures/ Expenses	<u>141,054,142</u>	<u>6,123,005</u>	<u>147,177,147</u>	<u>161,364,989</u>	<u>(14,187,842)</u>
Revenue Over (Under) Expenditures/Expenses	6,034,964	(104,814)	5,930,150	(2,572,451)	8,502,601
Other Financing Sources (Net).....	<u>5,060,000</u>	<u>4,940</u>	<u>5,064,940</u>	<u>—</u>	<u>5,064,940</u>
Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses	11,094,964	(99,874)	10,995,090	(2,572,451)	<u>\$ 13,567,541</u>
Balance - Beginning of Year, as restated (Note 16)	18,360,567	(159,433)	18,201,134	26,165,469	
Balance - End of Year	<u>\$ 29,455,531</u>	<u>\$ (259,307)</u>	<u>\$ 29,196,224</u>	<u>\$ 23,593,018</u>	

Notes to Required Supplementary Information - Budgetary Reporting ---

Year Ended June 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend their original budget.

During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
District's proportion of the net pension liability	1.075909%
District's proportionate share of the net pension liability	\$ 43,542,944
District's covered-employee payroll	\$ 71,790,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.65%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 6,747,022	\$ 6,410,808	\$ 6,146,168	\$ 5,538,069	\$ 4,461,095	\$ 4,110,440	\$ 3,717,336	\$ 3,339,429	\$ 3,107,066	\$ 2,964,708
Contributions in relation to the statutorily required contributions.....	<u>(6,747,022)</u>	<u>(6,410,808)</u>	<u>(6,146,168)</u>	<u>(5,538,069)</u>	<u>(4,461,095)</u>	<u>(4,110,440)</u>	<u>(3,717,336)</u>	<u>(3,339,429)</u>	<u>(3,107,066)</u>	<u>(2,964,708)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>									
District's covered-employee payroll	\$ 75,555,000	\$ 71,790,000	\$ 70,890,000	\$ 68,711,000	\$ 64,188,000	\$ 61,811,000	\$ 58,541,000	\$ 55,197,000	\$ 54,036,000	\$ 51,560,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

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

Changes of Assumptions

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

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

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

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

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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

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

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

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	—	\$ 10,796,000	\$ 10,796,000	0%	\$ 50,106,000	21.5%
2010	7-1-08	—	10,796,000	10,796,000	0	50,106,000	21.5
2011	7-1-10	—	7,325,000	7,325,000	0	60,240,000	12.2
2012	7-1-10	—	7,325,000	7,325,000	0	60,240,000	12.2
2013	7-1-12	—	7,112,000	7,112,000	0	65,305,000	10.9
2014	7-1-12	—	7,112,000	7,112,000	0	65,851,000	10.8
2015	7-1-14	—	9,073,000	9,073,000	0	69,496,000	13.1

See Note 12 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Nonmajor Governmental Funds - Description of Funds ---

Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

Student Activity Fund This fund accounts for the funds raised by student groups. Under state law, the Board retains responsibility for the Student Activity Fund's ultimate disposition.

Management Levy Fund This fund accounts for the resources accumulated and payments made for property insurance, fidelity bonds, worker compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

Capital Projects Fund

The Capital Projects Fund is used to account for specific resources that are restricted to expenditures for capital outlays.

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	Special Revenue		Capital Projects	Total
	Student Activity	Management Levy		
Assets				
Cash, cash equivalents and investments.....	\$ 1,130,315	\$ 1,291,309	\$ 1,955,665	\$ 4,377,289
Receivables, Net of Allowance for Uncollectible Amounts				
Property Tax				
Current year delinquent.....	—	32,133	29,330	61,463
Succeeding year.....	—	2,200,000	2,832,434	5,032,434
Accounts.....	—	—	66,500	66,500
Due from other governments.....	—	390	2,101,341	2,101,731
Prepaid items.....	—	13,682	—	13,682
Total Assets.....	<u>\$ 1,130,315</u>	<u>\$ 3,537,514</u>	<u>\$ 6,985,270</u>	<u>\$ 11,653,099</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable.....	\$ 9,087	\$ 100,876	\$ 213,303	\$ 323,266
Salaries and benefits payable.....	2,910	—	—	2,910
Due to other governments.....	—	12,930	47,108	60,038
Total Liabilities.....	<u>11,997</u>	<u>113,806</u>	<u>260,411</u>	<u>386,214</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	—	2,200,000	2,832,434	5,032,434
Other.....	—	—	484,100	484,100
Total Deferred Inflows of Resources.....	<u>—</u>	<u>2,200,000</u>	<u>3,316,534</u>	<u>5,516,534</u>
Fund Balances				
Nonspendable				
Prepaid items.....	—	13,682	—	13,682
Restricted for				
Student activities.....	1,118,318	—	—	1,118,318
Management levy purposes.....	—	1,210,026	—	1,210,026
School infrastructure.....	—	—	2,195,224	2,195,224
Physical plant and equipment.....	—	—	1,213,101	1,213,101
Total Fund Balances.....	<u>1,118,318</u>	<u>1,223,708</u>	<u>3,408,325</u>	<u>5,750,351</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,130,315</u>	<u>\$ 3,537,514</u>	<u>\$ 6,985,270</u>	<u>\$ 11,653,099</u>

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2015

	<u>Special Revenue</u>		Capital Projects	Total
	Student Activity	Management Levy		
Revenue				
Local Sources				
Local tax	\$ —	\$ 2,950,429	\$ 2,787,783	\$ 5,738,212
Other	1,692,831	24,004	17,767	1,734,602
State sources	—	63,504	10,483,080	10,546,584
Federal sources	—	—	819,927	819,927
Total Revenue	<u>1,692,831</u>	<u>3,037,937</u>	<u>14,108,557</u>	<u>18,839,325</u>
Expenditures				
Current				
Instruction				
Regular	—	1,249,438	—	1,249,438
Special	—	54,160	—	54,160
Other	<u>1,785,089</u>	<u>—</u>	<u>—</u>	<u>1,785,089</u>
Total Instruction	<u>1,785,089</u>	<u>1,303,598</u>	<u>—</u>	<u>3,088,687</u>
Support Services				
Student	—	47,400	—	47,400
Instructional staff	—	49,663	—	49,663
General administration	—	25,278	695	25,973
School administration	—	57,048	—	57,048
Business and central administration	4,426	47,959	69,322	121,707
Operation and maintenance of plant	<u>—</u>	<u>700,481</u>	<u>161,875</u>	<u>862,356</u>
Total Support Services	<u>4,426</u>	<u>927,829</u>	<u>231,892</u>	<u>1,164,147</u>
Noninstructional Programs	<u>—</u>	<u>31,399</u>	<u>—</u>	<u>31,399</u>
Facilities Acquisition	<u>—</u>	<u>—</u>	<u>5,916,295</u>	<u>5,916,295</u>
Debt Service				
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>50,800</u>	<u>50,800</u>
Total Expenditures	<u>1,789,515</u>	<u>2,262,826</u>	<u>6,198,987</u>	<u>10,251,328</u>
Revenue Over (Under) Expenditures	<u>(96,684)</u>	<u>775,111</u>	<u>7,909,570</u>	<u>8,587,997</u>
Other Financing Sources (Uses)				
Revenue bonds issued	—	—	5,060,000	5,060,000
Transfers in	29,947	—	—	29,947
Transfers out	<u>—</u>	<u>—</u>	<u>(7,141,076)</u>	<u>(7,141,076)</u>
Total Other Financing Sources (Uses)	<u>29,947</u>	<u>—</u>	<u>(2,081,076)</u>	<u>(2,051,129)</u>
Change in Fund Balances	(66,737)	775,111	5,828,494	6,536,868
Fund Balances - Beginning of Year	<u>1,185,055</u>	<u>448,597</u>	<u>(2,420,169)</u>	<u>(786,517)</u>
Fund Balances - End of Year	<u>\$ 1,118,318</u>	<u>\$ 1,223,708</u>	<u>\$ 3,408,325</u>	<u>\$ 5,750,351</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

Account	Balance - Beginning of Year	Revenue and Interfund Transfers	Expenditures	Balance - End of Year
High Schools				
East	\$ 254,853	\$ 329,083	\$ 284,599	\$ 299,337
Expo	36,809	75,775	73,111	39,473
West	265,800	745,134	776,258	234,676
Middle Schools				
Bunger	63,805	23,282	20,653	66,434
Carver	35,691	13,810	9,904	39,597
Central	78,366	30,061	29,899	78,528
Hoover	46,814	69,768	87,906	28,676
Elementary Schools				
Cunningham	13,471	22,805	17,763	18,513
Elk Run Pre-K	5,225	1,456	1,448	5,233
Fred Becker	26,108	28,705	39,087	15,726
Highland	46,882	38,161	42,933	42,110
Irving	45,127	18,777	22,230	41,674
Kingsley	38,574	33,755	60,547	11,782
Kittrell	43,650	50,603	44,145	50,108
Lincoln	40,608	16,402	9,343	47,667
Lou Henry	38,589	49,006	52,341	35,254
Lowell	24,758	22,860	26,859	20,759
Orange	33,614	44,807	52,904	25,517
Poyner	34,719	55,401	75,720	14,400
Other	<u>11,592</u>	<u>53,127</u>	<u>61,865</u>	<u>2,854</u>
Total	<u>\$ 1,185,055</u>	<u>\$ 1,722,778</u>	<u>\$ 1,789,515</u>	<u>\$ 1,118,318</u>

Capital Projects Accounts - Description of Accounts ---

The Capital Projects Fund is used to account for specific resources that are restricted to expenditures for capital outlays. The fund has two sets of accounts, as follows:

Statewide Sales, Services and Use Tax	This set of accounts is used to account for all resources used in the acquisition and construction of capital facilities and the payment of fees related to the issuance of bonds.
Physical Plant and Equipment Levy	This set of accounts is used to account for resources accumulated and payments made for the purchase and improvement of grounds; purchase of buildings; major repairs, remodeling, reconstructing, improving or expanding the schools or buildings; and for equipment purchases.

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash, cash equivalents and investments.....	\$ 644,746	\$ 1,310,919	\$ 1,955,665
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	—	29,330	29,330
Succeeding year	—	2,832,434	2,832,434
Accounts.....	66,500	—	66,500
Due from other governments	<u>2,101,003</u>	<u>338</u>	<u>2,101,341</u>
Total Assets	<u>\$ 2,812,249</u>	<u>\$ 4,173,021</u>	<u>\$ 6,985,270</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 132,925	\$ 80,378	\$ 213,303
Due to other governments	<u>—</u>	<u>47,108</u>	<u>47,108</u>
Total Liabilities.....	<u>132,925</u>	<u>127,486</u>	<u>260,411</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	—	2,832,434	2,832,434
Other	<u>484,100</u>	<u>—</u>	<u>484,100</u>
Total Deferred Inflows of Resources	<u>484,100</u>	<u>2,832,434</u>	<u>3,316,534</u>
Fund Balances			
Restricted for			
School infrastructure.....	2,195,224	—	2,195,224
Physical plant and equipment.....	<u>—</u>	<u>1,213,101</u>	<u>1,213,101</u>
Total Fund Balances	<u>2,195,224</u>	<u>1,213,101</u>	<u>3,408,325</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 2,812,249</u>	<u>\$ 4,173,021</u>	<u>\$ 6,985,270</u>

Combining Schedule of Revenue, Expenditures and Changes in Balances - Capital Projects Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenue			
Local Sources			
Local tax.....	\$ —	\$ 2,787,783	\$ 2,787,783
Other	291	17,476	17,767
State sources	10,422,634	60,446	10,483,080
Federal sources.....	819,927	—	819,927
Total Revenue	<u>11,242,852</u>	<u>2,865,705</u>	<u>14,108,557</u>
Expenditures			
Current			
Support Services			
General administration.....	627	68	695
Business and central administration	54,322	15,000	69,322
Operation and maintenance of plant	—	161,875	161,875
Total Support Services.....	<u>54,949</u>	<u>176,943</u>	<u>231,892</u>
Facilities Acquisition	<u>3,959,433</u>	<u>1,956,862</u>	<u>5,916,295</u>
Debt Service			
Interest and fiscal charges	<u>50,800</u>	—	<u>50,800</u>
Total Expenditures.....	<u>4,065,182</u>	<u>2,133,805</u>	<u>6,198,987</u>
Revenue Over Expenditures	<u>7,177,670</u>	<u>731,900</u>	<u>7,909,570</u>
Other Financing Sources (Uses)			
Revenue bonds issued.....	5,060,000	—	5,060,000
Transfers out	<u>(7,141,076)</u>	—	<u>(7,141,076)</u>
Total Other Financing Sources (Uses).....	<u>(2,081,076)</u>	<u>—</u>	<u>(2,081,076)</u>
Change in Fund Balances	5,096,594	731,900	5,828,494
Fund Balances - Beginning of Year	<u>(2,901,370)</u>	<u>481,201</u>	<u>(2,420,169)</u>
Fund Balances - End of Year	<u>\$ 2,195,224</u>	<u>\$ 1,213,101</u>	<u>\$ 3,408,325</u>

Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund ▬

Year Ended June 30, 2015

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Cash.....	\$ 38,660	\$ —	\$ 38,660	\$ —
Accounts receivable	<u>15,728</u>	<u>—</u>	<u>15,728</u>	<u>—</u>
Total Assets	<u>\$ 54,388</u>	<u>\$ —</u>	<u>\$ 54,388</u>	<u>\$ —</u>
Liabilities				
Due to other governments	<u>\$ 54,388</u>	<u>\$ —</u>	<u>\$ 54,388</u>	<u>\$ —</u>

**Schedule of Revenue by Source, Expenditures by Function and Other
Financing Sources and Uses - All Governmental Fund Types
(Modified Accrual Basis)**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Local Sources										
Local tax	\$ 41,644,560	\$ 42,476,135	\$ 50,599,641	\$ 48,794,236	\$ 47,907,941	\$ 49,786,925	\$ 48,754,219	\$ 46,212,046	\$ 43,826,641	\$ 42,087,405
Tuition	482,499	596,282	1,881,058	645,002	724,552	647,364	—	—	—	—
Other	4,346,865	4,780,661	4,412,490	4,390,491	3,609,854	3,826,358	3,997,924	5,363,665	5,803,902	4,545,891
Intermediate sources	—	—	—	—	—	—	—	10,330	2,215	2,725
State sources	90,713,945	82,483,942	67,889,502	65,694,781	64,173,910	54,520,646	61,072,325	60,639,195	55,888,686	52,891,722
Federal sources	9,901,237	10,172,641	11,417,237	13,512,793	12,553,120	15,949,372	8,158,825	5,910,793	6,968,832	7,133,501
Total	\$ 147,089,106	\$ 140,509,661	\$ 136,199,928	\$ 133,037,303	\$ 128,969,377	\$ 124,730,665	\$ 121,983,293	\$ 118,136,029	\$ 112,490,276	\$ 106,661,244
Expenditures										
Instruction										
Regular	\$ 60,121,044	\$ 57,440,376	\$ 58,001,828	\$ 57,358,965	\$ 54,334,602	\$ 53,410,072	\$ 49,745,136	\$ 47,238,480	\$ 39,294,245	\$ 36,854,924
Special	23,156,424	23,823,892	26,853,906	24,233,590	21,298,386	22,045,710	19,210,024	17,777,102	17,764,190	23,909,417
Vocational	169,756	184,768	201,367	181,479	161,738	197,814	185,276	225,193	1,238,916	1,441,783
Other	2,621,515	2,550,136	2,610,714	2,515,742	2,413,216	2,478,531	2,672,282	2,725,126	7,171,142	2,610,481
Support Services										
Student	4,431,229	3,934,386	4,189,344	3,943,132	2,853,555	2,559,696	3,133,821	2,487,719	2,828,831	2,995,164
Instructional staff	3,388,887	4,105,158	4,641,961	4,382,606	3,564,947	4,373,003	3,390,257	3,173,912	2,776,296	1,744,630
General administration	2,451,090	2,053,676	1,313,279	1,280,923	1,087,004	1,161,982	1,072,601	1,161,352	803,132	1,067,712
School administration	7,625,796	7,270,700	6,661,022	6,351,790	5,879,252	5,758,327	5,471,176	5,720,145	5,915,315	5,656,379
Business and central administration	3,985,863	4,208,250	4,028,887	3,897,856	4,683,782	3,909,258	5,325,264	2,766,553	2,663,198	3,308,954
Operation and maintenance of plant	10,837,204	10,999,450	10,708,839	9,941,089	9,638,972	9,850,642	9,919,474	9,286,639	9,769,436	8,244,959
Transportation	4,966,162	5,092,951	5,353,119	4,280,604	3,881,025	3,191,138	2,182,716	2,994,845	3,333,897	3,234,530
Noninstructional programs	31,399	56,164	7,312	7,272	11,533	17,099	14,950	27,082	30,907	5,264
AEA flowthrough	5,160,012	4,896,694	4,648,080	4,689,160	5,132,642	4,966,096	4,221,658	4,047,085	3,790,584	3,558,701
Facilities acquisition	5,916,295	8,016,091	16,032,792	12,646,370	18,959,552	17,750,265	38,925,059	14,066,142	22,003,212	10,164,017
Debt Service										
Principal	2,655,000	1,700,000	1,350,000	—	—	—	35,000,000	—	—	—
Interest and fiscal charges	3,536,466	3,498,428	3,476,497	2,343,124	3,015,301	1,740,400	1,663,100	1,663,891	1,662,500	—
Total	\$ 141,054,142	\$ 139,831,120	\$ 150,078,947	\$ 138,053,702	\$ 136,915,507	\$ 133,410,033	\$ 182,132,794	\$ 115,361,266	\$ 121,045,801	\$ 104,796,915
Other Financing Sources (Uses)										
Revenue bonds issued	\$ 5,060,000	\$ —	\$ 10,000,000	\$ —	\$ 69,159,539	\$ —	\$ 46,400,000	\$ —	\$ —	\$ 35,000,000
Premium (discount) on sale of revenue bonds	—	—	246,146	—	240,456	—	(174,000)	—	—	608,150
Revenue bonds repaid	—	—	—	—	(46,400,000)	—	—	—	—	—
Proceeds from sale of capital assets	—	—	50,003	—	—	—	1,150	7,506	15,073	—
Long-term note receivable from sale of capital assets	—	—	280,000	—	—	—	—	—	—	—
Transfers (net)	—	—	—	133,409	—	(60,000)	(60,000)	(115,000)	(142,717)	(216,902)
Total	\$ 5,060,000	\$ —	\$ 10,576,149	\$ 133,409	\$ 22,999,995	\$ (60,000)	\$ 46,167,150	\$ (107,494)	\$ (127,644)	\$ 35,391,248

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 15	\$ 804,060
National School Lunch Program	10.555	FY 15	3,264,863
National School Lunch Program - Food Donation (noncash).....	10.555	FY 15	375,196
Summer Food Service Program for Children	10.559	FY 15	<u>117,872</u>
Total Child Nutrition Cluster.....			<u>4,561,991</u>
Fresh Fruit and Vegetable Program	10.582	FY 15	<u>44,515</u>
Total U.S. Department of Agriculture			<u>4,606,506</u>
National Endowment for the Arts - Indirect			
Pass-Through From Iowa Department of Cultural Affairs			
Program of the Arts - Partnership Agreements.....	45.025	FY 15	<u>200</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 15	<u>625,561*</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 14/15	<u>3,855,544</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	FY 15	<u>6,312</u>
Special Education - Grants to States.....	84.027	FY 15	<u>25,199*</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>167,506</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States.....	84.126	FY 15	<u>136,861</u>
Safe and Drug-Free Schools and Communities - National Programs.....	84.184	FY 15	<u>154,858</u>
English Language Acquisition State Grants	84.365	FY 15	<u>118,512</u>
Improving Teacher Quality State Grants.....	84.367	FY 15	<u>636,182</u>
Grants for State Assessments and Related Activities.....	84.369	FY 15	<u>52,440</u>
School Improvement Grants	84.377	FY 11/12/14	<u>523,885</u>
Total Pass-Through From Iowa Department of Education.....			<u>5,677,299</u>
Total U.S. Department of Education.....			<u>6,302,860</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Health and Human Services - Indirect			
Pass-Through From Iowa Department of Education			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance.....	93.243	FY 15	\$ <u>9,495</u>
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	93.938	FY 14	<u>170</u>
Total Pass-Through From Iowa Department of Education			<u>9,665</u>
Pass-Through From Tri-County Child and Family Development Council, Inc.			
Head Start	93.600	FY 15	<u>730,000</u>
Total U.S. Department of Health and Human Services.....			<u>739,665</u>
Total			<u>\$ 11,649,231</u>

* Total for CFDA Number 84.027 is \$650,760.

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Waterloo Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Waterloo Community School District provided no federal awards to subrecipients.

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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

Board of Education
Waterloo Community School District
Waterloo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waterloo Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterloo 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

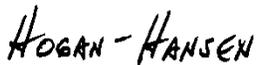
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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.

Waterloo Community School District's Responses to Findings

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

Purpose of This Report

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



HOGAN - HANSEN

Mason City, Iowa
December 15, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Waterloo Community School District
Waterloo, Iowa

Report on Compliance for Each Major Federal Program

We have audited Waterloo Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Waterloo Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Waterloo Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterloo Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Waterloo Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 15, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program

84.010

Title I Grants to Local Educational Agencies

84.027

Special Education - Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:

\$349,477

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies

There were no matters reported.

Instances of Noncompliance

There were no reported instances of noncompliance.

Part III: Findings and Questioned Costs for Federal Awards

Internal Control Deficiencies

There were no matters reported.

Instances of Noncompliance

There were no reported instances of noncompliance.

Part IV: Other Findings Related to Statutory Reporting

- 15-IV-A Certified Budget** - Expenditures for the year ended June 30, 2015 did not exceed the amount budgeted in any program function.
- 15-IV-B Questionable Expenditures** - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.
- 15-IV-C 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.
- 15-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 15-IV-E Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 15-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-IV-G Certified Enrollment

Finding - The following variances in the basic enrollment data certified to the Iowa Department of Education were noted:

- The District counted two students who had left the District prior to October 15, 2014.
- The District did not count two students who were enrolled at the District as of October 15, 2014.
- The District counted two students who had a parent decline waiver signed prior to October 15, 2014 as English language learners (ELL) funded.
- The District counted three post-secondary enrollment options (PSEO) courses that were dropped and not paid for by the District.
- The District did not count two PSEO courses that were completed and paid for by the District.

The errors resulted in the District over reporting by 0.48 students.

Auditor's Recommendation - The District should review procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

District's Response and Corrective Action Plan - The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The District will continue to monitor reconciliations of District information to information certified to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

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

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

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

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

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

Beginning balance.....		\$ (2,901,370)
Revenue		
Sales tax revenue	\$ 10,422,634	
Other local revenue	291	
Federal revenue	819,927	
Issuance of long-term debt	<u>5,060,000</u>	16,302,852
Expenditures/Transfers Out		
School infrastructure construction	\$ 3,254,377	
Land purchased	38,570	
Buildings purchased	451,456	
Equipment.....	215,030	
Other	105,749	
Transfer to Other Funds		
Debt Service Fund.....	<u>7,141,076</u>	<u>11,206,258</u>
Ending Balance		<u>\$ 2,195,224</u>

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

15-IV-M Financial Condition

Finding - The District reported a \$259,307 deficit School Nutrition Fund balance as of June 30, 2015.

Auditor's Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

District's Response and Corrective Action Plan - This deficit is due to recording the net pension liability and pension-related defined outflows and inflows of resources. We will continue to monitor this fund and are working on ways to eliminate this deficit.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2015

15-IV-N Interfund Loans

Finding - The Student Activity Fund loaned the School Nutrition Fund and Capital Projects Fund money throughout the year to meet cash flows needs without approval through an official Board action as required by a declaratory order issued by the Iowa Department of Education on April 11, 2009.

Auditor's Recommendation - The District should obtain approval for all interfund loans through official Board action as required.

District's Response and Corrective Action Plan - The District will obtain approval for all interfund loans through official Board action as required.

Auditor's Conclusion - Response accepted.