

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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Andrew Community School District

Officials

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

(Before September 2015 Election)

Charlie Peters	President	2017
Randy Ernst	Vice President	2017
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015

(After September 2015 Election)

Randy Ernst	President	2017
Charlie Peters	Vice President	2017
Yvonne Weimerskirch	Board Member	2019
Eric Strathman	Board Member	2019
Shauna Barton	Board Member	2019

School Officials

Andy Crozier	Superintendent	2016
Karen Kilburg	Board Secretary	2016
Adam Crigger	Business Manager/Board Treasurer	2016
Lane and Waterman	Attorney	2016

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Andrew Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District, Andrew, Iowa as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District as of June 30, 2016, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 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 Andrew Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2017, on our consideration so Andrew Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, 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 Andrew Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

April 24, 2017
Newton, Iowa



Andrew Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew 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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,197,436 in fiscal year 2015 to \$3,486,363 in fiscal year 2016 and General Fund expenditures increased from \$3,010,588 in fiscal year 2015 to \$3,123,498 in fiscal year 2016. The District's General Fund balance increased from \$694,809 at June 30, 2015 to \$1,057,674 at June 30, 2016, an 52.23% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax revenues received over the prior year. The increase in expenditures is primarily due to an increase in negotiated salaries and benefits paid to employees for fiscal year 2016.

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

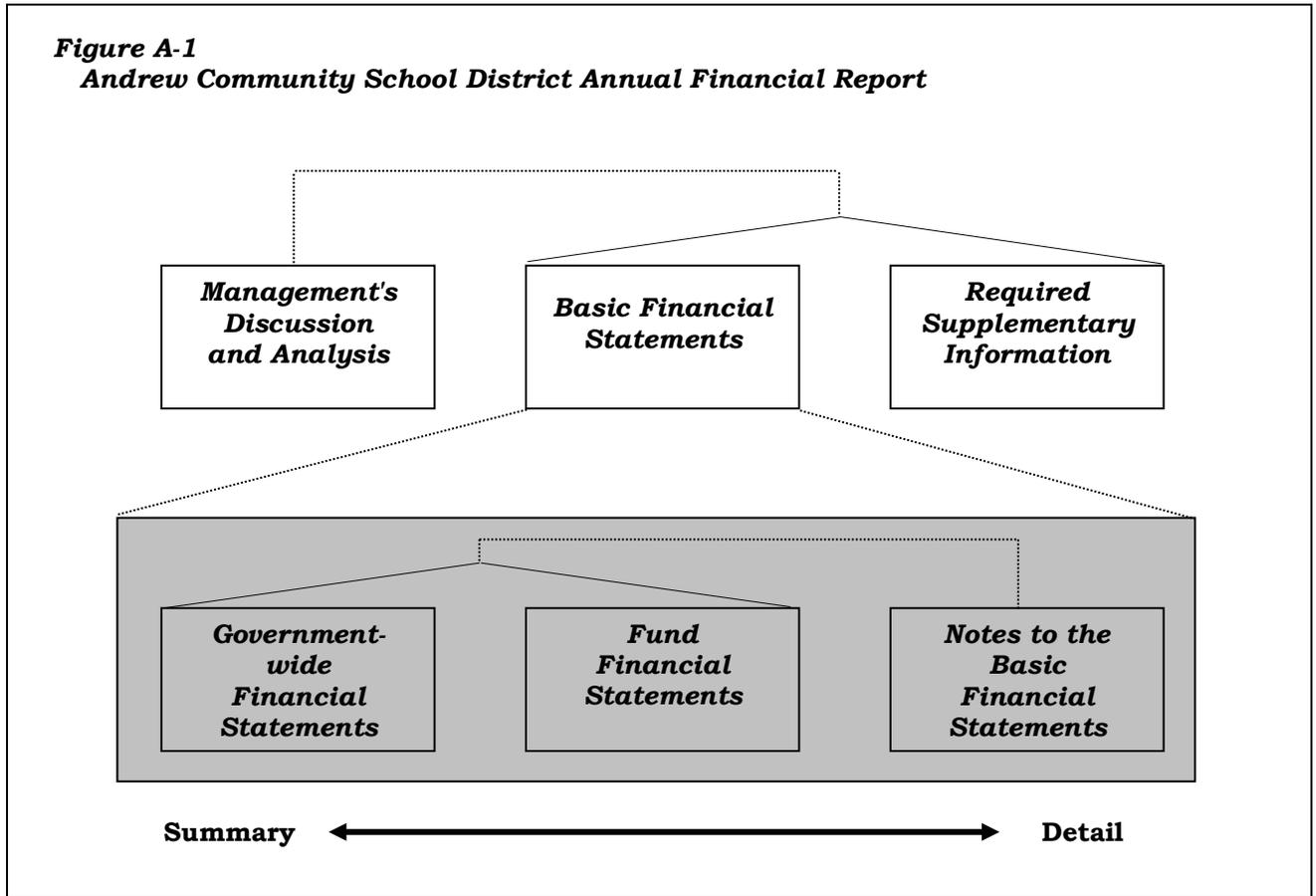


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2</i>			
<i>Major Features of the Government-Wide and Fund Financial Statements</i>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance sheet · Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> · Statement of net position · Statement of revenues, expenses and changes in fund net position · Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 3,872,366	3,601,009	17,158	12,064	3,889,524	3,613,073	7.65%
Capital assets	973,174	1,003,631	6,334	12,244	979,508	1,015,875	-3.58%
Total assets	4,845,540	4,604,640	23,492	24,308	4,869,032	4,628,948	5.19%
Deferred outflows of resources	189,902	142,624	3,938	3,537	193,840	146,161	32.62%
Long-term liabilities	979,585	792,218	25,367	20,003	1,004,952	812,221	23.73%
Other liabilities	415,741	438,994	3,244	384	418,985	439,378	-4.64%
Total liabilities	1,395,326	1,231,212	28,611	20,387	1,423,937	1,251,599	13.77%
Deferred inflows of resources	1,274,239	1,665,288	2,135	6,699	1,276,374	1,671,987	-23.66%
Net position:							
Net investment in capital assets	973,174	1,003,631	6,334	12,244	979,508	1,015,875	-3.58%
Restricted	1,241,848	1,033,252	-	-	1,241,848	1,033,252	20.19%
Unrestricted	150,855	(186,119)	(9,650)	(11,485)	141,205	(197,604)	171.46%
Total net position	\$ 2,365,877	1,850,764	(3,316)	759	2,362,561	1,851,523	27.60%

The District's total net position increased by \$511,038, or 27.60%, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$208,596 or 20.19% from the prior year. The increase in restricted net position is a result of the increases in amounts restricted for school infrastructure and physical plant and equipment compared to prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$338,809 or 171.46%. This increase in unrestricted net position is primarily a result of the increase in the unassigned fund balance of the General Fund as compared the prior year.

The District's business type activities remain at deficit unrestricted net position at June 30, 2016, due to the GASB Statement No. 68 pension and related deferred outflow and inflow reporting requirements.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 284,849	312,880	32,701	36,050	317,550	348,930	-8.99%
Operating grants, contributions and restricted interest	311,069	290,058	64,199	59,518	375,268	349,576	7.35%
General revenues:							
Property tax	1,372,341	1,214,673	-	-	1,372,341	1,214,673	12.98%
Income surtax	131,467	146,084	-	-	131,467	146,084	-10.01%
Statewide sales, services and use tax	245,471	256,865	-	-	245,471	256,865	-4.44%
Unrestricted state grants	1,562,930	1,581,227	-	-	1,562,930	1,581,227	-1.16%
Unrestricted investment earnings	1,001	734	-	-	1,001	734	36.38%
Other	17,796	68,846	-	3,437	17,796	72,283	-75.38%
Total revenues	3,926,924	3,871,367	96,900	99,005	4,023,824	3,970,372	1.35%
Program expenses:							
Instruction	2,261,006	2,164,502	-	-	2,261,006	2,164,502	4.46%
Support services	992,498	1,055,307	-	1,297	992,498	1,056,604	-6.07%
Non-instructional programs	-	-	100,975	113,628	100,975	113,628	-11.14%
Other expenses	158,307	166,602	-	-	158,307	166,602	-4.98%
Total expenses	3,411,811	3,386,411	100,975	114,925	3,512,786	3,501,336	0.33%
Excess(Deficiency) of revenues over(under) expenses	515,113	484,956	(4,075)	(15,920)	511,038	469,036	8.95%
Transfers	-	(2,682)	-	2,682	-	-	0.00%
Change in net position	515,113	482,274	(4,075)	(13,238)	511,038	469,036	8.95%
Net position beginning of year	1,850,764	1,368,490	759	13,997	1,851,523	1,382,487	33.93%
Net position end of year	\$ 2,365,877	1,850,764	(3,316)	759	2,362,561	1,851,523	27.60%

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.35% of the revenues from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for all of the revenues in the business type activities.

The District's total revenues were approximately \$4.02 million of which approximately \$3.93 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.35% increase in revenues and a 0.33% increase in expenses. The increase in revenues can be attributed to an increase in local tax revenues received compared to the previous year while the increase in expenses was related to an increase in instruction expenditures incurred compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$3,926,924 and expenses were \$3,411,811 for the year ended June 30, 2016.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2016 compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 2,261,006	2,164,502	4.46%	1,856,287	1,823,337	1.81%
Support services	992,498	1,055,307	-5.95%	917,678	911,379	0.69%
Other expenses	158,307	166,602	-4.98%	41,928	48,757	-14.01%
Totals	<u>\$ 3,411,811</u>	<u>3,386,411</u>	<u>0.75%</u>	<u>2,815,893</u>	<u>2,783,473</u>	<u>1.16%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$284,849.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$311,069.
- The net cost of governmental activities was financed with \$1,372,341 in property tax, \$131,467 in income surtax, \$245,471, in statewide sales, services and use tax, \$1,562,930 in unrestricted state grants, \$1,001 in unrestricted investment earnings and \$17,796 in other general revenues.

Business Type Activities

Revenues of the District's business type activities totaled \$96,900 and expenses totaled \$100,975 for the year ended June 30, 2016. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service along with federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,092,591, above last year's ending combined fund balances of a \$1,588,729. The primary reason for the increase in combined fund balances at June 30, 2016 is the improvement in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$694,809 at June 30, 2015 to \$1,057,674 at June 30, 2016, representing an increase of 52.23%. Total revenues increased compared to the previous year primarily due to an increase in local tax revenues received. Total expenditures also increased during the year primarily due to an increase in negotiated salaries and benefits paid to employees. Total revenues outpaced total expenditures ensuring an increase in fund balance for fiscal year 2016.

- The Capital Projects Fund balance increased from \$621,507 at June 30, 2015 to \$825,148 at June 30, 2016. This increase was a result of multiple factors. Total revenues remained relatively unchanged from the prior year, however, total expenditures decreased primarily due to a decrease in capital outlay expenditures incurred. This reduction in expenditures was the primary reason for the increase in fund balance for fiscal year 2016.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$759 at June 30, 2015 to a deficit \$3,316 at June 30, 2016, representing a decrease of \$4,075 or 536.89% from the prior year. Total revenues remained relatively unchanged from the prior year. Total expenses decreased primarily due to a decrease in supplies expenses incurred. Despite this decrease in expenses, total expenses still outpaced total revenues for fiscal year 2016, resulting in a decrease in net position.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$73,897 more than total budgeted revenues, a variance of 1.87%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$979,508, 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 amount represents a net decrease of 3.58% from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$88,894.

The original cost of the District's capital assets was \$3,817,510. Governmental activities accounted for \$3,728,329 with the remainder of \$89,181 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$757,445 at June 30, 2016, compared to \$795,187 reported at June 30, 2015. This decrease resulted from annual depreciation expense incurred by the District during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 7,201	7,201	-	-	7,201	7,201	0.00%
Buildings	757,445	795,187	-	-	757,445	795,187	-4.75%
Land improvements	55,658	23,620	-	-	55,658	23,620	135.64%
Machinery and equipment	152,870	177,623	6,334	12,244	159,204	189,867	-16.15%
Total	\$ 973,174	1,003,631	6,334	12,244	979,508	1,015,875	-3.58%

Long Term Debt

At June 30, 2016, the District had outstanding long-term debt of \$1,004,952. This represents an increase of 23.73% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding termination benefits payable from the Management Levy Fund of \$18,962 at June 30, 2016.
- The District had a net pension liability of \$880,633 at June 30, 2016. \$859,322 is attributed to the District's governmental activities while the remaining \$21,311 is attributed to the District's business type activities.
- The District had a net OPEB liability of \$105,357 at June 30, 2016. \$101,301 is attributed to the District's governmental activities while the remaining \$4,056 is attributed to the District's business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	2015-16
Termination benefits	\$ 18,962	42,022	-	-	18,962	42,022	-54.88%
Net pension liability	859,322	658,441	21,311	16,329	880,633	674,770	30.51%
Net OPEB liability	101,301	91,755	4,056	3,674	105,357	95,429	10.40%
Total	\$ 979,585	792,218	25,367	20,003	1,004,952	812,221	23.73%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment continues to hit the Andrew Community School District on an almost yearly basis. This coupled with state aid increases of 2% or less over the past several years creates a challenge to keep pace with inflation on district expenses.
- The Andrew Community School District continues to monitor revenue and expenses and make adjustments in spending accordingly to keep a healthy unspent authorized budget. Looking toward next school year, Andrew is expected to have its biggest kindergarten class in recent years which could help to slow the declining enrollment trends and bring more revenue to the District.

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 Adam Crigger, Business Manager/Board Treasurer, Andrew Community School District, 13 S. Marion St, Andrew, Iowa, 52030.



Andrew Community School District

BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,407,894	4,254	2,412,148
Receivables:			
Property tax:			
Delinquent	10,919	-	10,919
Succeeding year	1,188,178	-	1,188,178
Income surtax	137,450	-	137,450
Accounts	105	2,956	3,061
Due from other governments	127,820	3,954	131,774
Inventories	-	5,994	5,994
Capital assets, net of accumulated depreciation	973,174	6,334	979,508
TOTAL ASSETS	4,845,540	23,492	4,869,032
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	189,902	3,938	193,840
LIABILITIES			
Accounts payable	196,041	1,454	197,495
Salaries and benefits payable	213,431	1,790	215,221
Advances from grantors	6,269	-	6,269
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	18,962	-	18,962
Portion due after one year:			
Net pension liability	859,322	21,311	880,633
Net OPEB liability	101,301	4,056	105,357
TOTAL LIABILITIES	1,395,326	28,611	1,423,937
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,188,178	-	1,188,178
Pension related deferred inflows	86,061	2,135	88,196
TOTAL DEFERRED INFLOWS OF RESOURCES	1,274,239	2,135	1,276,374
NET POSITION			
Net investment in capital assets	973,174	6,334	979,508
Restricted for:			
Categorical funding	203,738	-	203,738
School infrastructure	714,133	-	714,133
Physical plant and equipment	111,015	-	111,015
Management levy purposes	126,248	-	126,248
Student activities	86,714	-	86,714
Unrestricted	150,855	(9,650)	141,205
TOTAL NET POSITION	\$ 2,365,877	(3,316)	2,362,561

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,647,650	197,809	84,886	(1,364,955)	-	(1,364,955)
Special	467,055	-	12,923	(454,132)	-	(454,132)
Other	146,301	25,470	83,631	(37,200)	-	(37,200)
	<u>2,261,006</u>	<u>223,279</u>	<u>181,440</u>	<u>(1,856,287)</u>	<u>-</u>	<u>(1,856,287)</u>
Support services:						
Student	64,122	-	-	(64,122)	-	(64,122)
Instructional staff	17,589	-	-	(17,589)	-	(17,589)
Administration	549,003	61,570	5,353	(482,080)	-	(482,080)
Operation and maintenance of plant	148,784	-	-	(148,784)	-	(148,784)
Transportation	213,000	-	7,897	(205,103)	-	(205,103)
	<u>992,498</u>	<u>61,570</u>	<u>13,250</u>	<u>(917,678)</u>	<u>-</u>	<u>(917,678)</u>
Other expenses:						
AEA flowthrough	116,379	-	116,379	-	-	-
Depreciation(unallocated)*	41,928	-	-	(41,928)	-	(41,928)
	<u>158,307</u>	<u>-</u>	<u>116,379</u>	<u>(41,928)</u>	<u>-</u>	<u>(41,928)</u>
Total governmental activities	<u>3,411,811</u>	<u>284,849</u>	<u>311,069</u>	<u>(2,815,893)</u>	<u>-</u>	<u>(2,815,893)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	100,975	32,701	64,199	-	(4,075)	(4,075)
Total	<u>\$ 3,512,786</u>	<u>317,550</u>	<u>375,268</u>	<u>(2,815,893)</u>	<u>(4,075)</u>	<u>(2,819,968)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,211,670	-	1,211,670
Capital outlay				160,671	-	160,671
Income surtax				131,467	-	131,467
Statewide sales, services and use tax				245,471	-	245,471
Unrestricted state grants				1,562,930	-	1,562,930
Unrestricted investment earnings				1,001	-	1,001
Other				17,796	-	17,796
Total general revenues				<u>3,331,006</u>	<u>-</u>	<u>3,331,006</u>
Change in net position				515,113	(4,075)	511,038
Net position beginning of year				<u>1,850,764</u>	<u>759</u>	<u>1,851,523</u>
Net position end of year				<u>\$ 2,365,877</u>	<u>(3,316)</u>	<u>2,362,561</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,371,417	788,279	209,792	2,369,488
Receivables:				
Property tax:				
Delinquent	9,641	1,278	-	10,919
Succeeding year	1,003,551	34,627	150,000	1,188,178
Income surtax	137,450	-	-	137,450
Accounts	105	-	-	105
Due from other governments	87,653	40,167	-	127,820
TOTAL ASSETS	\$ 2,609,817	864,351	359,792	3,833,960
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 191,442	4,576	23	196,041
Salaries and benefits payable	213,431	-	-	213,431
Advances from grantors	6,269	-	-	6,269
Total liabilities	411,142	4,576	23	415,741
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,003,551	34,627	150,000	1,188,178
Income surtax	137,450	-	-	137,450
Total deferred inflows of resources	1,141,001	34,627	150,000	1,325,628
Fund balances:				
Restricted for:				
Categorical funding	203,738	-	-	203,738
School infrastructure	-	714,133	-	714,133
Physical plant and equipment	-	111,015	-	111,015
Management levy purposes	-	-	145,210	145,210
Student activities	-	-	86,714	86,714
Unassigned:				
General	853,936	-	-	853,936
Student activities	-	-	(22,155)	(22,155)
Total fund balances	1,057,674	825,148	209,769	2,092,591
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,609,817	864,351	359,792	3,833,960

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances of governmental funds(page 20)		\$ 2,092,591
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		973,174
Accounts receivable income surtax is not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		137,450
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		38,406
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	\$ 189,902	
Deferred inflows of resources	<u>(86,061)</u>	103,841
Long-term liabilities, including the net pension liability, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(979,585)</u>
Net position of governmental activities(page 18)		<u><u>\$ 2,365,877</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,340,428	160,671	4	1,501,103
Tuition	95,490	-	-	95,490
Other	182,053	-	31,103	213,156
State sources	1,714,567	246,078	-	1,960,645
Federal sources	153,825	-	-	153,825
Total revenues	<u>3,486,363</u>	<u>406,749</u>	<u>31,107</u>	<u>3,924,219</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,631,247	-	23,060	1,654,307
Special	466,223	-	-	466,223
Other	101,259	-	23,478	124,737
	<u>2,198,729</u>	<u>-</u>	<u>46,538</u>	<u>2,245,267</u>
Support services:				
Student	66,508	-	-	66,508
Instructional staff	17,041	-	-	17,041
Administration	421,469	-	47,213	468,682
Operation and maintenance of plant	146,125	-	-	146,125
Transportation	157,247	22,008	-	179,255
	<u>808,390</u>	<u>22,008</u>	<u>47,213</u>	<u>877,611</u>
Capital outlay	<u>-</u>	<u>181,100</u>	<u>-</u>	<u>181,100</u>
Other expenditure:				
AEA flowthrough	116,379	-	-	116,379
Total expenditures	<u>3,123,498</u>	<u>203,108</u>	<u>93,751</u>	<u>3,420,357</u>
Change in fund balances	362,865	203,641	(62,644)	503,862
Fund balances beginning of year	<u>694,809</u>	<u>621,507</u>	<u>272,413</u>	<u>1,588,729</u>
Fund balances end of year	<u>\$ 1,057,674</u>	<u>825,148</u>	<u>209,769</u>	<u>2,092,591</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

Change in fund balances - total governmental funds(page 22) \$ 503,862

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

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

Capital outlay	\$ 52,527	
Depreciation expense	<u>(82,984)</u>	(30,457)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 2,705

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (4,934)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 108,876

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

Termination benefits	23,060	
Pension expense	(78,453)	
Other postemployment benefits	<u>(9,546)</u>	<u>(64,939)</u>

Changes in net position of governmental activities(page 19) \$ 515,113

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
ASSETS		
Current assets:		
Cash and pooled investments	\$ 4,254	38,406
Accounts receivable	2,956	-
Due from other governments	3,954	-
Inventories	5,994	-
Total current assets	17,158	38,406
Noncurrent assets:		
Capital assets, net of accumulated depreciation	6,334	-
TOTAL ASSETS	23,492	38,406
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	3,938	-
LIABILITIES		
Current liabilities:		
Accounts payable	1,454	-
Salaries and benefits payable	1,790	-
Total current liabilities	3,244	-
Noncurrent liabilities:		
Net pension liability	21,311	-
Net OPEB liability	4,056	-
Total noncurrent liabilities	25,367	-
TOTAL LIABILITIES	28,611	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	2,135	-
NET POSITION		
Net investment in capital assets	6,334	-
Unrestricted	(9,650)	38,406
TOTAL NET POSITION	\$ (3,316)	38,406

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 32,701	-
Miscellaneous	-	13,309
TOTAL OPERATING REVENUES	32,701	13,309
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	-	18,243
Non-instructional programs:		
Food service operations:		
Salaries	33,720	-
Benefits	11,163	-
Services	1,269	-
Supplies	48,112	-
Other	801	-
Depreciation	5,910	-
	100,975	-
TOTAL OPERATING EXPENSES	100,975	18,243
OPERATING LOSS	(68,274)	(4,934)
NON-OPERATING REVENUES:		
State sources	883	-
Federal sources	63,316	-
TOTAL NON-OPERATING REVENUES	64,199	-
Change in net position	(4,075)	(4,934)
Net position beginning of year	759	43,340
Net position end of year	\$ (3,316)	38,406

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 33,260	-
Cash received from miscellaneous operating activities	-	13,309
Cash payments to employees for services	(43,078)	(18,243)
Cash payments to suppliers for goods or services	(42,822)	-
Net cash used in operating activities	<u>(52,640)</u>	<u>(4,934)</u>
Cash flows from non-capital financing activities:		
State grants received	883	-
Federal grants received	53,456	-
Net cash provided by non-capital financing activities	<u>54,339</u>	<u>-</u>
Net increase(decrease) in cash and pooled investments	1,699	(4,934)
Cash and pooled investments beginning of year	<u>2,555</u>	<u>43,340</u>
Cash and pooled investments end of year	<u>\$ 4,254</u>	<u>38,406</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (68,274)	(4,934)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	5,906	-
Depreciation	5,910	-
Decrease in accounts receivable	559	-
Increase in accounts payable	1,454	-
Increase in salaries and benefits payable	1,406	-
Increase in net pension liability	4,982	-
Increase in deferred inflows of resources	(401)	-
Decrease in deferred inflows of resources	(4,564)	-
Increase in other postemployment benefits	382	-
Net cash used in operating activities	<u>\$ (52,640)</u>	<u>(4,934)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received federal commodities valued at \$5,906.

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise: School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the governmental activities of the District and shown combined in the Statement of Net Position and Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(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 District after the measurement date but before the end of the Districts' reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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.

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

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

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. The net pension liability attributable to the governmental activities will be paid primarily from the General Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2016, the District had no such investments.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	-	-	7,201
Total capital assets not being depreciated	<u>7,201</u>	<u>-</u>	<u>-</u>	<u>7,201</u>
Capital assets being depreciated:				
Buildings and improvements	2,323,650	-	-	2,323,650
Land improvements	85,613	36,224	-	121,837
Machinery and equipment	1,259,338	16,303	-	1,275,641
Total capital assets being depreciated	<u>3,668,601</u>	<u>52,527</u>	<u>-</u>	<u>3,721,128</u>
Less accumulated depreciation for:				
Buildings and improvements	1,528,463	37,742	-	1,566,205
Land improvements	61,993	4,186	-	66,179
Machinery and equipment	1,081,715	41,056	-	1,122,771
Total accumulated depreciation	<u>2,672,171</u>	<u>82,984</u>	<u>-</u>	<u>2,755,155</u>
Total capital assets being depreciated, net	<u>996,430</u>	<u>(30,457)</u>	<u>-</u>	<u>965,973</u>
Governmental activities capital assets, net	<u>\$ 1,003,631</u>	<u>(30,457)</u>	<u>-</u>	<u>973,174</u>
Business type activities:				
Machinery and equipment	\$ 89,181	-	-	89,181
Less accumulated depreciation	76,937	5,910	-	82,847
Business type activities capital assets, net	<u>\$ 12,244</u>	<u>(5,910)</u>	<u>-</u>	<u>6,334</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,055
Other	3,440
Support services:	
Transportation	<u>32,561</u>
	41,056
Unallocated depreciation	<u>41,928</u>
Total governmental activities depreciation expense	<u>\$ 82,984</u>
Business type activities:	
Food service operations	<u>\$ 5,910</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 42,022	-	23,060	18,962	18,962
Net pension liability	658,441	200,881	-	859,322	-
Net OPEB liability	91,755	9,546	-	101,301	-
Total	<u>\$ 792,218</u>	<u>210,427</u>	<u>23,060</u>	<u>979,585</u>	<u>18,962</u>
Business type activities:					
Net pension liability	\$ 16,329	4,982	-	21,311	-
Net OPEB liability	3,674	382	-	4,056	-
Total	<u>\$ 20,003</u>	<u>5,364</u>	<u>-</u>	<u>25,367</u>	<u>-</u>

Termination Benefits

The District did not offer an early retirement incentive to District' employees during fiscal year 2016. However, the District last offered a voluntary early retirement incentive to its employees in fiscal year 2014. Eligible employees had to be at least age fifty-five and must have completed ten years of service as a full-time employee at the time of retirement. Employees were required to complete an application, which was subject to approval by the Board of Education.

Fiscal year 2014 retirees were given two options for their retirement benefit. Option 1 was a cash payment of \$30,000 paid over three years, with the first payment to be made in October of 2014 and each October thereafter. Option 2 was that the District will pay 100% of family medical insurance for the duration of 30 months, or until the retiree becomes eligible for Medicare, and in the event of death, the remaining installments will be null and void.

As of June 30, 2016, the District has an obligation to two participants totaling \$18,962. Actual Early retirement expenditures were \$23,060 for the year ended June 30, 2016.

Note 5. Pension Plan

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

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$110,804.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$880,633 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.017825%, which was an increase of 0.000811% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$80,398. At June 30, 2016, 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	\$ 13,305	\$ -
Changes of assumptions	24,246	-
Net difference between projected and actual earnings on IPERS' investments	-	73,292
Change in proportion and differences between District contributions and the District's proportionate share of contributions	45,485	14,904
District contributions subsequent to the measurement date	110,804	-
Total	<u>\$ 193,840</u>	<u>\$ 88,196</u>

\$110,804 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (18,343)
2018	(18,343)
2019	(18,343)
2020	46,646
2021	3,223
Total	<u>\$ (5,160)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 1,541,829	\$ 880,633	\$ 322,535

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$14,807 for legally required District contributions and \$9,866 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 6. Other Postemployment Benefits

Plan Description - The District operates a single-employer employee health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 25 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 23,342
Interest on net OPEB obligation	2,386
Adjustment to annual required contribution	(8,759)
Annual OPEB cost	<u>16,969</u>
Contributions made	<u>(7,041)</u>
Increase in net OPEB obligation	9,928
Net OPEB obligation beginning of year	<u>95,429</u>
Net OPEB obligation end of year	<u><u>\$ 105,357</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 22,484	16.71%	\$ 85,044
2015	15,968	34.96	95,429
2016	16,969	41.49	105,357

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$153,813, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$153,813. The covered payroll (annual payroll of active employees covered by the plan) was \$1,069,973, and the ratio of the UAAL to covered payroll was 14.4%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the Entry Age Actuarial Cost Method. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the 2006 Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health dental, vision and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2016 were \$172,776.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. 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 \$116,379 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Deficit Balances

At June 30, 2016, the Special Revenue: Student Activity Fund had fifteen deficit accounts with a combined deficit unassigned fund balance of \$22,155.

Note 10. Operating Leases

On August 15, 2014, the District entered into a lease agreement with Daimler Truck Financial to lease two 2015 Thomas School Buses. The lease runs through fiscal year 2019 with the District given the option to purchase the buses in fiscal year 2020 for \$70,880. This lease agreement requires annual payments of \$22,008.

On March 14, 2016, the District entered into a lease agreement with Santander Bank, N.A. to lease one 2017 65 passenger school bus. The lease begins in fiscal year 2017 and runs through fiscal year 2019 with the District given the option to purchase the bus in fiscal year 2020 for \$51,000. The lease agreement will require annual payments of \$11,249.

Note 11. Sunshine Preschool and Daycare Modular Lease Agreement

On October 1, 2015, the District entered into a lease agreement with Sunshine Preschool and Daycare to lease a two-room modular school building located on District grounds. The lease allows this building to be used for preschool and daycare services during the term of the lease. Sunshine Preschool and Daycare is to pay the Andrew Community School District \$100 per month rent and is required to provide comprehensive general liability insurance at their own expense. This lease agreement runs through December 31, 2016.

Note 12. Categorical Funding

The District’s restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 50
Returning dropouts and dropout prevention programs	28,067
Four-year-old preschool state aid	94,455
Teacher salary supplement	19,801
State decategorization grant	2,060
Successful progression for early readers	21,964
Professional development for model core curriculum	4,343
Professional development	229
Teacher leadership grants	32,769
Total	<u>\$ 203,738</u>

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Management Levy</u>	<u>Unassigned/Unrestricted</u>
Fund balance (Exhibit C)	\$ 145,210	853,936
Internal Service Fund	-	38,406
Income Surtax	-	137,450
Termination benefits	(18,962)	-
Pension related deferred outflows	-	189,902
Net pension liability	-	(859,322)
Pension related deferred inflows	-	(86,061)
Net OPEB liability	-	(101,301)
Deficit unassigned student activities	-	(22,155)
Net position (Exhibit A)	<u>\$ 126,248</u>	<u>150,855</u>

Note 14. 28E Agreement, Statewide Sales, Services, and Use Tax Revenue

The Andrew Community School District participates in a 28E sharing agreement with Maquoketa Community School Districts regarding statewide sales, services and use tax money as a part of the whole grade sharing agreement. During the year ended June 30, 2016, Andrew Community School District paid \$20,000 to the Maquoketa Community School District from the District's statewide sales, services and use tax revenue received per provisions of the 28E sharing agreement. The agreement is supervised by the Facility Improvement Program Committee which includes Board members from each District.

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,809,749	32,701	1,842,450	1,885,341	1,885,341	(42,891)
State sources	1,960,645	883	1,961,528	1,920,531	1,920,531	40,997
Federal sources	153,825	63,316	217,141	141,350	141,350	75,791
Total revenues	<u>3,924,219</u>	<u>96,900</u>	<u>4,021,119</u>	<u>3,947,222</u>	<u>3,947,222</u>	<u>73,897</u>
Expenditures/expenses:						
Instruction	2,245,267	-	2,245,267	2,428,110	2,428,110	182,843
Support services	877,611	-	877,611	1,068,900	1,068,900	191,289
Non-instructional programs	-	100,975	100,975	110,000	110,000	9,025
Other expenditures	297,479	-	297,479	326,871	326,871	29,392
Total expenditures/expenses	<u>3,420,357</u>	<u>100,975</u>	<u>3,521,332</u>	<u>3,933,881</u>	<u>3,933,881</u>	<u>412,549</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	503,862	(4,075)	499,787	13,341	13,341	486,446
Balances beginning of year	<u>1,588,729</u>	<u>759</u>	<u>1,589,488</u>	<u>1,377,878</u>	<u>1,377,878</u>	<u>211,610</u>
Balances end of year	<u>\$ 2,092,591</u>	<u>(3,316)</u>	<u>2,089,275</u>	<u>1,391,219</u>	<u>1,391,219</u>	<u>698,056</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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 comparison for the General Fund and each major Special Revenue Fund.

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

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

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST TWO YEARS *
 REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
District's proportion of the net pension liability	0.017825%	0.017014%
District's proportionate share of the net pension liability	\$ 880,633	674,770
District's covered-employee payroll	\$ 1,221,162	1,113,337
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amount presented for each fiscal year were determined as of June 30 of the preceding year.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 110,804	109,049	99,421	95,858	95,582	105,621	103,801	103,274	99,189	88,013
Contributions in relation to the statutorily required contribution	(110,804)	(109,049)	(99,421)	(95,858)	(95,582)	(105,621)	(103,801)	(103,274)	(99,189)	(88,013)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,240,808	1,221,162	1,113,337	1,105,629	1,184,411	1,519,727	1,493,540	1,626,362	1,639,488	1,530,661
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 162,913	\$ 162,913	0.0%	\$ 1,607,960	10.1%
2011	July 1, 2009	-	162,913	162,913	0.0	1,563,459	10.4
2012	July 1, 2011	-	166,253	166,253	0.0	1,056,840	15.7
2013	July 1, 2011	-	163,634	163,634	0.0	949,478	17.2
2014	July 1, 2011	-	151,374	151,374	0.0	961,055	15.8
2015	July 1, 2014	-	160,156	160,156	0.0	1,081,165	14.8
2016	July 1, 2014	-	153,813	153,813	0.0	1,069,973	14.4

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



Andrew Community School District

SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 145,210	64,582	209,792
Receivables:			
Property tax:			
Succeeding year	150,000	-	150,000
TOTAL ASSETS	\$ 295,210	64,582	359,792
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	23	23
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	145,210	-	145,210
Student activities	-	86,714	86,714
Unassigned	-	(22,155)	(22,155)
Total fund balances	145,210	64,559	209,769
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 295,210	64,582	359,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 4	-	4
Other	5,599	25,504	31,103
TOTAL REVENUES	5,603	25,504	31,107
EXPENDITURES:			
Current:			
Instruction:			
Regular	23,060	-	23,060
Other	-	23,478	23,478
Support services:			
Administration	47,213	-	47,213
TOTAL EXPENDITURES	70,273	23,478	93,751
Change in fund balances	(64,670)	2,026	(62,644)
Fund balances beginning of year	209,880	62,533	272,413
Fund balances end of year	\$ 145,210	64,559	209,769

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 678,542	109,737	788,279
Receivables:			
Property tax:			
Delinquent	-	1,278	1,278
Succeeding year	-	34,627	34,627
Due from other governments	40,167	-	40,167
TOTAL ASSETS	\$ 718,709	145,642	864,351
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,576	-	4,576
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	34,627	34,627
Fund balances:			
Restricted for:			
School infrastructure	714,133	-	714,133
Physical plant and equipment	-	111,015	111,015
Total fund balances	714,133	111,015	825,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 718,709	145,642	864,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	160,671	160,671
State sources	245,471	607	246,078
TOTAL REVENUES	245,471	161,278	406,749
EXPENDITURES:			
Current:			
Support services:			
Transportation	-	22,008	22,008
Capital outlay	125,899	55,201	181,100
TOTAL EXPENDITURES	125,899	77,209	203,108
Change in fund balances	119,572	84,069	203,641
Fund balances beginning of year	594,561	26,946	621,507
Fund balances end of year	\$ 714,133	111,015	825,148

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<u>Athletics</u>				
General Athletics	\$ 6,667	2,348	1,739	7,276
Girls Fundraiser	1,175	-	-	1,175
Boys Fundraising	(91)	-	-	(91)
Uniforms	90	-	-	90
Football	182	-	-	182
Boosters	23,356	7,345	6,894	23,807
Cross Country	(335)	-	-	(335)
Boys Basketball	(2,181)	-	-	(2,181)
Baseball	(2,591)	-	-	(2,591)
Boys Track	(137)	-	-	(137)
Girls Basketball	(713)	-	-	(713)
Volleyball	(2,097)	-	-	(2,097)
Golf	(430)	-	-	(430)
Softball	(9,113)	-	-	(9,113)
Girls Track	(1,002)	-	-	(1,002)
	<u>12,780</u>	<u>9,693</u>	<u>8,633</u>	<u>13,840</u>
<u>Music</u>				
General Music	4,443	-	-	4,443
Music Store	(1,930)	388	211	(1,753)
	<u>2,513</u>	<u>388</u>	<u>211</u>	<u>2,690</u>
<u>Clubs</u>				
Art Club	2,547	900	23	3,424
Yearbook	2,860	70	-	2,930
Concessions	1,589	-	-	1,589
Cheerleaders	(751)	-	-	(751)
Hawk Club	(411)	-	-	(411)
Student Council	22,378	11,493	11,085	22,786
Thespians	401	-	-	401
Library Club	-	953	-	953
Foreign Language Travel	354	-	-	354
	<u>28,967</u>	<u>13,416</u>	<u>11,108</u>	<u>31,275</u>
<u>Graduating Classes</u>				
8th Grade Class	(173)	1,973	2,020	(220)
Class of 2010	10	-	-	10
Class of 2012	794	-	-	794
Class of 2014	515	-	-	515
	<u>1,146</u>	<u>1,973</u>	<u>2,020</u>	<u>1,099</u>
<u>Miscellaneous Accounts</u>				
After Prom	483	-	62	421
Courtesy Funds	4,316	-	-	4,316
General Activity	3,054	34	1,433	1,655
Media Center	(330)	-	-	(330)
After School Program	6,140	-	11	6,129
Elementary Store	3,464	-	-	3,464
	<u>17,127</u>	<u>34</u>	<u>1,506</u>	<u>15,655</u>
Total	<u>\$ 62,533</u>	<u>25,504</u>	<u>23,478</u>	<u>64,559</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 1,501,103	1,352,520	1,349,238	1,477,078	1,401,063	1,359,466	1,273,686	1,283,580	1,262,113	1,233,121
Tuition	95,490	97,936	91,515	97,070	113,322	168,356	224,707	192,479	244,416	217,216
Other	213,156	284,524	103,675	104,895	98,432	140,070	142,758	168,849	189,702	252,106
State sources	1,960,645	2,016,839	1,954,430	1,667,627	1,564,195	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670
Federal sources	153,825	111,311	104,961	94,888	69,920	199,542	279,971	127,568	100,404	104,795
Total	\$ 3,924,219	3,863,130	3,603,819	3,441,558	3,246,932	3,471,096	3,334,801	3,484,393	3,558,063	3,460,908
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,654,307	1,451,511	1,504,523	1,431,139	1,443,022	1,514,721	1,413,842	1,389,751	1,440,601	1,442,977
Special	466,223	542,710	631,712	617,419	460,705	466,998	470,935	512,417	564,583	432,742
Other	124,737	169,927	118,875	110,016	154,963	299,282	351,671	323,252	246,690	308,830
Support services:										
Student	66,508	59,445	63,513	61,958	54,527	52,054	26,377	62,423	61,352	56,213
Instructional	17,041	10,179	20,983	4,753	32,994	93,121	33,046	85,700	79,774	69,017
Administration	468,682	406,960	240,486	262,559	287,930	268,314	299,487	299,846	352,678	342,602
Operation and maintenance of plant	146,125	177,733	188,381	185,933	168,812	160,186	161,571	168,224	181,477	161,148
Transportation	179,255	234,503	313,748	216,857	285,793	224,862	222,280	262,324	208,781	264,822
Non-instructional programs	-	-	-	-	-	2,123	1,771	2,316	2,233	1,855
Capital outlay	181,100	390,248	175,223	269,129	110,704	73,813	206,948	104,699	319,672	103,170
Long-term debt:										
Principal	-	13,635	24,893	23,968	11,217	20,000	20,000	20,000	20,000	-
Interest and other charges	-	647	1,581	2,506	975	-	-	-	-	-
Other expenditures:										
AEA flow-through	116,379	117,845	116,016	111,779	110,959	125,158	124,457	117,250	115,944	109,236
Total	\$ 3,420,357	3,575,343	3,399,934	3,298,016	3,122,601	3,300,632	3,332,385	3,348,202	3,593,785	3,292,612

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Andrew Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 24, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-16 and I-B-16 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 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.

Andrew Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

April 24, 2017
Newton, Iowa

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted individuals who have control over two or more function in the following areas for the District:

- 1) Cash - cash receipts and the disbursement function, handling and depositing cash, as well as reconciling.
- 2) Inventories - purchasing, handling, accounting and maintaining inventory records.
- 3) Receipts - collecting, filling out deposit slip, depositing, recording, journalizing, posting to general ledger.
- 4) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 5) Wire transfers - processing and approving.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing general accounting functions and controlling data input and output.
- 8) Journal entries - writing and approval.

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

Response - District will review internal controls to make sure that it is at a maximum with the limited amount of staff the district has available.

Conclusion - Response accepted.

I-B-16 School Nutrition Food Inventory - We noted the District does not appear to have kept an inventory record of purchased food and commodity inventory on hand as of June 30, 2016. Therefore, without this documentation no reconciliation can be performed by the District to properly record food inventory amounts in the School Nutrition Fund for year-end financial reporting purposes.

Recommendation - The District should review its food inventory procedures and controls with applicable staff to ensure food inventory is properly priced, valued and recorded on the District's year-end financial statements for reporting purposes on the District's annual certified annual report filed with the Iowa Department of Education.

Response - District will communicate with and train staff to ensure that inventory is complete and accurate at year end in the Nutrition Department for reporting purposes.

Conclusion – Response accepted.

OTHER MATTERS:

I-C-16 Deficit Lunch Account Balances - During our audit we noted that the Nutrition Fund is carrying numerous deficit student account balances as of June 30, 2016, some of which appear to be excessive in amount.

Recommendation - The District should develop policies regarding the treatment of deficit student lunch account balances aimed at discouraging accounts from becoming deficit or excessive in amount. The District may also wish to encourage alternatives to attempt to bring deficit accounts back to positive balances and collect money owed to the District for lunches served.

Response - District will review its policy on negative lunch accounts and try to correct the deficits.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 did not exceed the certified amounts budgeted.

II-B-16 Questionable Disbursements - We noted the District purchased catered meals for teacher appreciation from Geronimo's Catering and teacher appreciation chair massages from Healing Arts from the Booster account within the Student Activity Fund. Due to the absence of any documentation or board policy explaining the public purpose served by the above-mentioned expenditures, we question the public purpose served in accordance with Iowa Attorney General's opinion dated April 25, 1979. We also noted these expenditures do not appear to be extra or co-curricular in nature and, therefore, do not appear appropriate expenditures from the Student Activity Fund.

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

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

In addition, teacher appreciation expenditures would not appear to directly benefit the students of the District or the District's co-curricular or extra-curricular programs making them unallowable expenditures from the District's Student Activity Fund.

Response - District will review public purpose policy and expend funds accordingly.

Conclusion – Response accepted.

- II-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-16 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-16 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 the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-16 Statewide Sales, Service and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 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 reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the District's statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 594,561
Revenues:		
Sales tax revenues		245,471
		<u>840,032</u>
Expenditures:		
School infrastructure construction	\$ 100,356	
Equipment	20,000	
Other	5,543	125,899
		<u>125,899</u>
Ending balance		<u>\$ 714,133</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-16 Financial Condition - At June 30, 2016, the Special Revenue: Student Activity Fund had 15 deficit accounts with a total deficit unassigned fund balance of \$22,155.

Recommendation - The District should review its Student Activity Funds and its deficit accounts and develop a plan to bring these deficit accounts back a zero or positive balance.

Response - District will review deficit activity accounts and develop ideas to make them positive.

Conclusion - Response accepted.

II-N-16 Student Activity Fund - During our audit concerns arose about the propriety of certain expenditures within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Field Trip and Iowa Assessment Snacks: We noted field trip admissions costs paid from the Student Council account within the Student Activity Fund. Additionally, we also noted the District paid for snacks given to students as part of the Iowa Assessment testing purchased from the Student Council account. Each of these expenditures would appear to be instructional in nature and more appropriately paid out of the District's General Fund instead of the Student Activity Fund.

Recommendation - Iowa Administrative Code 281-98.60 states that the Student Activity Fund is not to be used as a clearing account for any other fund. The field trip and Iowa Assessment testing snacks would appear to be instructional in nature and would be more appropriately handled out of the District's General Fund.

Response - The District will review its activity fund expenditures and only spend allowable items out of this fund in the future.

Conclusion - Response accepted.

Graduated Class Accounts: We noted during our audit the Student Activity Fund has a Class of 2010, Class of 2012 and Class of 2014 graduated class accounts with balances still on the District's books as of June 30, 2016.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds, as long as it meets public purpose. The remaining moneys in the class accounts account should be reallocated amongst the other Student Activity Fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The graduated classes accounts will be reviewed and money transferred per board authority.

Conclusion - Response accepted.

Inactive Accounts: We noted during our audit accounts in the Student Activity Fund carrying balances which have had no activity for the past fiscal year. These accounts include the Thespians and Foreign Language Travel accounts.

Recommendation - The District should review these accounts to determine if the accounts are still active or if these accounts should be closed and the remaining monies reallocated to other accounts within the Student Activity Fund at the discretion of the Board of Education.

Response - District will review the closed accounts and transfer money following board authorization.

Conclusion - Response accepted.