

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

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Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Kelly Flege	President	September, 2015
Nancy Luebbers	Vice President	September, 2017
Cynthia Cambell	Member	September, 2015
Cheryl Elsbury-Reiher	Member	September, 2017
Dennis Epley	Member	September, 2015
School Officials		
Ed Klamfoth	Superintendent	Indefinite
Michael Kalvig	Business Manager and District Secretary (effective July 1, 2015)	Indefinite
Dennis Stufflebeam	Business Manager and District Secretary (through June 30, 2015)	Indefinite
Linda Hildreth	District Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Waverly-Shell Rock Community School District
Waverly, 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 Waverly-Shell Rock Community School District, Waverly, 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Governmental Funds	
General Fund	Adverse
Debt Service	Unmodified
Capital Projects	Unmodified
Aggregate Remaining Fund Information	Adverse
Enterprise Funds	
School Nutrition	Unmodified
Internal Service	Unmodified

Basis for Adverse Opinions on the General Fund and Aggregate Remaining Fund Information

The District has reported over 150 student activity accounts within the nonmajor special revenue - Student Activity Fund. Many of these accounts do not meet the legal requirement to be treated as a special revenue fund and consist of material transactions and balances that should have been reported as part of the General Fund. The amount by which this departure from accounting principles generally accepted in the United States of America would affect assets, liabilities, fund balances, revenue and expenditures of the General Fund and the special revenue - Student Activity Fund has not been determined.

Adverse Opinions

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinions on the General Fund and Aggregate Remaining Fund Information paragraph, the financial statements referred to above do not present fairly the financial position of the General Fund or the aggregate remaining fund information of Waverly-Shell Rock Community School District as of June 30, 2015, or the changes in fund balances for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund other than the General Fund as of June 30, 2015 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 13 to the financial statements, Waverly-Shell Rock 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 5 through 15 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Waverly-Shell Rock Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2014 (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 53 through 63, 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, except as noted in our Summary of Opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2015 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waverly-Shell Rock Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
November 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waverly-Shell Rock 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.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$22,800,670 (not restated) in fiscal year 2014 to \$25,876,300 in fiscal year 2015, while General Fund expenditures increased from \$22,704,129 (not restated) in fiscal year 2014 to \$23,583,660 in fiscal year 2015. The District's General Fund balance increased from a deficit balance of \$1,724,252 (restated) at the end of fiscal year 2014 to a positive balance of \$570,501 at the end of fiscal year 2015, a 133% increase.
- The fiscal year 2015 increase in General Fund revenue was primarily attributable to an increase in local and state sources from an increase in the cash reserve levy, an increase in resident students and an increase in state per-pupil funding. The cash reserve levy was increased to resolve a negative cash balance in the General Fund. State funding is based on the October, 2013 certified enrollment which saw an increase of 15 students. The state funding formula was increased by 4% for fiscal year 2015.
- The increase in expenditures was due primarily to the increase of salaries and benefits to employees and recorded special education purchase services and tuition.

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 Waverly-Shell Rock 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 Waverly-Shell Rock 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 Waverly-Shell Rock 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-1

**WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

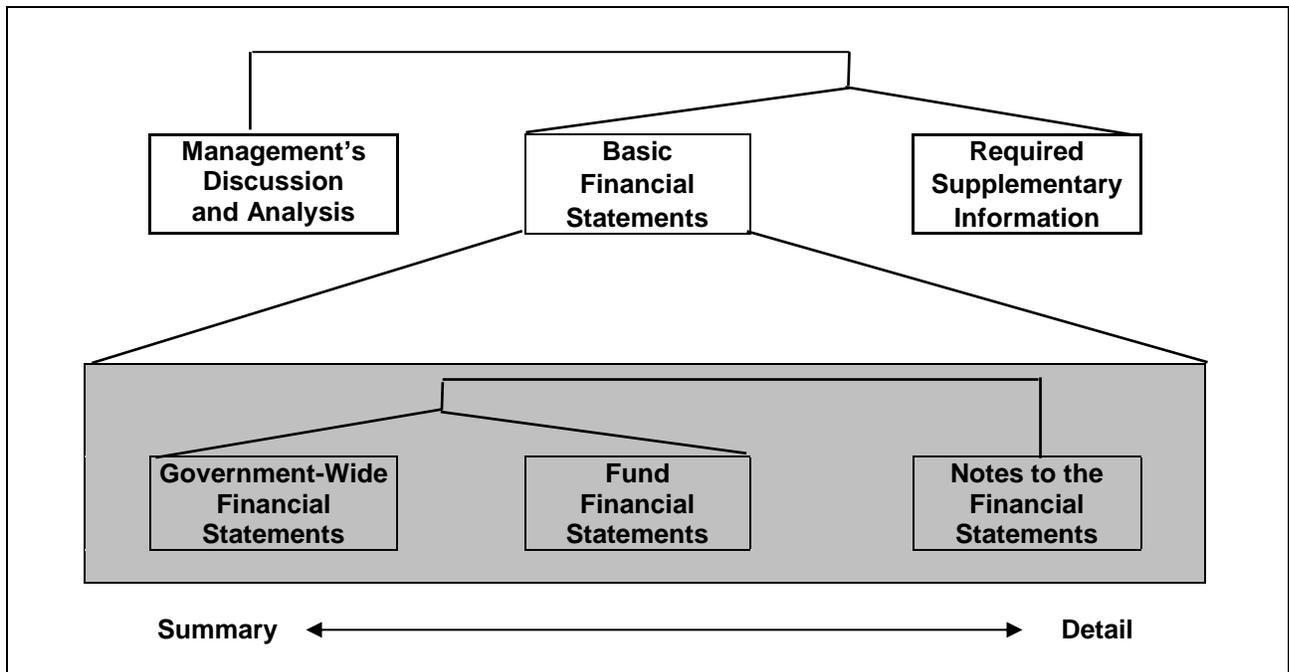


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as donations and other miscellaneous funding
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements 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, 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 are 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:

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

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

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

- *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 used to account for health insurance.
- 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.
- *Fiduciary Fund:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Funds - The District accounts for outside donations for scholarships for individual students in these funds.
 - Agency Fund - This is a fund through which the District administers and accounts for certain revenue as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and other assets	\$ 22,751,004	\$ 23,680,762	\$ 241,468	\$ 605,161	\$ 22,992,472	\$ 24,285,923	(5.3)%
Capital assets	43,456,238	44,116,638	21,719	15,931	43,477,957	44,132,569	(1.5)
Total Assets	66,207,242	67,797,400	263,187	621,092	66,470,429	68,418,492	(2.8)
Deferred Outflows of Resources	1,997,503	—	69,377	—	2,066,880	—	N/A
Total Assets and Deferred Outflows of Resources	\$ 68,204,745	\$ 67,797,400	\$ 332,564	\$ 621,092	\$ 68,537,309	\$ 68,418,492	0.2

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Long-term liabilities	\$ 24,866,759	\$ 17,634,028	\$ 280,901	\$ —	\$ 25,147,660	\$ 17,634,028	42.6%
Other liabilities	4,220,613	8,780,597	87,982	79,782	4,308,595	8,860,379	(51.4)
Total Liabilities	29,087,372	26,414,625	368,883	79,782	29,456,255	26,494,407	11.2
Deferred Inflows of Resources	13,254,269	10,099,526	107,128	—	13,361,397	10,099,526	32.3
Net Position							
Net investment in capital assets	27,646,238	26,826,638	21,719	15,931	27,667,957	26,842,569	3.1
Restricted	7,459,039	9,766,291	—	—	7,459,039	9,766,291	(23.6)
Unrestricted	(9,242,173)	(5,125,351)	(165,166)	341,050	(9,407,339)	(4,784,301)	(96.6)
Total Net Position	25,863,104	31,467,578	(143,447)	356,981	25,719,657	31,824,559	(19.2)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 68,204,745	\$ 67,981,729	\$ 332,564	\$ 436,763	\$ 68,537,309	\$ 68,418,492	0.2%

The District's total net position decreased 19.2%, or approximately \$6.1 million, 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 decreased approximately \$2.3 million, or 23.6%, from the prior year. The decrease was primarily a result of a decrease in restricted funds held for school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by approximately \$4.6 million, or 96.6%. This decrease in unrestricted net position was primarily a result of recording the liability related to GASB No. 68 for pension plans.

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 1, 2014 for governmental activities and business-type activities were restated by \$9,752,250 and \$338,714, 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. The business-type activities beginning net position was also restated by \$35,756 due to the correction of various items not related to GASB No. 68. The business-type activities beginning net position also reflects the correction of reporting the \$233,137 Internal Service Fund net position which was not consistently reported on the prior year financial statements.

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 Percentage Change 2014-2015</u>
	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>	
Revenue							
Program Revenue							
Charges for service	\$ 4,104,945	\$ 3,733,662	\$ 802,799	\$ 2,561,836	\$ 4,907,744	\$ 6,295,498	(22.0)%
Operating grants and contributions	5,296,887	3,312,735	417,190	415,591	5,714,077	3,728,326	53.3
Capital grants and contributions	288,565	797,134	—	—	288,565	797,134	(63.8)
General Revenue							
Property tax	10,057,214	9,564,517	—	—	10,057,214	9,564,517	5.2
Income surtax	986,165	927,276	—	—	986,165	927,276	6.4
Statewide sales, services and use tax	1,869,314	1,725,190	—	—	1,869,314	1,725,190	8.4
Unrestricted state grants	8,871,111	8,626,680	—	—	8,871,111	8,626,680	2.8
Unrestricted investment earnings	19,767	27,285	—	1,475	19,767	28,760	(31.3)
Other	<u>2,113</u>	<u>150,912</u>	<u>—</u>	<u>—</u>	<u>2,113</u>	<u>150,912</u>	(98.6)
Total Revenue	<u>31,496,081</u>	<u>28,865,391</u>	<u>1,219,989</u>	<u>2,978,902</u>	<u>32,716,070</u>	<u>31,844,293</u>	2.7
Program Expenses							
Instruction	19,846,391	18,360,557	—	—	19,846,391	18,360,557	8.1
Support services	5,958,743	5,926,377	—	—	5,958,743	5,926,377	0.5
Noninstructional programs	62,400	26,884	1,112,810	3,092,608	1,175,210	3,119,492	(62.3)
Other expenses	<u>1,480,771</u>	<u>1,716,386</u>	<u>—</u>	<u>—</u>	<u>1,480,771</u>	<u>1,716,386</u>	(13.7)
Total Program Expenses	<u>27,348,305</u>	<u>26,030,204</u>	<u>1,112,810</u>	<u>3,092,608</u>	<u>28,461,115</u>	<u>29,122,812</u>	(2.3)
Change in Net Position	4,147,776	2,835,187	107,179	(113,706)	4,254,955	2,721,481	56.3
Net Position - Beginning of Year, as Restated	<u>21,715,328</u>	<u>28,632,391</u>	<u>(250,626)</u>	<u>470,687</u>	<u>21,464,702</u>	<u>29,103,078</u>	(26.2)
Net Position - End of Year	<u>\$ 25,863,104</u>	<u>\$ 31,467,578</u>	<u>\$ (143,447)</u>	<u>\$ 356,981</u>	<u>\$ 25,719,657</u>	<u>\$ 31,824,559</u>	(19.2)

In fiscal year 2015, property tax and unrestricted state grants accounted for 60.1% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100% of business-type activities revenue. The District's total revenue was approximately \$32.7 million of which approximately \$31.5 million was for governmental activities and \$1.2 million was for business-type activities.

As shown on Figure A-4, the District as a whole experienced a 2.7% increase in revenue and a 2.3% decrease in expenses. The increase in revenue was primarily due to additional operating grants and unrestricted state grants. The net decrease in expenses was primarily due to increased salaries and benefits and pension expense associated with GASB No. 68 netted with a decrease in expenses due to differences in reporting Internal Service Fund activity on the statement of activities.

Governmental Activities

Revenue for governmental activities was \$31.5 million and expenses were \$27.3 million 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>		Percentage Change 2014-2015	<u>Net Cost of Services</u>		Percentage Change 2014-2015
	2015	2014 (Not Restated)		2015	2014 (Not Restated)	
Instruction	\$ 19,846,391	\$ 18,360,557	8.1%	\$ 11,422,010	\$ 11,415,946	0.1%
Support services	5,958,743	5,926,377	0.5	5,842,685	5,824,591	0.3
Noninstructional programs	62,400	26,884	132.1	62,400	26,884	132.1
Other	<u>1,480,771</u>	<u>1,716,386</u>	13.7	<u>330,813</u>	<u>919,252</u>	(64.0)
Total	<u>\$ 27,348,305</u>	<u>\$ 26,030,204</u>	5.1	<u>\$ 17,657,908</u>	<u>\$ 18,186,673</u>	(2.9)

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$4,104,945.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$5,585,452.
- The net cost of governmental activities was financed with \$12,912,693 in property and other taxes and \$8,871,111 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$1,219,989, representing a 59% decrease from the prior year, while expenses totaled \$1,112,810, a 64% decrease from the prior year. The District's business-type activities only included the School Nutrition Fund in the current year. Revenue from this activity was comprised of charges for service and federal and state reimbursements. In the prior year, the Internal Service Fund was also included in the business-type activities; the Internal Service Fund activity was included in the governmental activities in the current year.

INDIVIDUAL FUND ANALYSIS

As previously noted, Waverly-Shell Rock 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 \$7,119,088, an increase over last year's restated ending fund balances of \$4,214,161. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to increased state and local sources of revenue.

Governmental Fund Highlights

- The General Fund balance increased from a deficit balance of \$1,724,252 (restated) as of the end of fiscal year 2014 to a positive balance of \$570,501 as of the end of fiscal year 2015 due, in part, to an increase in the cash reserve levy and state funding.
- The Debt Service Fund balance increased from a deficit balance of \$2,920,739 as of the end of fiscal year 2014 to \$934,882 as of the end of fiscal year 2015. This increase was primarily due to the transfer of prior year revenue from the Capital Projects Funds and the repayment of the interfund loan to the General Fund.
- The Capital Projects Funds balance decreased from \$7,835,503 (restated) as of the end of fiscal year 2014 to \$4,609,730 as of the end of fiscal year 2015. This decrease was primarily due to the transfer of prior year revenue to the Debt Service Fund.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit balance of \$250,626 (restated) as of June 30, 2014 to a deficit balance of \$143,447 as of June 30, 2015, representing an increase of 42.8%. The increase is primarily due to decreased food and labor costs.

The Internal Service Fund net position increased from \$376,137 (restated) as of June 30, 2014 to \$384,167 as of June 30, 2015.

BUDGETARY HIGHLIGHTS

Waverly-Shell Rock Community School District did not amend its budget during the year.

The District's total revenue was \$446,138 more than total budgeted revenue, a variance of 1.4%.

Total expenditures were \$2,160,898 less than budgeted, due primarily to overbudgeting instruction expenditures in the General and Student Activity Funds. The District's practice is to budget expenditures conservatively.

Expenditures exceeded the amount budgeted in the support services function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$43,477,957, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$1,306,621.

The original cost of the District's capital assets was \$56,727,881. Governmental funds account for \$56,672,427 with the remainder of \$55,454 accounted for in the Proprietary, School Nutrition Fund.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business- Type Activities		Total District		Total Percentage Change June 30, 2014-2015
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
Land	\$ 678,470	\$ 678,470	\$ —	\$ —	\$ 678,470	\$ 678,470	—
Construction in progress	—	2,103,303	—	—	—	2,103,303	(100.0)%
Buildings Improvements other than buildings	41,102,362	39,564,386	—	—	41,102,362	39,564,386	3.9
Furniture and equipment	664,060	718,576	—	—	664,060	718,576	(7.6)
	<u>1,011,346</u>	<u>1,051,903</u>	<u>21,719</u>	<u>15,931</u>	<u>1,033,065</u>	<u>1,067,834</u>	(3.3)
Total	<u>\$ 43,456,238</u>	<u>\$ 44,116,638</u>	<u>\$ 21,719</u>	<u>\$ 15,931</u>	<u>\$ 43,477,957</u>	<u>\$ 44,132,569</u>	(1.5)

Long-Term Debt

As of June 30, 2015, the District had \$15,810,000 of bonded indebtedness outstanding. This represents a decrease of 8.6% 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 general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding debt subject to this limit is significantly below its constitutional debt limit of approximately \$34.6 million.

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

	Total District		Total Percentage Change June 30, 2014-15
	June 30,		
	2015	2014	
General obligation bonds	\$ 13,430,000	\$ 14,510,000	(7.4)%
Revenue bonds	<u>2,380,000</u>	<u>2,780,000</u>	(14.4)
	<u>\$ 15,810,000</u>	<u>\$ 17,290,000</u>	(8.6)

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 which could significantly affect its financial health in the future:

- State funding, known as supplemental state aid (SSA), is critical to funding educational programs. There is currently some uncertainty in the state budget, which may result in inadequate funding for schools.
- After experiencing an increase of 141 students over the past three years, the District saw a decrease of 29 students in the October, 2014 certified enrollment. Since revenue is driven by student enrollment, declining enrollment brings about the challenge of how to reduce expenditures to balance the budget.
- Local economic indicators are quite strong, with very low unemployment (currently around 3.4%), single family home construction in Waverly is up 41% over the prior year and bank deposits and assets are up over the prior year.
- Commercial and industrial property tax reform has lowered the taxable valuation. This would have increased the property tax rate except the state is currently backfilling to keep the property tax rate stable. There is some uncertainty as to how long the state will backfill for this purpose.

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 Kalvig, Business Manager, Waverly-Shell Rock Community School District, 1415 - 4th Avenue, SW, Waverly, IA 50677.

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	\$ 8,504,235	\$ 167,243	\$ 8,671,478
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	57,072	—	57,072
Succeeding year	10,169,848	—	10,169,848
Other.....	34,315	40,196	74,511
Internal balances	(6,639)	6,639	—
Due from other governments.....	3,142,830	494	3,143,324
Inventories.....	—	26,896	26,896
Prepaid items	147,418	—	147,418
Restricted cash, cash equivalents and investments	701,925	—	701,925
Capital assets, net of accumulated depreciation	43,456,238	21,719	43,477,957
Total Assets	<u>66,207,242</u>	<u>263,187</u>	<u>66,470,429</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>1,997,503</u>	<u>69,377</u>	<u>2,066,880</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 68,204,745</u>	<u>\$ 332,564</u>	<u>\$ 68,537,309</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 1,842,175	\$ 12,724	\$ 1,854,899
Salaries and benefits payable	2,326,446	49,000	2,375,446
Advances from grantors	4,084	—	4,084
Internal balances	(339)	339	—
Unearned revenue.....	—	25,919	25,919
Accrued interest payable	48,247	—	48,247
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds	1,100,000	—	1,100,000
Revenue bonds.....	390,000	—	390,000
Early retirement.....	108,000	—	108,000
Portion Due After One Year			
General obligation bonds	12,330,000	—	12,330,000
Revenue bonds.....	1,990,000	—	1,990,000
Early retirement.....	412,000	—	412,000
Net pension liability.....	8,087,714	280,901	8,368,615
Net OPEB liability.....	449,045	—	449,045
Total Liabilities	<u>29,087,372</u>	<u>368,883</u>	<u>29,456,255</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	10,169,848	—	10,169,848
Pension-related deferred inflows	3,084,421	107,128	3,191,549
Total Deferred Inflows of Resources	<u>13,254,269</u>	<u>107,128</u>	<u>13,361,397</u>
Net Position			
Net investment in capital assets	27,646,238	21,719	27,667,957
Restricted for			
Categorical funding.....	573,164	—	573,164
Debt service.....	1,588,560	—	1,588,560
School infrastructure.....	3,164,201	—	3,164,201
Physical plant and equipment.....	1,649,139	—	1,649,139
Student activities.....	446,206	—	446,206
Management levy purposes.....	37,769	—	37,769
Unrestricted	(9,242,173)	(165,166)	(9,407,339)
Total Net Position	<u>25,863,104</u>	<u>(143,447)</u>	<u>25,719,657</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 68,204,745</u>	<u>\$ 332,564</u>	<u>\$ 68,537,309</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 and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 11,269,314	\$ 1,194,089	\$ 2,409,849	\$ —	\$ (7,665,376)	\$ —	\$ (7,665,376)
Special	5,715,033	1,766,840	1,921,334	—	(2,026,859)	—	(2,026,859)
Other	<u>2,862,044</u>	<u>1,096,871</u>	<u>35,398</u>	<u>—</u>	<u>(1,729,775)</u>	<u>—</u>	<u>(1,729,775)</u>
Total Instruction	<u>19,846,391</u>	<u>4,057,800</u>	<u>4,366,581</u>	<u>—</u>	<u>(11,422,010)</u>	<u>—</u>	<u>(11,422,010)</u>
Support Services							
Student	506,863	—	—	—	(506,863)	—	(506,863)
Instructional staff	957,936	—	—	—	(957,936)	—	(957,936)
Administration	1,841,710	—	—	—	(1,841,710)	—	(1,841,710)
Operation and maintenance of plant	1,810,148	4,128	—	—	(1,806,020)	—	(1,806,020)
Transportation	<u>842,086</u>	<u>43,017</u>	<u>68,913</u>	<u>—</u>	<u>(730,156)</u>	<u>—</u>	<u>(730,156)</u>
Total Support Services	<u>5,958,743</u>	<u>47,145</u>	<u>68,913</u>	<u>—</u>	<u>(5,842,685)</u>	<u>—</u>	<u>(5,842,685)</u>
Noninstructional programs	<u>62,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(62,400)</u>	<u>—</u>	<u>(62,400)</u>
Other Expenses							
Facilities acquisition	—	—	—	288,565	288,565	—	288,565
Long-term debt interest and fiscal charges	619,378	—	—	—	(619,378)	—	(619,378)
AEA flowthrough	<u>861,393</u>	<u>—</u>	<u>861,393</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Expenses	<u>1,480,771</u>	<u>—</u>	<u>861,393</u>	<u>288,565</u>	<u>(330,813)</u>	<u>—</u>	<u>(330,813)</u>
Total Governmental Activities	<u>27,348,305</u>	<u>4,104,945</u>	<u>5,296,887</u>	<u>288,565</u>	<u>(17,657,908)</u>	<u>—</u>	<u>(17,657,908)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations	<u>1,112,810</u>	<u>802,799</u>	<u>417,190</u>	<u>—</u>	<u>—</u>	<u>107,179</u>	<u>107,179</u>
Total	<u>\$ 28,461,115</u>	<u>\$ 4,907,744</u>	<u>\$ 5,714,077</u>	<u>\$ 288,565</u>	<u>(17,657,908)</u>	<u>107,179</u>	<u>(17,550,729)</u>
General Revenue							
Property Tax Levied for							
General purposes					7,936,340	—	7,936,340
Management levy					323,534	—	323,534
Capital outlay					227,226	—	227,226
Debt service					1,570,114	—	1,570,114
Income surtax					986,165	—	986,165
Statewide sales, services and use tax					1,869,314	—	1,869,314
Unrestricted state grants					8,871,111	—	8,871,111
Unrestricted investment earnings					19,767	—	19,767
Gain on sale of capital assets					<u>2,113</u>	<u>—</u>	<u>2,113</u>
Total General Revenue					<u>21,805,684</u>	<u>—</u>	<u>21,805,684</u>
Change in Net Position					<u>4,147,776</u>	<u>107,179</u>	<u>4,254,955</u>
Net Position - Beginning of Year, as previously reported					31,467,578	123,844	31,591,422
Prior period adjustments - Notes 13 and 14					<u>(9,752,250)</u>	<u>(374,470)</u>	<u>(10,126,720)</u>
Net Position - Beginning of Year, as Restated					<u>21,715,328</u>	<u>(250,626)</u>	<u>21,464,702</u>
Net Position - End of Year					<u>\$ 25,863,104</u>	<u>\$ (143,447)</u>	<u>\$ 25,719,657</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and investments.....	\$ 3,474,387	\$ —	\$ 3,761,880	\$ 1,027,949	\$ 8,264,216
Receivables					
Property Tax, Net of Allowance					
Current year delinquent	45,821	8,263	1,196	1,792	57,072
Succeeding year	8,038,379	1,572,671	233,796	325,002	10,169,848
Other	—	—	20,000	13,337	33,337
Due from other funds	5,726	926,619	15,082	855	948,282
Due from other governments	2,850,250	—	292,580	—	3,142,830
Prepaid items	4,248	—	—	—	4,248
Restricted cash, cash equivalents and investments	—	—	701,925	—	701,925
Total Assets	<u>\$ 14,418,811</u>	<u>\$ 2,507,553</u>	<u>\$ 5,026,459</u>	<u>\$ 1,368,935</u>	<u>\$ 23,321,758</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 1,631,310	\$ —	\$ 177,546	\$ 33,319	\$ 1,842,175
Salaries and benefits payable	2,326,446	—	—	—	2,326,446
Advances from grantors.....	4,084	—	—	—	4,084
Due to other funds.....	942,556	—	5,387	6,639	954,582
Total Liabilities	<u>4,904,396</u>	<u>—</u>	<u>182,933</u>	<u>39,958</u>	<u>5,127,287</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax ...	8,038,379	1,572,671	233,796	325,002	10,169,848
Income surtax	905,535	—	—	—	905,535
Total Deferred Inflows of Resources	<u>8,943,914</u>	<u>1,572,671</u>	<u>233,796</u>	<u>325,002</u>	<u>11,075,383</u>
Fund Balances					
Restricted for					
Categorical funding	573,164	—	—	—	573,164
Debt service	—	934,882	701,925	—	1,636,807
School infrastructure	—	—	2,258,666	—	2,258,666
Physical plant and equipment...	—	—	1,649,139	—	1,649,139
Student activities.....	—	—	—	446,206	446,206
Management levy purposes.....	—	—	—	557,769	557,769
Unassigned	(2,663)	—	—	—	(2,663)
Total Fund Balances	<u>570,501</u>	<u>934,882</u>	<u>4,609,730</u>	<u>1,003,975</u>	<u>7,119,088</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,418,811</u>	<u>\$ 2,507,553</u>	<u>\$ 5,026,459</u>	<u>\$ 1,368,935</u>	<u>\$ 23,321,758</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 for Governmental Funds (Page 18).... **\$ 7,119,088**

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

An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position..... 384,167

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 43,456,238

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..... (48,247)

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	\$ 1,997,503	
Deferred inflows of resources	<u>(3,084,421)</u>	(1,086,918)

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

General obligation bonds	\$ (13,430,000)	
Revenue bonds	(2,380,000)	
Early retirement.....	(520,000)	
Net pension liability	(8,087,714)	
Net OPEB liability	<u>(449,045)</u>	(24,866,759)

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds..... 905,535

Net Position of Governmental Activities (Page 16)..... **\$ 25,863,104**

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

Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax.....	\$ 8,742,740	\$ 1,570,114	\$ 2,096,540	\$ 310,237	\$ 12,719,631
Tuition	4,634,026	—	—	—	4,634,026
Other	223,941	—	94,419	1,110,983	1,429,343
State sources	11,572,509	21,482	29,722	4,641	11,628,354
Federal sources	703,084	—	199,594	—	902,678
Total Revenue	<u>25,876,300</u>	<u>1,591,596</u>	<u>2,420,275</u>	<u>1,425,861</u>	<u>31,314,032</u>
Expenditures					
Current					
Instruction					
Regular	9,763,146	—	418,561	—	10,181,707
Special.....	5,715,033	—	—	—	5,715,033
Other	1,671,077	—	—	1,172,479	2,843,556
Total Instruction	<u>17,149,256</u>	<u>—</u>	<u>418,561</u>	<u>1,172,479</u>	<u>18,740,296</u>
Support Services					
Student	523,624	—	—	1,562	525,186
Instructional staff	972,603	—	—	2,610	975,213
Administration	1,786,856	—	—	89,984	1,876,840
Operation and maintenance					
of plant	1,587,464	—	9,780	105,059	1,702,303
Transportation	702,464	—	294,428	40,736	1,037,628
Total Support Services.....	<u>5,573,011</u>	<u>—</u>	<u>304,208</u>	<u>239,951</u>	<u>6,117,170</u>
Noninstructional programs.....	—	—	—	33,105	33,105
Other Expenditures					
Facilities acquisition.....	—	—	556,098	—	556,098
Long-Term Debt					
Principal.....	—	1,480,000	—	—	1,480,000
Interest and fiscal charges	—	623,156	—	—	623,156
AEA flowthrough	861,393	—	—	—	861,393
Total Other Expenditures	<u>861,393</u>	<u>2,103,156</u>	<u>556,098</u>	<u>—</u>	<u>3,520,647</u>
Total Expenditures.....	<u>23,583,660</u>	<u>2,103,156</u>	<u>1,278,867</u>	<u>1,445,535</u>	<u>28,411,218</u>
Revenue Over (Under)					
Expenditures	<u>2,292,640</u>	<u>(511,560)</u>	<u>1,141,408</u>	<u>(19,674)</u>	<u>2,902,814</u>
Other Financing Sources (Uses)					
Proceeds from the sale of					
capital assets	2,113	—	—	—	2,113
Transfers in	—	4,367,181	—	—	4,367,181
Transfers out.....	—	—	(4,367,181)	—	(4,367,181)
Total Other Financing					
Sources (Uses).....	<u>2,113</u>	<u>4,367,181</u>	<u>(4,367,181)</u>	<u>—</u>	<u>2,113</u>
Change in Fund Balances	<u>2,294,753</u>	<u>3,855,621</u>	<u>(3,225,773)</u>	<u>(19,674)</u>	<u>2,904,927</u>
Fund Balances - Beginning of					
Year, as previously reported.....	(1,759,207)	(2,920,739)	7,967,691	1,023,649	4,311,394
Prior period adjustment - Note 14	34,955	—	(132,188)	—	(97,233)
Fund Balances - Beginning					
of Year, as Restated	(1,724,252)	(2,920,739)	7,835,503	1,023,649	4,214,161
Fund Balances - End of Year	<u>\$ 570,501</u>	<u>\$ 934,882</u>	<u>\$ 4,609,730</u>	<u>\$ 1,003,975</u>	<u>\$ 7,119,088</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 20) \$ 2,904,927

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

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities in the statement of activities. 8,030

Internal Service Fund beginning net position not previously reported in governmental activities in the statement of activities 233,137

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

Expenditures for capital outlays.....	\$ 760,161	
Depreciation expense.....	<u>(1,302,000)</u>	(541,839)

The net book value of capital assets disposed of during the year..... (118,561)

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 interest accrues, regardless of when it is due. 3,778

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... 1,480,000

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..... 1,252,996

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

Early retirement.....	\$ (516,711)	
Net OPEB liability.....	(108,306)	
Pension expense.....	<u>(629,611)</u>	(1,254,628)

Income surtax 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..... 179,936

Change in Net Position of Governmental Activities (Page 17) \$ 4,147,776

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	<u>Major Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and investments	\$ 167,243	\$ 240,019
Receivables		
Other	40,196	978
Due from other funds	6,639	—
Due from other governments	494	—
Inventories	26,896	—
Prepaid items	—	143,170
Total Current Assets	<u>241,468</u>	<u>384,167</u>
Capital Assets, Net of Accumulated Depreciation	<u>21,719</u>	<u>—</u>
Total Assets	<u>263,187</u>	<u>384,167</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	<u>69,377</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 332,564</u>	<u>\$ 384,167</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 12,724	\$ —
Salaries and benefits payable	49,000	—
Due to other funds	339	—
Unearned revenue	25,919	—
Total Current Liabilities	<u>87,982</u>	<u>—</u>
Net Pension Liability	<u>280,901</u>	<u>—</u>
Total Liabilities	<u>368,883</u>	<u>—</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	<u>107,128</u>	<u>—</u>
Net Position		
Net investment in capital assets	21,719	—
Unrestricted	<u>(165,166)</u>	<u>384,167</u>
Total Net Position	<u>(143,447)</u>	<u>384,167</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 332,564</u>	<u>\$ 384,167</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>Major Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 802,799	\$ —
Reimbursements from operating funds, employees and others	<u>—</u>	<u>1,717,933</u>
Total Operating Revenue	<u>802,799</u>	<u>1,717,933</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries	490,802	—
Benefits	87,044	—
Purchased services	6,450	—
Supplies	523,893	—
Depreciation	4,621	—
Insurance premiums, claims and fees	<u>—</u>	<u>1,725,563</u>
Total Operating Expenses	<u>1,112,810</u>	<u>1,725,563</u>
Loss From Operations	<u>(310,011)</u>	<u>(7,630)</u>
Nonoperating Revenue		
State sources	8,413	—
Federal sources	408,777	—
Interest on investments	<u>—</u>	<u>15,660</u>
Total Nonoperating Revenue	<u>417,190</u>	<u>15,660</u>
Change in Net Position	<u>107,179</u>	<u>8,030</u>
Net Position - Beginning of Year, as previously reported	123,844	233,137
Prior period adjustment - Note 14	<u>(374,470)</u>	<u>143,000</u>
Net Position - Beginning of Year, as Restated	<u>(250,626)</u>	<u>376,137</u>
Net Position - End of Year	<u>\$ (143,447)</u>	<u>\$ 384,167</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	<u>Major Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 808,303	\$ —
Cash received from operating funds, employees and others	—	1,716,955
Cash paid to employees for services	(605,610)	—
Cash paid to suppliers for goods or services	<u>(409,094)</u>	<u>(1,725,733)</u>
Net Cash Used in Operating Activities.....	<u>(206,401)</u>	<u>(8,778)</u>
Cash Flows From Noncapital Financing Activities		
State and federal grants received	341,936	—
Net repayments to other funds	<u>(54,060)</u>	<u>(136,569)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>287,876</u>	<u>(136,569)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(10,409)</u>	<u>—</u>
Cash Flows From Investing Activities		
Interest on investments	<u>—</u>	<u>15,660</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Investments.....	71,066	(129,687)
Cash, Cash Equivalents and Investments - Beginning of Year	<u>96,177</u>	<u>369,706</u>
Cash, Cash Equivalents and Investments - End of Year	<u>\$ 167,243</u>	<u>\$ 240,019</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Loss from operations.....	\$ (310,011)	\$ (7,630)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used.....	108,525	—
Depreciation.....	4,621	—
Changes in Assets and Liabilities		
(Increase) decrease in receivables	2,665	(978)
Increase in prepaid items.....	—	(170)
Increase in pension-related deferred outflows	(27,989)	—
Increase in accounts payable	12,724	—
Decrease in salaries and benefits payable	(7,702)	—
Increase in unearned revenue	2,839	—
Decrease in net pension liability	(99,201)	—
Increase in pension-related deferred inflows	<u>107,128</u>	<u>—</u>
Net Cash Used in Operating Activities.....	<u>\$ (206,401)</u>	<u>\$ (8,778)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$108,525 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Funds

As of June 30, 2015

	<u>Private Purpose Trust</u> Scholarship	Agency
Assets		
Cash, cash equivalents and investments.....	\$ 85,710	\$ 71,548
Accounts receivable	<u>—</u>	<u>3,489</u>
Total Assets	<u>\$ 85,710</u>	<u>\$ 75,037</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	<u>\$ 1,661</u>	<u>\$ 75,037</u>
Net Position		
Reserved for scholarships	<u>84,049</u>	<u>—</u>
Total Liabilities and Net Position	<u>\$ 85,710</u>	<u>\$ 75,037</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	<u>\$ 48,949</u>
Deductions	
Instruction	
Regular	
Scholarships awarded	<u>50,505</u>
Change in Net Position	(1,556)
Net Position - Beginning of Year	<u>85,605</u>
Net Position - End of Year	<u>\$ 84,049</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades prekindergarten through twelve. The geographic area served includes the Cities of Shell Rock and Waverly, and the predominate agricultural territory in Black Hawk, Bremer and Butler Counties. 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 of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Waverly-Shell Rock 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 Bremer 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 attributable to the acquisition, construction or improvement of those assets.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 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 that are 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 Project Fund accounts.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax 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 principal and interest on the District's general long-term debt.

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

The District's proprietary funds are the School Nutrition Fund, an enterprise fund, used to account for the food service operations of the District and an internal service fund, used to account for the District's health insurance plan.

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 Funds* are 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.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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 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 is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating 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 enterprise funds 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 invested. Investments are stated at fair value except for the investment in nonnegotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable

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

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

Property tax revenue recognized in these funds 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 amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

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

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. 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	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	20 - 50 Years
Improvements other than buildings	15 - 20 Years
Furniture and equipment	5 - 20 Years

Deferred Outflows of Resources

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

Salaries and Benefits Payable

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

Advances From Grantors

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

Compensated Absences

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

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.

(1) Summary of Significant Accounting Policies

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtax not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist 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 Balances

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

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

Unassigned - All amounts not included in the preceding classification.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the support services function 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.

Subsequent Events

Management has evaluated subsequent events through November 17, 2015, the date which the financial statements were available to be issued.

Notes to the Financial Statements

(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 improvement certificates of a drainage district.

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 certificates of deposits.

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 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.

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.

Notes to the Financial Statements

(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	Capital Projects	\$ 5,387
	Enterprise	
	School Nutrition	<u>339</u>
		<u>5,726</u>
Special Revenue		
Student Activity	General	<u>855</u>
Capital Projects	General	<u>15,082</u>
Debt Service	General	<u>926,619</u>
Enterprise	Special Revenue	
School Nutrition	Student Activity	<u>6,639</u>
		<u>\$ 954,921</u>

The nature of the amounts are short-term advances or amounts recorded to the wrong fund and will be corrected in the next year.

(4) Interfund Transfers

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

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 4,367,181</u>

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

Notes to the Financial Statements

(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.....	\$ 678,470	\$ —	\$ —	\$ 678,470
Construction in progress	<u>2,103,303</u>	<u>418,660</u>	<u>2,521,963</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>2,781,773</u>	<u>418,660</u>	<u>2,521,963</u>	<u>678,470</u>
Capital Assets Being Depreciated				
Buildings	47,926,357	2,521,963	4,237	50,444,083
Improvements other than buildings	1,964,162	24,425	54,425	1,934,162
Furniture and equipment	<u>3,656,550</u>	<u>317,076</u>	<u>357,914</u>	<u>3,615,712</u>
Total Capital Assets Being Depreciated.....	<u>53,547,069</u>	<u>2,863,464</u>	<u>416,576</u>	<u>55,993,957</u>
Less Accumulated Depreciation for				
Buildings	8,361,971	982,759	3,009	9,341,721
Improvements other than buildings	1,245,586	67,432	42,916	1,270,102
Furniture and equipment	<u>2,604,647</u>	<u>251,809</u>	<u>252,090</u>	<u>2,604,366</u>
Total Accumulated Depreciation...	<u>12,212,204</u>	<u>1,302,000</u>	<u>298,015</u>	<u>13,216,189</u>
Total Capital Assets Being Depreciated, Net	<u>41,334,865</u>	<u>1,561,464</u>	<u>118,561</u>	<u>42,777,768</u>
Governmental Activities Capital Assets, Net.....				
	<u>\$ 44,116,638</u>	<u>\$ 1,980,124</u>	<u>\$ 2,640,524</u>	<u>\$ 43,456,238</u>
Business-Type Activities				
Furniture and equipment	\$ 45,045	\$ 10,409	\$ —	\$ 55,454
Less accumulated depreciation	<u>29,114</u>	<u>4,621</u>	<u>—</u>	<u>33,735</u>
Business-Type Activities Capital Assets, Net				
	<u>\$ 15,931</u>	<u>\$ 5,788</u>	<u>\$ —</u>	<u>\$ 21,719</u>
Depreciation expense was charged to the following functions:				
Governmental Activities				
Instruction				
Regular				\$ 1,111,778
Other.....				18,488
Support Services				
Instructional staff				1,172
Administration				1,172
Operation and maintenance of plant				24,868
Transportation.....				115,227
Noninstructional programs				<u>29,295</u>
Total Depreciation Expense - Governmental Activities				<u>\$ 1,302,000</u>
Business-Type Activities				
Food service operations				<u>\$ 4,621</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 14,510,000	\$ —	\$ 1,080,000	\$ 13,430,000	\$ 1,100,000
Revenue bonds	2,780,000	—	400,000	2,380,000	390,000
Early retirement	3,289	520,000	3,289	520,000	108,000
Net pension liability.....	10,943,903	—	2,856,189	8,087,714	—
Net OPEB liability	340,739	108,306	—	449,045	—
Total	<u>\$ 28,577,931</u>	<u>\$ 628,306</u>	<u>\$ 4,339,478</u>	<u>\$ 24,866,759</u>	<u>\$ 1,598,000</u>
Business-Type Activities					
Net pension liability.....	<u>\$ 380,102</u>	<u>\$ —</u>	<u>\$ 99,201</u>	<u>\$ 280,901</u>	<u>\$ —</u>

General Obligation Bonds

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

Year Ending June 30,	Bonds Issued February 1, 2010			
	Interest Rates	Principal	Interest	Total
2016	3.000%	\$ 700,000	\$ 464,668	\$ 1,164,668
2017	3.250	725,000	443,669	1,168,669
2018	3.500	745,000	420,106	1,165,106
2019	3.500	775,000	394,031	1,169,031
2020	3.500	800,000	366,906	1,166,906
2021-2025	3.500 - 3.750	4,520,000	1,386,306	5,906,306
2026-2029	3.875 - 4.125	4,365,000	450,750	4,815,750
Total		<u>\$ 12,630,000</u>	<u>\$ 3,926,436</u>	<u>\$ 16,556,436</u>

Year Ending June 30,	Bonds Issued March 6, 2014			
	Interest Rates	Principal	Interest	Total
2016	0.80%	\$ 400,000	\$ 7,200	\$ 407,200
2017	1.00	400,000	4,000	404,000
Total		<u>\$ 800,000</u>	<u>\$ 11,200</u>	<u>\$ 811,200</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 1,100,000	\$ 471,868	\$ 1,571,868
2017	1,125,000	447,669	1,572,669
2018	745,000	420,106	1,165,106
2019	775,000	394,031	1,169,031
2020	800,000	366,906	1,166,906
2021-2025	4,520,000	1,386,306	5,906,306
2026-2029	4,365,000	450,750	4,815,750
Total	<u>\$ 13,430,000</u>	<u>\$ 3,937,636</u>	<u>\$ 17,367,636</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

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

Year Ending June 30,	Bonds Issued August 1, 2007			Total
	Interest Rates	Principal	Interest	
2016	4.50%	\$ 390,000	\$ 107,100	\$ 497,100
2017	4.50	370,000	89,550	459,550
2018	4.50	360,000	72,900	432,900
2019	4.50	340,000	56,700	396,700
2020	4.50	320,000	41,400	361,400
2021-2022	4.50	600,000	40,050	640,050
Total		<u>\$ 2,380,000</u>	<u>\$ 407,700</u>	<u>\$ 2,787,700</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$2,780,000 of bonds issued in August, 2007. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 40% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$2,787,700. For the current year, principal of \$400,000 and interest of \$125,100 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,869,314.

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

- (a) \$660,500 of the proceeds from the issuance of revenue bonds 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.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) 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.
- (d) 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 the revenue bond provisions during the year ended June 30, 2015.

(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.

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.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

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.

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 \$1,296,515.

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 \$8,368,615 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 0.206781% which was an increase of 0.006781% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$698,835. 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	\$ 90,951	\$ —
Changes of assumptions	369,326	—
Net difference between projected and actual earnings on pension plan investments.....	—	3,191,549
Changes in proportion and differences between District contributions and proportionate share of contributions	310,088	—
District contributions subsequent to the measurement date.....	1,296,515	—
Total	<u>\$ 2,066,880</u>	<u>\$ 3,191,549</u>

Notes to the Financial Statements

(7) Pension and Retirement Benefits

\$1,296,515 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	\$ (617,895)
2017	(617,895)
2018	(617,895)
2019	(617,895)
2020	50,396
Total	<u>\$ (2,421,184)</u>

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3%
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>	

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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.

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	\$ 15,812,264	\$ 8,368,615	\$ 2,085,405

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 had no material payables to the defined benefit pension plan for legally required employer and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 213 active and 9 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. 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.

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.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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 for June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution.....	\$ 131,780
Interest on net OPEB obligation.....	8,518
Adjustment to annual required contribution.....	<u>(20,801)</u>
Annual OPEB Cost	119,497
Contributions made	<u>(11,191)</u>
Increase in Net OPEB Obligation	108,306
Net OPEB Obligation - Beginning of Year.....	<u>340,739</u>
Net OPEB Obligation - End of Year	<u>\$ 449,045</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 2015, the District contributed \$11,191 to the medical plan. Plan members eligible for benefits contributed \$3,381, or 23.2%, 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	\$ 89,032	20.8%	\$ 262,999
June 30, 2014	89,968	13.6	340,739
June 30, 2015	119,497	9.4	449,045

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 \$869,742 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$869,742. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14.6 million and the ratio of the UAAL to the covered payroll was 6%. As of June 30, 2015, there were no trust fund assets.

(8) Other Postemployment Benefits (OPEB)

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 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this calculation.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a 2/3 female to 1/3 male basis. Annual retirement probabilities were developed from the 2006 Society of Actuaries Study. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

(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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$861,393 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.

Notes to the Financial Statements

(11) Early Retirement

The District offered a voluntary early retirement plan to employees for the year ended June 30, 2015. Eligible employees must have completed at least ten years of service to the District and had to be at least age 55 by June 30 in the year of retirement. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal \$14,000 per year for five years for most employees. One employee's benefit is \$10,000 a year for three years.

As of June 30, 2015, the District had obligations to eight participants with a total liability of \$520,000. Actual early retirement expenditures under a prior year plan which is now completed totaled \$3,289 for the year ended June 30, 2015.

(12) Categorical Funding

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

Program	Amount
Four Year Old Preschool	\$ 95,125
Teacher Quality Professional Development	277,897
Core Curriculum	152,565
Gifted and Talented	31,565
Early Literacy	8,745
Teacher Leadership	1,659
Home School Assistance Program	1,910
Early Intervention	3,698
Total	<u>\$ 573,164</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and 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 contributions made after the measurement date of the beginning net pension liability which is required to

Notes to the Financial Statements

(13) Accounting Change/Restatement

be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-Type Activities
Net position - June 30, 2014, as previously reported	\$ 31,467,578	\$ 123,844
Net pension liability as of June 30, 2014.....	(10,943,903)	(380,102)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date.....	1,191,653	41,388
Additional prior period restatements (see Note 14).....	—	(35,756)
Net Position - July 1, 2014, as Restated.....	<u>\$ 21,715,328</u>	<u>\$ (250,626)</u>

(14) Prior Period Adjustments

During 2015, management determined that certain transactions had been recorded in the wrong period in prior years and that certain amounts recorded as of June 30, 2014 were not correct. The beginning fund balance or net position of the affected funds have been restated as follows:

	Fund Balance/ Net Position Beginning of Year, As Previously Reported	Prior Period Adjustment	Fund Balance/ Net Position Beginning of Year, As Restated
General Fund	\$ (1,759,207)	\$ 34,955	\$ (1,724,252)
Capital Projects	7,967,691	(132,188)	7,835,503
School Nutrition Fund GASB No. 68 (see Note 13)	123,844	(35,756) <u>(338,714)</u> (374,470)	(250,626)
Internal Service Fund	233,137	143,000	376,137

These error corrections had no net effect on the change in fund balance or net position, as applicable, for the year ended June 30, 2015.

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

	<u>Actual</u>		Total	Original and Final Budget	Over (Under) Budget
	Governmental Funds	Proprietary Fund			
Revenue					
Local sources	\$ 18,783,000	\$ 802,799	\$ 19,585,799	\$ 18,496,169	\$ 1,089,630
State sources	11,628,354	8,413	11,636,767	12,214,426	(577,659)
Federal sources	<u>902,678</u>	<u>408,777</u>	<u>1,311,455</u>	<u>1,377,288</u>	<u>(65,833)</u>
Total Revenue	<u>31,314,032</u>	<u>1,219,989</u>	<u>32,534,021</u>	<u>32,087,883</u>	<u>446,138</u>
Expenditures/Expenses					
Instruction.....	18,740,296	—	18,740,296	20,132,000	(1,391,704)
Support services	6,117,170	—	6,117,170	5,492,020	625,150
Noninstructional programs	33,105	1,112,810	1,145,915	2,295,000	(1,149,085)
Other expenditures.....	<u>3,520,647</u>	<u>—</u>	<u>3,520,647</u>	<u>3,765,906</u>	<u>(245,259)</u>
Total Expenditures/Expenses	<u>28,411,218</u>	<u>1,112,810</u>	<u>29,524,028</u>	<u>31,684,926</u>	<u>(2,160,898)</u>
Revenue Over Expenditures/ Expenses	2,902,814	107,179	3,009,993	402,957	2,607,036
Other Financing Sources (Uses) (Net)	<u>2,113</u>	<u>—</u>	<u>2,113</u>	<u>—</u>	<u>2,113</u>
Revenue and Other Financing Sources Over Expenditures/ Expenses and Other Financing Financing Uses	2,904,927	107,179	3,012,106	402,957	<u>\$ 2,609,149</u>
Balance - Beginning of Year, as restated - Note 14.....	<u>4,214,161</u>	<u>(250,626)</u>	<u>3,963,535</u>	<u>4,127,423</u>	
Balance - End of Year	<u>\$ 7,119,088</u>	<u>\$ (143,447)</u>	<u>\$ 6,975,641</u>	<u>\$ 4,530,380</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 that 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, the District did not exceed its General Fund unspent authorized budget; however, expenditures in the support services function did exceed the amount budgeted.

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	0.206781%
District's proportionate share of the net pension liability	\$8,368,615
District's covered-employee payroll (approximate)	\$13,808,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
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	\$ 1,296,515	\$ 1,233,041	\$ 1,121,491	\$ 870,687	\$ 740,959	\$ 726,681	\$ 650,558	\$ 597,385	\$ 519,508	\$ 504,645
Contributions in relation to the statutorily required contributions.....	<u>(1,296,515)</u>	<u>(1,233,041)</u>	<u>(1,121,491)</u>	<u>(870,687)</u>	<u>(740,959)</u>	<u>(726,681)</u>	<u>(650,558)</u>	<u>(597,385)</u>	<u>(519,508)</u>	<u>(504,645)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll (approximate)	\$ 14,519,000	\$ 13,808,000	\$ 12,935,000	\$ 10,803,000	\$ 10,661,000	\$ 10,928,000	\$ 10,245,000	\$ 9,874,000	\$ 9,035,000	\$ 8,776,000
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	\$ —	\$ 546,000	\$ 546,000	0%	\$ 10,095,000	5.4%
2010	7-1-08	—	541,000	541,000	0	11,120,000	4.9
2011	7-1-08	—	541,000	541,000	0	10,380,000	5.2
2012	7-1-11	—	439,000	439,000	0	8,567,000	5.2
2013	7-1-11	—	416,000	416,000	0	10,452,000	3.9
2014	7-1-11	—	383,000	383,000	0	10,721,000	3.6
2015	7-1-14	—	869,742	869,742	0	14,600,000	6.0

See Note 8 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

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		Total
	Student Activity	Management Levy	
Assets			
Cash, cash equivalents and investments.....	\$ 471,972	\$ 555,977	\$ 1,027,949
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	—	1,792	1,792
Succeeding year	—	325,002	325,002
Other.....	13,337	—	13,337
Due from other funds.....	<u>855</u>	<u>—</u>	<u>855</u>
Total Assets	<u>\$ 486,164</u>	<u>\$ 882,771</u>	<u>\$ 1,368,935</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 33,319	\$ —	\$ 33,319
Due to other funds.....	<u>6,639</u>	<u>—</u>	<u>6,639</u>
Total Liabilities	<u>39,958</u>	<u>—</u>	<u>39,958</u>
Deferred Inflows of Resources			
Unavailable Resources			
Succeeding year property tax.....	<u>—</u>	<u>325,002</u>	<u>325,002</u>
Fund Balances			
Restricted for			
Student activities.....	446,206	—	446,206
Management levy purposes	<u>—</u>	<u>557,769</u>	<u>557,769</u>
Total Fund Balances	<u>446,206</u>	<u>557,769</u>	<u>1,003,975</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 486,164</u>	<u>\$ 882,771</u>	<u>\$ 1,368,935</u>

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

Year Ended June 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
Revenue			
Local Sources			
Local tax	\$ —	\$ 310,237	\$ 310,237
Other.....	1,096,871	14,112	1,110,983
State sources	—	4,641	4,641
Total Revenue	1,096,871	328,990	1,425,861
Expenditures			
Current			
Instruction			
Other.....	1,172,479	—	1,172,479
Support Services			
Student.....	—	1,562	1,562
Instructional staff.....	—	2,610	2,610
Administration	—	89,984	89,984
Operation and maintenance of plant.....	—	105,059	105,059
Transportation	—	40,736	40,736
Total Support Services	—	239,951	239,951
Noninstructional programs	—	33,105	33,105
Total Expenditures	1,172,479	273,056	1,445,535
Change in Fund Balances	(75,608)	55,934	(19,674)
Fund Balances - Beginning of Year	521,814	501,835	1,023,649
Fund Balances - End of Year	\$ 446,206	\$ 557,769	\$ 1,003,975

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

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
5th Grade	\$ 493	\$ —	\$ 62	\$ 431
5th Grade Math and Science	868	513	759	622
6th Grade	410	—	—	410
8th Grade History Project	37	—	—	37
Activity Tickets.....	4,076	18,833	20,000	2,909
Annual.....	22,153	27,888	32,330	17,711
Art Club	9,387	997	631	9,753
Athletic Director	1,239	4,892	6,224	(93)
Band Stores - High School	53	1,701	1,754	—
Band Uniform Cleaning	20	3,618	3,126	512
Baseball	546	31,303	31,363	486
Beginning Band	—	3,151	120	3,031
Beginning Orchestra.....	—	1,332	95	1,237
Books	81,463	88,274	167,036	2,701
Bowling Account.....	54	2,273	1,701	626
Boys Basketball.....	111	29,122	28,763	470
Boys Golf.....	145	3,750	4,608	(713)
Boys Soccer	3,741	23,758	28,180	(681)
Boys Tennis.....	90	800	1,053	(163)
Boys Track	55	7,742	6,873	924
Boys W Club.....	699	—	619	80
Business Office	8,043	61,965	62,623	7,385
Buxton Tax	803	—	116	687
Calculators - HS Math Dept.	1,048	3,031	1,105	2,974
Carey Account.....	2,737	2,445	2,479	2,703
Carey Library.....	306	256	275	287
Carey Second Grade - Mrs. Howell	50	1	—	51
Chat and Chew Book Review	—	112	36	76
Christmas Card	6,078	2,585	1,175	7,488
Class of 2016	164	8,672	6,949	1,887
Class of 2015	(100)	540	—	440
Cross Country	574	4,404	4,326	652
Dance Team.....	1,964	12,184	11,788	2,360
DECA	4,577	9,530	13,000	1,107
Elementary & MS Strings Rental	4,734	6,167	6,465	4,436
Elementary & MS Strings Stores	234	1,068	612	690
Elementary Art.....	104	—	—	104
Elementary Art Contest	944	—	—	944
Elementary Band.....	8,478	4,612	9,377	3,713
Elementary Chorus - Hansen	722	—	263	459
Energy Team.....	273	—	—	273

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

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
FFA	\$ 10,799	\$ 52,500	\$ 60,329	\$ 2,970
Flight	497	1,452	911	1,038
Football	2,126	42,623	45,038	(289)
Friends of the Library.....	—	235	—	235
German Club	1,064	—	61	1,003
German Club Obligation	4,012	851	797	4,066
Girls Basketball	280	14,471	15,335	(584)
Girls Golf	128	2,902	3,014	16
Girls Soccer.....	960	17,062	17,989	33
Girls Softball.....	—	14,272	10,078	4,194
Girls Tennis	2	6,120	7,018	(896)
Girls Track.....	110	8,063	5,985	2,188
Girls Volleyball.....	277	15,181	15,260	198
Guidance Transcripts	4,639	118	—	4,757
H.S. Vocal Music Cheese & Sausage	2,741	5,389	3,261	4,869
Home Ec Stores	2,726	4,994	2,360	5,360
HS Advanced Placement.....	2,149	3,947	5,210	886
HS Bank Fundraiser	142	72,704	72,329	517
HS Engineering Club	2,740	—	—	2,740
HS Football Cheerleaders	3,830	11,051	13,701	1,180
HS Front Door Donations	500	—	—	500
HS Industrial Technology Grants.....	4,738	2,696	1,985	5,449
HS Jazz.....	91	2,125	2,216	—
HS Library	691	1,496	507	1,680
HS Musical	8,507	7,231	6,791	8,947
HS Pop.....	4,343	14,773	15,784	3,332
HS Strings Fundraising.....	859	—	—	859
HS Transportation Monies.....	129	—	—	129
HS Vocal Music Account	3,991	36	954	3,073
HS Vocal Music Fundraising.....	12	5,651	5,000	663
HS Vocal Music Uniform Account.....	794	3,900	1,902	2,792
HS Vocal Trips	1,326	620	68	1,878
HS Wrestling Cheerleaders	7	4,791	4,636	162
Human Rights Group.....	1,120	—	—	1,120
Ind Tech Stores - HS	5,668	4,021	6,946	2,743
Instrument Repair	91	2,322	2,408	5
Instrumental Music	955	10,639	11,594	—
IPAD Repair	9,481	36,380	19,831	26,030
Irving Transportation Donation	122	—	—	122
JH Cheerleaders	593	271	449	415

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

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
Library Fundraiser	\$ 40	\$ 14	\$ —	\$ 54
Masquers	2,888	3,727	3,281	3,334
Miscellaneous Sports	64	24,570	24,363	271
MOC.....	128	—	—	128
Mrs. Ribich Class Project.....	39	—	—	39
MS - Dahlgren & Whitney	—	398	215	183
MS Activity	29,931	44,322	49,712	24,541
MS Annual.....	1,790	1,120	425	2,485
MS Art.....	1,156	5,443	4,301	2,298
MS B & K Homeroom	286	—	—	286
MS Band Rental and Repair	3,409	5,784	3,510	5,683
MS Band Stores	342	1,058	1,287	113
MS Basketball	—	1,095	1,040	55
MS Cheerleaders	547	1,628	1,385	790
MS Concessions	7,351	10,327	7,938	9,740
MS Courtesy.....	481	615	934	162
MS Football	1,082	3,840	3,322	1,600
MS Girl's Basketball	24	1,400	818	606
MS Home Economics	18,099	10,439	6,838	21,700
MS Industrial Technology	333	—	159	174
MS Juice	2,044	5,009	4,215	2,838
MS Library.....	529	7,084	4,597	3,016
MS Math.....	145	—	11	134
MS Plus Program	756	773	924	605
MS Popcorn.....	20	—	33	(13)
MS Reading.....	285	—	—	285
MS SLI	223	76	131	168
MS Student Council.....	1,735	290	1,792	233
MS Tech Stores.....	623	245	20	848
MS Track.....	—	1,338	1,134	204
MS Variety Vocal.....	13,682	10,531	15,998	8,215
MS Volleyball.....	1,344	627	1,768	203
MS Wrestling	364	350	591	123
National Honor Society.....	965	944	1,541	368
PE Stores	2,347	142	1,670	819
Pictures	71,020	3,835	9,282	65,573
PLUS Program Math				
Competition.....	205	159	710	(346)
Prairie Project.....	5,878	151	—	6,029
Publications	1,724	—	—	1,724
SADD	172	—	—	172
School Lunch.....	—	69,905	69,905	—
Science Club	6,220	1,069	1,727	5,562
Science Stores	9,387	9,529	6,680	12,236

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

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
Shell Rock Activity Fund.....	\$ —	\$ 8,001	\$ 1,434	\$ 6,567
Shell Rock Library	122	39	39	122
Shell Rock Pop.....	774	355	360	769
Shop Group Shell Rock	12,604	3,600	12,059	4,145
Southeast Library	257	96	—	353
Southeast School	10,604	6,506	6,495	10,615
Spanish Club Operating Accounts.....	8,862	1,959	2,412	8,409
Spanish Club Student Accounts.....	5,398	11,846	9,871	7,373
Staff Device Protection.....	—	1,598	—	1,598
String Music.....	5,210	1,693	2,405	4,498
Student Lounge	45	—	—	45
Student Senate.....	2,569	3,321	5,189	701
TAG Award.....	1,887	1,635	784	2,738
Team Axis	730	—	—	730
Team GR8.....	2,995	1,005	646	3,354
Team Sigma	2,649	1,600	1,096	3,153
Transportation - West Cedar	5,025	2,830	3,533	4,322
Transportation Pop.....	134	712	589	257
Trapshooting	4,862	27,697	23,674	8,885
Varsity Club.....	385	—	341	44
Vocal Music.....	9,772	8,756	9,373	9,155
Weightlifting.....	717	2,000	1,250	1,467
West Cedar Account.....	502	1,101	875	728
West Cedar Library.....	171	3,652	3,586	237
West Cedar Student Account	2,159	7,679	6,302	3,536
Whisper Café.....	534	—	—	534
Wizard of Oz.....	3,365	4,268	3,678	3,955
Wrestling	—	28,679	28,598	81
W-SR Wilderness	1,211	—	—	1,211
Total	<u>\$ 521,814</u>	<u>\$ 1,096,871</u>	<u>\$ 1,172,479</u>	<u>\$ 446,206</u>

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.....	\$ 2,076,621	\$ 1,685,259	\$ 3,761,880
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	—	1,196	1,196
Succeeding year	—	233,796	233,796
Other.....	—	20,000	20,000
Due from other funds.....	—	15,082	15,082
Due from other governments	292,580	—	292,580
Restricted cash, cash equivalents and investments.....	<u>701,925</u>	<u>—</u>	<u>701,925</u>
Total Assets	<u>\$ 3,071,126</u>	<u>\$ 1,955,333</u>	<u>\$ 5,026,459</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 105,148	\$ 72,398	\$ 177,546
Due to other funds.....	<u>5,387</u>	<u>—</u>	<u>5,387</u>
Total Liabilities	<u>110,535</u>	<u>72,398</u>	<u>182,933</u>
Deferred Inflows of Resources			
Unearned Revenue			
Succeeding year property tax.....	<u>—</u>	<u>233,796</u>	<u>233,796</u>
Fund Balances			
Restricted for			
Debt service	701,925	—	701,925
School infrastructure	2,258,666	—	2,258,666
Physical plant and equipment	<u>—</u>	<u>1,649,139</u>	<u>1,649,139</u>
Total Fund Balances	<u>2,960,591</u>	<u>1,649,139</u>	<u>4,609,730</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,071,126</u>	<u>\$ 1,955,333</u>	<u>\$ 5,026,459</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund 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	\$ 1,869,314	\$ 227,226	\$ 2,096,540
Other	73,129	21,290	94,419
State sources	26,613	3,109	29,722
Federal sources.....	199,594	—	199,594
Total Revenue	2,168,650	251,625	2,420,275
Expenditures			
Current			
Instruction			
Regular	258,287	160,274	418,561
Support Services			
Operation and maintenance of plant.....	9,780	—	9,780
Transportation.....	—	294,428	294,428
Total Support Services	9,780	294,428	304,208
Other Expenditures			
Facilities acquisition	395,496	160,602	556,098
Total Expenditures	663,563	615,304	1,278,867
Revenue Over (Under) Expenditures	1,505,087	(363,679)	1,141,408
Other Financing Uses			
Transfers out	(4,367,181)	—	(4,367,181)
Change in Fund Balances	(2,862,094)	(363,679)	(3,225,773)
Fund Balances - Beginning of Year,			
as previously reported.....	5,954,873	2,012,818	7,967,691
Prior period adjustment - Note 14.....	(132,188)	—	(132,188)
Fund Balances - Beginning of Year,			
as Restated.....	5,822,685	2,012,818	7,835,503
Fund Balances - End of Year	\$ 2,960,591	\$ 1,649,139	\$ 4,609,730

Schedule 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, cash equivalents and investments.....	\$ 103,845	\$ 71,548	\$ 103,845	\$ 71,548
Accounts receivable	<u>424</u>	<u>3,489</u>	<u>424</u>	<u>3,489</u>
Total Assets	<u>\$ 104,269</u>	<u>\$ 75,037</u>	<u>\$ 104,269</u>	<u>\$ 75,037</u>
Liabilities				
Accounts payable	<u>\$ 104,269</u>	<u>\$ 75,037</u>	<u>\$ 104,269</u>	<u>\$ 75,037</u>

**Schedule of Revenue by Source and Expenditures by Function -
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	\$ 12,719,631	\$ 12,194,972	\$ 10,234,580	\$ 10,014,538	\$ 9,041,122	\$ 7,842,434	\$ 7,670,444	\$ 7,251,512	\$ 7,048,847	\$ 6,376,517
Tuition	4,634,026	2,593,242	3,163,448	1,416,410	1,049,102	968,240	807,288	799,477	942,258	909,463
Other	1,429,343	1,264,502	1,442,585	1,779,259	2,714,181	1,865,455	1,463,780	1,751,178	1,809,680	1,825,532
State sources	11,628,354	11,506,104	11,760,299	10,412,073	9,784,985	8,319,827	9,264,724	8,592,584	8,162,461	7,780,538
Federal sources.....	<u>902,678</u>	<u>1,230,445</u>	<u>1,324,583</u>	<u>947,285</u>	<u>1,078,784</u>	<u>1,598,254</u>	<u>516,035</u>	<u>393,148</u>	<u>417,334</u>	<u>449,712</u>
Total	<u>\$ 31,314,032</u>	<u>\$ 28,789,265</u>	<u>\$ 27,925,495</u>	<u>\$ 24,569,565</u>	<u>\$ 23,668,174</u>	<u>\$ 20,594,210</u>	<u>\$ 19,722,271</u>	<u>\$ 18,787,899</u>	<u>\$ 18,380,580</u>	<u>\$ 17,341,762</u>
Expenditures										
Instruction										
Regular	\$ 10,181,707	\$ 9,432,483	\$ 8,963,113	\$ 9,260,173	\$ 15,122,534	\$ 14,074,567	\$ 13,650,217	\$ 12,106,920	\$ 11,343,858	\$ 11,075,422
Special	5,715,033	5,139,679	5,373,882	3,661,644	*	*	*	*	*	*
Other	2,843,556	2,749,354	2,776,714	2,699,473	*	*	*	*	*	*
Support Services										
Student	525,186	477,278	454,820	457,869	387,765	391,926	373,380	348,133	342,361	344,924
Instructional staff.....	975,213	1,018,138	976,561	796,332	668,934	592,436	609,775	597,333	563,623	545,859
Administration	1,876,840	1,779,251	1,743,251	1,695,351	1,659,660	1,834,695	1,535,002	1,459,945	1,374,027	1,323,877
Operations and maintenance of plant.....	1,702,303	1,749,550	1,638,014	1,584,543	1,660,045	1,622,878	3,519,618	1,674,624	1,361,334	1,451,174
Transportation.....	1,037,628	949,445	845,520	751,148	827,750	594,974	824,863	702,297	663,258	549,698
Noninstitutional programs.....	33,105	—	—	—	—	—	—	—	—	—
Other Expenditures										
Facilities acquisition	556,098	2,131,814	245,442	5,808,087	15,671,194	7,871,906	800,562	2,640,810	4,686,356	2,643,509
Long-Term Debt										
Principal	1,480,000	2,425,000	3,310,000	1,205,000	975,000	525,000	910,000	880,000	855,000	470,000
Interest and fiscal charges.....	623,156	667,011	711,358	776,576	950,031	261,043	254,238	259,853	179,660	21,697
AEA flowthrough	<u>861,393</u>	<u>822,849</u>	<u>759,250</u>	<u>781,384</u>	<u>850,882</u>	<u>834,410</u>	<u>688,570</u>	<u>633,205</u>	<u>596,701</u>	<u>546,568</u>
Total	<u>\$ 28,411,218</u>	<u>\$ 29,341,852</u>	<u>\$ 27,797,925</u>	<u>\$ 29,477,580</u>	<u>\$ 38,773,795</u>	<u>\$ 28,603,835</u>	<u>\$ 23,166,225</u>	<u>\$ 21,303,120</u>	<u>\$ 21,966,178</u>	<u>\$ 18,972,728</u>

* Allocation between instructional functions not available.

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	\$ 33,410
National School Lunch Program	10.555	FY 15	266,842
National School Lunch Program - Food Donation (noncash).....	10.555	FY 15	<u>108,525</u>
Total Child Nutrition Cluster			<u>408,777</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 15	<u>91,782</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>180,062</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>12,274</u>
Advanced Placement Program.....	84.330	FY 15	<u>78</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>44,030</u>
Grants for State Assessments and Related Activities Total Pass-Through From Iowa Department of Education	84.369	FY 15	<u>11,105</u>
			<u>247,549</u>
Total U.S. Department of Education.....			<u>339,331</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through From Iowa Department of Education			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	93.938	FY 15	<u>700</u>
U.S. Department of Homeland Security - Indirect			
Pass-Through From Iowa Department of Education			
Hazard Mitigation Grant	97.039	FY 15	<u>199,594</u>
Total			<u>\$ 948,402</u>

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Waverly-Shell Rock 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

Waverly-Shell Rock 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
Waverly-Shell Rock Community School District
Waverly, 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 Waverly-Shell Rock 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 November 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock 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 Waverly-Shell Rock Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control.

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock 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.

Waverly-Shell Rock Community School District's Responses to Findings

Waverly-Shell Rock Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Waverly-Shell Rock 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

HOGAN - HANSEN

Waterloo, Iowa
November 17, 2015

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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
Waverly-Shell Rock Community School District
Waverly, Iowa

Report on Compliance for Each Major Federal Program

We have audited Waverly-Shell Rock 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. Waverly-Shell Rock 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 Waverly-Shell Rock 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 Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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 Waverly-Shell Rock Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Waverly-Shell Rock Community School District complied, in all material respects, with the 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 Waverly-Shell Rock 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 Waverly-Shell Rock 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 our 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 Waverly-Shell Rock Community School District's internal control over compliance.

A deficiency in the District's 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. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs to be a material weakness.

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 might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over compliance we consider to be a material weakness.

Waverly-Shell Rock Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Waverly-Shell Rock Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Waterloo, Iowa
November 17, 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:

Adverse and 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 program:

Material weakness identified?

yes no

Significant deficiency identified not considered to be material weakness?

yes none reported

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

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 or Cluster

Name of Federal Program

Child Nutrition Cluster

10.553

10.555

School Breakfast Program

National School Lunch Program

97.039

Hazard Mitigation Grant

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

\$300,000

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

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-II-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash receipts are issued and bank deposits are prepared by the same person; an independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued; expenditures are processed, disbursements are recorded and checks are prepared by the same person and adjusting journal entries are recorded by one person and they are not reviewed or approved by a second person. The potential effect of this control weakness is that fraud or errors could occur and not be detected within a reasonable period of time.

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

District's Response - We will continue to review our procedures and implement additional controls where possible.

Auditor's Conclusion - Response accepted.

15-II-B Financial Statement Preparation - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many governmental entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures. The potential effect of this control weakness is that errors could occur in financial statements and not be detected by management.

Auditor's Recommendation - We recommend that the business office staff look for educational opportunities to increase their knowledge of generally accepted accounting principles as they relate to the District's financial statements.

District's Response - We will look for opportunities to improve our knowledge; however, we will continue to rely on our auditors to assist us in drafting the financial statements and required disclosures.

Auditor's Response - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-II-C Proper Supporting Documentation - During our audit, we noted several charges made on District credit cards that were not supported with appropriate documentation. We also found that expenditures in several of the student activity funds lacked proper supporting documentation. The potential effect of this control weakness is that fraud could occur and not be detected by management or amounts could be paid for goods and services which do not meet a public purpose

Auditor's Recommendation - The District should review its internal controls over approval and payment of expenditures and make the necessary changes to ensure that all expenditures of District funds are supported with proper documentation to prove an appropriate public purpose.

District's Response - The District will make necessary changes to ensure that all expenditures of District funds are approved by an administrator or supervisor and supported with proper documentation to prove an appropriate public purpose.

Auditor's Conclusion - Response accepted.

15-II-D Timecard Approval - During our audit, we found one employee's timecard that was not approved by anyone before the payroll was processed. We also found two employees who worked hours in excess of their contract and those additional hours were not approved by a member of management. The potential effect of this control weakness is that employees could be paid for time that they did not work or for time which is not authorized in their contract.

Auditor's Recommendation - All employee timecards should be approved by a supervisor with that approval noted in writing by signing or initialing the timecard. Further, any hours which an employee is asked to work in excess of their contract should be approved in writing, in advance, by a supervisor.

District's Response - The District will begin having a supervisor initial timecards and approve hours in excess of their contract.

Auditor's Conclusion - Response accepted.

15-II-E Negative School Breakfast and Lunch Accounts - During our audit, we found that several students have negative balances in their school breakfast and lunch accounts indicating amounts owed to the District for meals consumed which were not paid for. Some of these account balances were in excess of \$1,000 and had been outstanding for over a year. The effect of this matter is that the School Nutrition Fund is generating less cash flow than it should and other students, and possibly other funds within the District, are subsidizing these students who are not paying their school breakfast and lunch accounts.

Auditor's Recommendation - The District should make reasonable attempts to collect the unpaid balances of all students and develop procedures to ensure that students are not allowed to incur a deficit in their individual breakfast and lunch account.

District's Response - The District will continue to review its policies regarding unpaid lunch account balances and take reasonable measures to collect unpaid balances.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-II-F Bank Reconciliations - During our audit, we noted that the District's bank accounts did not reconcile to the general ledger prior to several year-end adjustments being made by the new business manager. The bank reconciliations included several old items and large amounts which appeared to be prior year adjustments to the cash accounts. As a result of the business manager's investigation of the reconciliations after year end, several adjustments were necessary to the cash accounts which required prior period adjustments to the audited financial statements. The potential effect of this control weakness is that errors or fraud could occur and not be detected within a timely manner.

Auditor's Recommendation - The District should ensure that accurate bank reconciliations are prepared each month and that a second person review the bank reconciliations to ensure that they are accurate, that outstanding items are clearing the bank within a reasonable time and that the reconciled balance agrees to the general ledger.

District's Response - Bank statements will be opened and reviewed by the Superintendent. The bank reconciliations will be prepared monthly and the Business Manager will review them for accuracy.

Auditor's Conclusion - Response accepted.

15-II-G Agency Funds - Agency funds are to be used for assets received and held as an agent for individuals, private organizations or other governments. The District has several accounts within its Agency Fund that appear to be District funds which should be accounted for in a Student Activity Fund or the General Fund. The effect of this issue is that the financial statements do not accurately reflect the nature of these transactions and understates the assets of the District.

Auditor's Conclusion - We recommend that the District review each of these agency accounts and reclassify the ones that do not meet the definition of an agency fund.

District's Response - The District will work with the auditor to remove or reclassify accounts that do not belong in the Agency Fund.

Auditor's Conclusion - Response accepted.

15-II-H Student Activity Accounts - During our audit, we noted that the District has over 150 different student activity accounts which appears to be an unusually large number for a district of this size. In addition, we found several adjusting journal entries that were made to move large, even dollar amounts out of these accounts and into other funds such as the General Fund, School Nutrition Fund and Agency Fund. While the amounts seemed reasonable, they appeared to be based upon approximations rather than a computation of an actual amount. The potential effect of this matter is that the transactions and amounts being reported in the student activity accounts and other funds within the District's financial statements are not proper.

Auditor's Conclusion - We recommend that the District review each of the student activity accounts and reclassify the ones that do not meet the definition of a student activity account.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

District's Response - The District will work with the auditor to remove or reclassify accounts that do not belong in the Student Activity Fund. Transfers between funds will be based on actual amounts collected or paid and accompanied by supporting documentation where possible.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All programs listed in the schedule of expenditures of federal awards.

15-III-A Segregation of Duties - One important aspect of internal control is the segregation of duties (2015-001) among employees to prevent an individual employee from handling duties which are incompatible. See Finding 15-II-A for additional information.

Part IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the support services function.

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

District's Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

15-IV-B Questionable Expenditures - We found credit card expenditures which were not supported with proper documentation; therefore, it was impossible to determine if the expenditure met a proper public purpose. We also found some Student Activity Fund expenditures which were not supported with proper documentation and some which had proper supporting documentation but which were for expenditures that did not appear to meet public purpose.

Auditor's Recommendation - The District should review and improve its internal controls with respect to documentation required for expenditures to ensure that sufficient evidence is maintained to support each expenditure in order to be able to assess whether that expenditure meets a proper public purpose.

District's Response - The District will make necessary changes to ensure that all expenditures of District funds are approved by an administrator or supervisor and supported with proper documentation to prove an appropriate public purpose.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2015

- 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 material 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.

Copies of the minutes for two months were not published within the timeframe required by Chapter 279.35 of the Code of Iowa.

Auditor's Recommendation - The Board Secretary should ensure that a copy of the Board proceedings is published within 15 days of each meeting.

District's Response - The Board Secretary will ensure that a copy of the Board proceedings be submitted to the newspaper so that they may be published within 15 days of the Board meeting.

Auditor's Conclusion - Response accepted.

- 15-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 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; however, we noted that the report did not reflect an adjustment to the Internal Service Fund for a prior period adjustment. The necessary adjustment was discovered after the report had been certified.

Auditor's Recommendation - The Certified Annual Report should be prepared with all adjustments having been made and then reconciled to the general ledger.

District's Response - The adjustment in question was discovered as part of the audit process but was not adjusted for until after the Certified Annual Report had been filed. We will continue to work with our auditor to identify all adjustments in a timely manner.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's Certified Annual Report including adjustments identified during the fiscal year 2015 audit:

Beginning balance.....		\$ 5,954,873
Prior period adjustment		(132,188)
Revenue		
Sales tax revenue	\$ 1,869,314	
Other local revenue	73,129	
Other state revenue.....	26,613	
Federal revenue	<u>199,594</u>	2,168,650
Expenditures/Transfers Out		
School infrastructure construction	\$ 395,496	
Equipment.....	258,287	
Other	9,780	
Transfer to Other Funds		
Debt Service Fund.....	<u>4,367,181</u>	<u>5,030,744</u>
Ending Balance		<u>\$ 2,960,591</u>

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy.....	\$ 0.41977	\$ 223,525

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-IV-M Deficit Balances - Nine student activity accounts had deficit balances as of June 30, 2015.

Auditor's Recommendation - The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

District's Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts.

Auditor's Conclusion - Response accepted.

15-IV-N Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District has over 150 student activity accounts, most of which do not appear to be extracurricular or co-curricular in nature.

Auditor's Recommendation - The District should review and reclassify these accounts to the appropriate funds.

District's Response - The District will work with the auditor to remove or reclassify accounts that do not belong in the Student Activity Fund.

Auditor's Conclusion - Response accepted.

15-IV-O Deficit Fund Balance - The District reported a \$143,447 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 - The deficit is primarily due to recording the net pension liability and pension-related deferred outflows and inflows of resources. While the entries are required and accurate according to the Governmental Accounting Standards Board, the District believes the deficit is due to an accounting entry that does not provide a practical reflection of this fund's financial condition. The District will continue to monitor this fund.

Auditor's Conclusion - Response accepted.