

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

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

June 30, 2016

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**Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2016**

Name	Title	Term Expires
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**Board of Education
(Before September 2015 Election)**

Rod Lynch	President	2017
Kenneth Wuthrich	Vice President	2015
Doug Dixon	Board Member	2015
Nancy Houglan	Board Member	2015
Alan Bodkins	Board Member	2017
Josh O'Dell	Board Member	2017
Sheryl Wright	Board Member	2017

(After September 2015 Election)

Rod Lynch	President	2017
Alan Bodkins	Vice President	2017
Josh O'Dell	Board Member	2017
Sheryl Wright	Board Member	2017
Doug Dixon	Board Member	2019
Nancy Houglan	Board Member	2019
Jim Kuberski	Board Member	2019

School District Officials

Dan Maeder	Superintendent	2016
Betsy Bassett	District Secretary/Treasurer and Business Manager	2016
Rick Lynch	Attorney	Indefinite
Danielle Haindfield	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis County 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 7, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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 *Governmental Auditing Standards*, we have also issued our report dated January 10, 2017, on our consideration of the Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Davis County Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 10, 2017

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

Davis County 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 \$13,029,594 in fiscal year 2015 to \$13,746,394 in fiscal year 2016, while General Fund expenditures increased from \$12,486,968 in fiscal year 2015 to \$13,408,994 in fiscal year 2016. The District's General Fund balance increased from \$2,207,170 at the end of fiscal year 2015 to \$2,750,837 at the end of fiscal year 2016, a 24.63 percent increase.

The fiscal year 2016 General Fund revenue increase was primarily due to the fact that fiscal year 2016 was the first year the District received the Teacher Leadership Grant in the amount of \$365,679. The Teacher Leadership and Compensation (TLC) System rewards effective teachers with leadership opportunities and higher pay, attracts promising new teachers with competitive starting salaries and more support and fosters greater collaboration for all teachers to learn from each other. The overriding philosophy of the system is multi-pronged, but boils down to this: Improving student learning requires improving the instruction they receive each day. There is no better way to do this than to empower our best teachers to lead the effort. Through the system, teacher leaders take on extra responsibilities, including helping colleagues analyze data and fine tune instructional strategies as well as coaching and co-teaching. Bipartisan legislation created a four-year process to fully develop the statewide TLC System, with the goal of all school districts voluntarily participating by the 2016-17 school year. The Iowa General Assembly approved \$50 million for the first year of implementation. In each subsequent year through 2016-17, another \$50 million will be added to the system for a total of \$150 million per year.

Other areas of increased revenue were for one-time receipts such as local donations in the amount of \$21,852 for a high school band trip to Washington, DC, to march in the 2016 Memorial Day Parade; \$20,000 from Cargill to develop Project Lead The Way (PLTW) instruction; a \$9,163 memorial donation; \$6,380 for a Belin Blank STEM Grant; and \$5,600 for pasture rent involving property the District purchased for potential expansion of baseball and softball fields for the District and the community.

General Fund expenses increased 4.8 percent in instruction, 13.7 percent in support services and .5 percent in other expenditures. The increase of expenses in support services is due to the TLC System.

The District has a solvency ratio of 17.2 percent which is up 2.21 percent from fiscal year 2015. Experts recommend a solvency ratio between 5-15 percent. A District can only impact its solvency ratio by either increasing revenues or by reducing expenditures or a combination of both. The District has recovered from the October 2009 ten percent across-the-board state budget reduction and is now in a better position to manage its solvency ratio. However, recently there has been talk about the possibility of another across-the-board cut due to lower estimates of state revenue.

The District continued to support professional development for implementation of the Iowa Core Curriculum and for improvement in reading, mathematics, science, technology and character education. Going forward, the District will be involved in the many facets of the Teacher Leadership and Compensation System passed by the legislature in fiscal year 2014. The District will also be required to respond to unfunded mandates, such as Early Literacy Implementation rules set forth by the Department of Education, increasing District expenditures as a result. Transportation expenses out of the general fund will continue to have a negative impact on funding required to educate children in the District. This struggle will remain until changes in current state law occur. So long as the District is required to fund mandated programs without additional state funding, the District will have no choice but to levy for local revenue to support a quality education for Davis County children.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide 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 District-wide 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 position.

Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 taxes 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 would be included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

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

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 District-wide statements.

The District's enterprise fund, one type of proprietary fund, is 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—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

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

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 12,059	11,315	158	114	12,217	11,429	6.9%
Capital assets	11,232	11,412	312	351	11,544	11,763	-1.9%
Total assets	<u>23,291</u>	<u>22,727</u>	<u>470</u>	<u>465</u>	<u>23,761</u>	<u>23,192</u>	<u>2.5%</u>
Deferred outflows of resources	2,752	1,801	62	31	2,814	1,832	53.6%
Long-term liabilities	14,918	14,271	189	152	15,107	14,423	4.7%
Other liabilities	2,194	1,748	18	18	2,212	1,766	25.3%
Total liabilities	<u>17,112</u>	<u>16,019</u>	<u>207</u>	<u>170</u>	<u>17,319</u>	<u>16,189</u>	<u>7.0%</u>
Deferred inflows of resources	6,001	6,616	44	58	6,045	6,674	-9.4%
Net position:							
Invested in capital assets, net of related debt	2,503	2,096	312	351	2,815	2,447	15.0%
Restricted	3,019	2,918	-	-	3,019	2,918	3.5%
Unrestricted	<u>(2,592)</u>	<u>(3,121)</u>	<u>(31)</u>	<u>(83)</u>	<u>(2,623)</u>	<u>(3,204)</u>	<u>-18.1%</u>
Total net position	<u>\$ 2,930</u>	<u>1,893</u>	<u>281</u>	<u>268</u>	<u>3,211</u>	<u>2,161</u>	<u>48.6%</u>

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

Financial Analysis of the District as a Whole

The District has strong fund balances and trend data is improving. Experts in school finance recommend a General Fund solvency ratio between 5-15 percent, and the District is at 17.2 percent. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the change in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30, 2016	2015	Year ended June 30, 2016	2015	Year ended June 30, 2016	2015	June 30, 2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 1,136	1,094	294	271	1,430	1,365	4.8%
Operating grants, contributions and restricted interest	2,659	2,375	408	399	3,067	2,774	10.6%
General revenues:							
Property tax	4,866	4,724	-	-	4,866	4,724	3.0%
Local option sales and service tax	1,117	1,118	-	-	1,117	1,118	-0.1%
Unrestricted state grants	5,462	5,398	-	-	5,462	5,398	1.2%
Unrestricted investment earnings	31	15	-	-	31	15	106.7%
Other	201	97	-	-	201	97	107.2%
Total revenues	<u>15,472</u>	<u>14,821</u>	<u>702</u>	<u>670</u>	<u>16,174</u>	<u>15,491</u>	<u>4.4%</u>
Program expenses:							
Governmental activities:							
Instruction	8,992	8,508	-	-	8,992	8,508	5.7%
Support services	4,583	4,181	-	-	4,583	4,181	9.6%
Non-instructional programs	-	-	689	643	689	643	7.2%
Other expenses	860	903	-	-	860	903	-4.8%
Total expenses	<u>14,435</u>	<u>13,592</u>	<u>689</u>	<u>643</u>	<u>15,124</u>	<u>14,235</u>	<u>6.2%</u>
Change in net position	1,037	1,229	13	27	1,050	1,256	-16.4%
Net position beginning of year, as restated	1,893	664	268	241	2,161	905	138.8%
Net position end of year	<u>\$ 2,930</u>	<u>1,893</u>	<u>281</u>	<u>268</u>	<u>3,211</u>	<u>2,161</u>	<u>48.6%</u>

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

In the 2015-16 school year:

The District used the Physical Plant and Equipment Levy (PEEL) Fund for infrastructure expenses that included painting the loading area and floor in the kitchen area in the new high school; painting the doors, frames and windows in the elementary school; installation of new carpet in the Gifted and Talented classroom at the elementary school; furniture for a professional development room and a new TLC coaches' room; new stacking chairs; and motivate tables for the computer lab at the elementary school.

The District continues to update its fleet of school buses and used sales tax revenue in fiscal year 2016 to purchase two used buses and one new bus for sports and other activity trips. Sales tax revenue was also used for numerous construction projects such as replacement of the concrete floor in the bus shed and other enhancements at the transportation lot; renovation of the high school gymnasium; installation of LED sky lighting and wall panels in the lunch room at the elementary school to reduce noise; concrete work for driveway extensions at all three school buildings; and lockers were refurbished at the middle school. Sales tax revenue provided the opportunity for a lighting project to be completed wherein all lights and fixtures in the elementary and middle schools were replaced with LED lighting that will save the district money in the General Fund for years to come.

In the fall of 2014 the District used sales tax revenue to purchase 49.73 acres of land at the edge of the Bloomfield city limits. Two elections have been defeated regarding a government obligation bond issue that would use said land as a possible site for new high school baseball and softball fields and other much needed renovations within the district. A third election is currently scheduled for February 7, 2017.

Sales tax revenues in the amount of \$742,913 were transferred to the Debt Service Fund for the sales tax revenue bond payments as well as \$40,000 for the Rural Economic Development Loan payment.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

**Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change 2015-2016	Net Cost of Services		Change 2015-2016
	2016	2015		2016	2015	
Instruction	\$ 8,992	8,508	5.7%	5,665	5,505	2.9%
Support services	4,583	4,181	9.6%	4,583	4,178	9.7%
Other expenses	860	903	-4.8%	393	439	-10.5%
Totals	\$ 14,435	13,592	6.2%	10,641	10,122	5.1%

The cost of all governmental activities this year was \$14,435,436. There was an increase in costs associated with support services, mostly due to the implementation of the TLC System. It is likely that expenses for support services will continue to increase due to continued Education Reform.

The portion of the cost financed by users of the District's programs was \$10,641,233.

The net portion of the governmental activities was financed with \$5,983,377 in property and sales tax and \$5,461,698 in state sources.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues from these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities increased by \$32,569—up from \$669,629 in fiscal year 2015 to \$702,198 in fiscal year 2016. Expenses increased from \$642,968 in fiscal year 2015 to \$688,720 in fiscal year 2016 for an increase of \$45,752.

Financial Analysis of the District Funds

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

Governmental Fund Highlights

The General Fund balance was \$2,750,837, a net increase of \$543,667 from the prior year, or 24.6 percent.

Debt Service Fund balance was \$1,386,014, a net increase of \$61,690 from the prior year, or 4.6 percent.

The Statewide Sales, Services, and Use Tax Fund balance was \$587,249, a net decrease of \$238,860 from the prior year, or 28.9 percent.

The Physical Plant and Equipment Levy Fund balance was \$68,100, a net increase of \$144 from the prior year, or .2 percent.

The Management Levy Fund balance was \$420,039, a net increase of \$96,194 from the prior year, or 29.7 percent.

The Student Activity Fund balance was \$145,187, a net increase of \$5,887 from the prior year, or 4.2 percent.

The fund balance total of all Governmental Funds increased from \$4,888,704 to \$5,357,426. This was an increase of 9.5 percent.

General Fund revenues continue to be affected by adequate and timely supplemental state aid (formerly allowable growth). School Districts have a hard time preparing certified budgets when revenue estimates are unknown. Being able to use the Capital Projects Fund for technology expenses has provided some relief for the General Fund.

Business-type Highlights

The 2016 fiscal year ended with a revenue increase that was less than the increase in expenses in the School Nutrition Fund. The Healthy Kids Act continues to have a big influence, but the net position of \$281,129 at the end of fiscal year 2016 for this fund was still an increase from the prior year.

The USDA's request for districts to increase their lunch and breakfast prices to equal the federal reimbursement rate for free and reduced meals is requiring the District to increase its student meal prices some each year. The District does not expect this to increase revenues drastically because it will basically just rearrange revenues from federal to local revenue.

In June 2014 the District started a Summer Lunch Program, and the same program has been in place during the summer months of 2015 and 2016. In 2014 the meals were served at noon at the high school building and two other mobile sites. Community volunteers helped transport and serve noon meals at the two mobile locations in the county. The program was very well received and continued until school started again in August. In 2015 we were able to pay the driver for the two mobile sites. In 2016 we added three more mobile sites and served them from a converted bus to a lunch room. The driver was a paid position and servsafe certified.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget," which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash." It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

Capital Asset and Debt Administration

**Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 281	281	-	-	281	281	0.0%
Buildings	9,980	10,268	-	-	9,980	10,268	-2.8%
Improvements other than buildings	538	549	-	-	538	549	-2.0%
Furniture and equipment	433	314	312	351	745	665	12.0%
Totals	\$ 11,232	11,412	312	351	11,544	11,763	-1.9%

By the end of fiscal year 2015, the District had invested \$11,543,450, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment. Of this total, \$11,231,665 was included in governmental activities and \$311,785 was in business type activities.

Long-term Debt

**Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2016	2015	2015-2016
Revenue bonds	\$ 8,535	9,025	-5.4%
Notes	180	220	0.0%
Bond premiums	186	201	-7.5%
Bond discounts	(172)	(185)	-7.0%
Lease obligations	-	55	-
Early retirement	-	5	-100.0%
Compensated absences	33	32	3.1%
Net pension liability	6,154	4,902	-
Net OPEB liability	191	168	13.7%
Totals	\$ 15,107	14,423	4.7%

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2016**

At year-end, the District had \$15,107,627 in sales tax revenue bond debt and other long-term outstanding debt. This represents an increase from last year due to the GASB requirements for the IPERS pension liability. However, the debt associated with an equipment lease and early retirement have been paid and the Rural Economic Development Loan continues to decrease.

\$490,000 was paid on the principal debt for the high school building project, and a principal amount of \$8,535,000 remains on the 2015 refinanced sales tax revenue bonds.

\$40,000 was paid on the no-interest Rural Economic Development Loan through Southern Iowa Electric Coop. The remaining principal amount is \$180,000. The loan is being repaid \$10,000 quarterly beginning in January 2012. Loan repayment will be completed in October 2020. The loan is being repaid from one cent sales tax funds for Capital Projects expenditures.

Factors Bearing on the District's Future

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

- Enrollment: Student numbers at the elementary school building are increasing which is always good, but decisions will need to be made regarding accommodations for the increasing students in that building and as those large classes move on to the middle school and high school.
- Future across-the-board cuts, funding freezes and low supplemental state aid rates (formerly allowable growth)
- Employee contract settlements
- Affordable Care Act: The magnitude of costs associated with the regulations of Health Care Reform is still unknown.
- Potential for future increases in employer share of IPERS
- Funding mechanism for rural school districts' transportation costs that does not directly or indirectly impact funding for the education program
- Planning and preparing for Phase 2 of the high school building project
- Planning and preparing for a new track and football field
- Planning and preparing for a new bus barn
- Planning and preparing for a new baseball field due to loss of the lease where the current field is located
- Upkeep costs for the elementary and middle school buildings
- Requirements of Education Reform
- Legislature changes as a result of the 2016 election wherein the Iowa House, Senate and Governor are all controlled by the same party

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 Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 South Washington Street, Bloomfield, Iowa 52537-2137.

Basic Financial Statements

Davis County Community School District
Statement of Net Position
June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,916,135	117,546	7,033,681
Receivables:			
Property tax:			
Delinquent	94,056	-	94,056
Succeeding year	4,561,683	-	4,561,683
Income surtax	50,504	-	50,504
Accounts	1,274	-	1,274
Due from other governments	435,620	15,916	451,536
Inventories	-	24,538	24,538
Capital assets, net of accumulated depreciation	11,231,665	311,785	11,543,450
Total assets	23,290,937	469,785	23,760,722
Deferred Outflows of Resources			
Deferred charge on refunding	743,289	-	743,289
Pension related deferred outflows	2,008,536	62,160	2,070,696
Total deferred outflows of resources	2,751,825	62,160	2,813,985
Liabilities			
Excess of warrants over bank balance	464,003	-	464,003
Accounts payable	333,221	68	333,289
Salaries and benefits payable	1,179,043	8,245	1,187,288
Due to other governments	113,255	-	113,255
Advances from grantors	137	-	137
Advances from prepaid lunches	-	9,104	9,104
Accrued interest payable	103,956	-	103,956
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	535,000	-	535,000
Notes	40,000	-	40,000
Compensated absences	31,135	2,275	33,410
Portion due after one year:			
Revenue bonds	8,014,170	-	8,014,170
Notes	140,000	-	140,000
Net pension liability	5,967,383	187,138	6,154,521
Net OPEB liability	190,526	-	190,526
Total liabilities	17,111,829	206,830	17,318,659
Deferred Inflows of Resources			
Unavailable property tax revenue	4,561,683	-	4,561,683
Income surtax	50,504	-	50,504
Pension related deferred inflows	1,389,070	43,986	1,433,056
Total deferred inflows of resources	6,001,257	43,986	6,045,243
Net Position			
Net investment in capital assets	2,502,495	311,785	2,814,280
Restricted for:			
Management levy purposes	420,039	-	420,039
Physical plant and equipment	68,100	-	68,100
Debt service	1,339,600	-	1,339,600
School infrastructure	587,249	-	587,249
Student activities	145,187	-	145,187
Categorical funding	458,578	-	458,578
Unrestricted	(2,591,572)	(30,656)	(2,622,228)
Total net position	\$ 2,929,676	281,129	3,210,805

See notes to financial statements.

**Davis County Community School District
Statement of Activities
Year ended June 30, 2016**

Functions/Programs	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	
Governmental activities:						
Instruction:						
Regular	\$ 5,632,828	806,566	1,621,243	(3,205,019)	-	(3,205,019)
Special	1,328,105	104,624	537,059	(686,422)	-	(686,422)
Other	2,031,466	224,318	33,184	(1,773,964)	-	(1,773,964)
	<u>8,992,399</u>	<u>1,135,508</u>	<u>2,191,486</u>	<u>(5,665,405)</u>	<u>-</u>	<u>(5,665,405)</u>
Support Service:						
Student	242,396	-	-	(242,396)	-	(242,396)
Instructional staff	668,380	-	-	(668,380)	-	(668,380)
Administration	1,685,534	-	-	(1,685,534)	-	(1,685,534)
Operation and maintenance of plant	1,062,983	-	-	(1,062,983)	-	(1,062,983)
Transportation	923,715	-	-	(923,715)	-	(923,715)
	<u>4,583,008</u>	<u>-</u>	<u>-</u>	<u>(4,583,008)</u>	<u>-</u>	<u>(4,583,008)</u>
Other expenditures:						
Facilities acquisition	126,721	-	-	(126,721)	-	(126,721)
Long-term debt interest	266,099	-	-	(266,099)	-	(266,099)
AEA flowthrough	467,209	-	467,209	-	-	-
	<u>860,029</u>	<u>-</u>	<u>467,209</u>	<u>(392,820)</u>	<u>-</u>	<u>(392,820)</u>
Total governmental activities	14,435,436	1,135,508	2,658,695	(10,641,233)	-	(10,641,233)
Business type activities:						
Non-instructional programs:						
Food service operations	688,720	293,631	408,574	-	13,485	13,485
Total	<u>\$ 15,124,156</u>	<u>1,429,139</u>	<u>3,067,269</u>	<u>(10,641,233)</u>	<u>13,485</u>	<u>(10,627,748)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 4,761,819	-	4,761,819
Capital outlay				104,431	-	104,431
Statewide sales, services and use tax				1,117,127	-	1,117,127
Unrestricted state grants				5,461,698	-	5,461,698
Unrestricted investment earnings				30,714	415	31,129
Other				105,672	-	105,672
Gain (loss) on disposal of assets				8,369	(422)	7,947
Contributions not restricted to specific programs				87,592	-	87,592
Total general revenues				<u>11,677,422</u>	<u>(7)</u>	<u>11,677,415</u>
Change in net position				1,036,189	13,478	1,049,667
Net position beginning of year, as restated				1,893,487	267,651	2,161,138
Net position end of year				<u>\$ 2,929,676</u>	<u>281,129</u>	<u>3,210,805</u>

See notes to financial statements.

**Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2016**

	General	Debt Service	Capital Projects	Non-Major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 4,243,503	1,386,014	721,365	565,253	6,916,135
Receivables:					
Property tax:					
Delinquent	87,020	-	2,134	4,902	94,056
Succeeding year	4,161,009	-	100,675	299,999	4,561,683
Income surtax	50,504	-	-	-	50,504
Accounts	1,274	-	-	-	1,274
Due from other governments	343,977	-	91,643	-	435,620
Total assets	\$ 8,887,287	1,386,014	915,817	870,154	12,059,272
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 168,499	-	159,793	4,929	333,221
Excess of warrants issued over bank balance	464,003	-	-	-	464,003
Salaries and benefits payable	1,179,043	-	-	-	1,179,043
Due to other governments	113,255	-	-	-	113,255
Advances from grantors	137	-	-	-	137
Total liabilities	1,924,937	-	159,793	4,929	2,089,659
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,161,009	-	100,675	299,999	4,561,683
Income surtax	50,504	-	-	-	50,504
Total deferred inflows of resources	4,211,513	-	100,675	299,999	4,612,187
Fund balances:					
Restricted for:					
Categorical funding	458,578	-	-	-	458,578
Debt service	-	1,443,556	-	-	1,443,556
Management levy purposes	-	-	-	420,039	420,039
Student activities	-	-	-	145,187	145,187
School infrastructure	-	-	587,249	-	587,249
Physical plant and equipment	-	-	68,100	-	68,100
Unassigned	2,292,259	(57,542)	-	-	2,234,717
Total fund balances	2,750,837	1,386,014	655,349	565,226	5,357,426
Total liabilities, deferred inflows of resources and fund balances	\$ 8,887,287	1,386,014	915,817	870,154	12,059,272

See notes to financial statements.

**Davis County 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 \$ 5,357,426

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 11,231,665

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (103,956)

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	\$ 2,008,536	
Deferred inflows of resources	<u>(1,389,070)</u>	619,466

Long-term liabilities, including bonds and notes payable, bond discounts and premiums, compensated absences, net pension liability 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. Those liabilities consist of:

Revenue bonds payable	(8,535,000.00)	
Notes payable	(180,000.00)	
Bond discount, net	172,285.00	
Bond premium, net	(186,455.00)	
Deferred charge on refunding, net	743,289.00	
Compensated absences	(31,135.00)	
Net pension liability	(5,967,383.00)	
Other postemployment benefits	<u>(190,526.00)</u>	<u>(14,174,925)</u>

Net position of governmental activities \$ 2,929,676

See notes to financial statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 4,506,180	-	104,431	255,639	4,866,250
Tuition	904,245	-	-	-	904,245
Other	184,485	4	4,932	232,263	421,684
State sources	7,398,542	-	1,117,822	1,771	8,518,135
Federal sources	752,942	-	-	-	752,942
Total revenues	<u>13,746,394</u>	<u>4</u>	<u>1,227,185</u>	<u>489,673</u>	<u>15,463,256</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,498,442	-	-	5,000	5,503,442
Special	1,334,237	-	-	-	1,334,237
Other	1,834,072	-	-	209,537	2,043,609
	<u>8,666,751</u>	<u>-</u>	<u>-</u>	<u>214,537</u>	<u>8,881,288</u>
Support services:					
Student	246,849	-	-	-	246,849
Instructional staff	641,005	-	-	-	641,005
Administration	1,594,057	-	520	98,653	1,693,230
Operation and maintenance of plant	968,836	-	38,200	57,055	1,064,091
Transportation	824,287	-	213,015	17,347	1,054,649
	<u>4,275,034</u>	<u>-</u>	<u>251,735</u>	<u>173,055</u>	<u>4,699,824</u>
Other expenditures:					
Facilities acquisition	-	-	176,843	-	176,843
Long-term debt:					
Principal	-	585,134	-	-	585,134
Interest and fiscal charges	-	192,605	-	-	192,605
AEA flowthrough	467,209	-	-	-	467,209
	<u>467,209</u>	<u>777,739</u>	<u>176,843</u>	<u>-</u>	<u>1,421,791</u>
Total expenditures	<u>13,408,994</u>	<u>777,739</u>	<u>428,578</u>	<u>387,592</u>	<u>15,002,903</u>
Excess (deficiency) of revenues over (under) expenditures	337,400	(777,735)	798,607	102,081	460,353
Other financing sources (uses):					
Sale of equipment	8,369	-	-	-	8,369
Operating transfers in	197,898	839,425	-	-	1,037,323
Operating transfers out	-	-	(1,037,323)	-	(1,037,323)
Total other financing sources (uses)	<u>206,267</u>	<u>839,425</u>	<u>(1,037,323)</u>	<u>-</u>	<u>8,369</u>
Net change in fund balances	543,667	61,690	(238,716)	102,081	468,722
Fund balances beginning of year	<u>2,207,170</u>	<u>1,324,324</u>	<u>894,065</u>	<u>463,145</u>	<u>4,888,704</u>
Fund balances end of year	<u>\$ 2,750,837</u>	<u>1,386,014</u>	<u>655,349</u>	<u>565,226</u>	<u>5,357,426</u>

See notes to financial statements.

**Davis County 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**

Net change in fund balances - total governmental funds \$ 468,722

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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 277,918	
Depreciation expense	<u>(457,816)</u>	(179,898)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Principal repaid	585,134	
Amortization of deferred refunding charge	(57,176)	
Amortization of bond issuance costs	(12,651)	
Amortization of bond premiums	<u>14,099</u>	529,406

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (17,766)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 775,671

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.

Compensated absences	(1,291)	
Early retirement benefits	5,000	
Pension expense	(521,015)	
Other postemployment benefits	<u>(22,640)</u>	(539,946)

Change in net position of governmental activities \$ 1,036,189

See notes to financial statements.

Davis County Community School District
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Enterprise, School Nutrition</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 117,546
Accounts receivable	15,916
Inventories	<u>24,538</u>
Total current assets	158,000
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>311,785</u>
Total assets	<u><u>469,785</u></u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>62,160</u>
Liabilities	
Current Liabilities:	
Accounts payable	68
Salaries and benefits payable	8,245
Advances from prepaid lunches	9,104
Compensated absences	<u>2,275</u>
Total current liabilities	<u>19,692</u>
Noncurrent liabilities:	
Net pension liability	<u>187,138</u>
Total liabilities	<u><u>206,830</u></u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>43,986</u>
Net Position	
Net investment in capital assets	311,785
Unrestricted	<u>(30,656)</u>
Total net position	<u><u>\$ 281,129</u></u>

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2016

	Enterprise, School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 293,631
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	251,528
Benefits	54,722
Purchased services	12,736
Supplies	318,928
Depreciation	50,027
Miscellaneous	779
Total operating expenses	688,720
Operating loss	(395,089)
Non-operating revenues:	
Interest income	415
State sources	5,149
Federal sources	403,425
Gain (loss) on disposal of capital assets	(422)
Total non-operating revenues	408,567
Change in net position	13,478
Net position beginning of year, as restated	267,651
Net position end of year	\$ 281,129

See notes to financial statements.

Exhibit I

**Davis County Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2016**

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 295,354
Cash payments to employees for services	(314,034)
Cash payments to suppliers for goods or services	(268,774)
Net cash used by operating activities	(287,454)
Cash flows from non-capital financing activities:	
State grants received	5,149
Federal grants received	343,333
Net cash provided by non-capital financing activities	348,482
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(11,347)
Net cash used by capital and related financing activities	(11,347)
Cash flows from investing activities:	
Interest on investments	415
Net cash provided by investing activities	415
Net increase in cash and cash equivalents	50,096
Cash and cash equivalents at beginning of year	67,450
Cash and cash equivalents at end of year	\$ 117,546
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (395,089)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	60,092
Depreciation	50,027
Decrease in inventories	3,648
Decrease in accounts receivable	2,312
(Decrease) in accounts payable	(71)
(Decrease) in salaries and benefits payable	(533)
(Decrease) in deferred revenue	(589)
Increase in compensated absences	169
Increase in net pension liability	37,531
(Increase) in deferred outflows of resources	(30,670)
(Decrease) in deferred inflows of resources	(14,281)
Net cash used by operating activities	\$ (287,454)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:	
Current assets:	
Cash and cash equivalents	\$ 117,546
Cash and cash equivalents at year end	\$ 117,546

Non-cash investing, capital and financing activities:

During the year ended June 30, 2016, the District received \$60,092 of federal commodities.

See notes to financial statements.

Exhibit J

**Davis County Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	<u>\$ 3,620</u>
Total assets	<u>3,620</u>
Net position	
Restricted for scholarships	<u>\$ 3,620</u>

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2016

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	\$ 4
Total additions	<u>4</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>-</u>
Change in net position	4
Net position beginning of year	<u>3,616</u>
Net position end of year	<u><u>\$ 3,620</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund: 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.

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

Capital Projects Fund: 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 other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

The District reports the following non-major proprietary fund:

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

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

Advances - Proceeds which have been received by the District but will be used in a succeeding fiscal year, such as advances from grantors, or prepaid lunch money.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding years 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.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the budgeted amounts in the support services functional area.

(2) Cash, Cash Equivalents 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 insure there will be no loss of public funds.

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

At June 30, 2016, the District had investments as follows:

Success Bank Certificate of Deposit	\$ 2,605
First Iowa State Bank Certificate of Deposit	3,223
Iowa Schools Joint Investment Trust	
Diversified Portfolio	493
Bankers Trust: ISJIT	
National Public Finance Guarantee	1
Goldman Sachs Financial Square Government Fund	1,383,219
	<u>\$ 1,389,541</u>

The investments in the Iowa School Joint Investment Trust Direct (ISJIT) which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawal of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016, is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 839,425
General	Capital Projects	151,680
General	PPEL	46,218
		<u>\$ 1,037,323</u>

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

Davis County Community School District
Notes to Financial Statements
June 30, 2016

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 281,330	-	-	281,330
Total capital assets not being depreciated	281,330	-	-	281,330
Capital assets being depreciated:				
Buildings	14,623,021	-	-	14,623,021
Improvements other than buildings	1,978,841	50,122	-	2,028,963
Furniture and equipment	2,043,438	227,796	149,745	2,121,489
Total capital assets being depreciated	18,645,300	277,918	149,745	18,773,473
Less accumulated depreciation for:				
Buildings	4,355,500	288,150	-	4,643,650
Improvements other than buildings	1,430,105	60,548	-	1,490,653
Furniture and equipment	1,729,462	109,118	149,745	1,688,835
Total accumulated depreciation	7,515,067	457,816	149,745	7,823,138
Total capital assets being depreciated, net	11,130,233	(179,898)	-	10,950,335
Governmental activities capital assets, net	\$ 11,411,563	(179,898)	-	11,231,665
Business type activities:				
Furniture and equipment	\$ 645,203	11,347	6,070	650,480
Less accumulated depreciation	294,316	50,027	5,648	338,695
Business type activities capital assets, net	\$ 350,887	(38,680)	422	311,785

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 248,605
Special	22,584
Other	30,449

Support services:

Student	1,010
Instructional staff	35,030
Administration	23,089
Operation and maintenance of plant	2,698
Transportation	94,351

Total depreciation expense - governmental activities \$ 457,816

Business type activities:

Food service operations	\$ 50,027
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Davis County Community School District
Notes to Financial Statements
June 30, 2016

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,025,000	-	490,000	8,535,000	535,000
Revenue bonds discount	(184,936)	-	(12,651)	(172,285)	-
Revenue bonds premium	200,554	-	14,099	186,455	-
Rural economic development loan	220,000	-	40,000	180,000	40,000
Equipment lease	55,134	-	55,134	-	-
Early retirement	5,000	-	5,000	-	-
Compensated absences	29,844	31,135	29,844	31,135	31,135
Net pension liability	4,752,041	1,215,342	-	5,967,383	-
Net OPEB liability	167,886	22,640	-	190,526	-
Total	\$ 14,270,523	1,269,117	621,426	14,918,214	606,135
Business type activities:					
Compensated absences	\$ 2,106	2,275	2,106	2,275	2,275
Net pension liability	149,607	37,531	-	187,138	-
Total	\$ 151,713	39,806	2,106	189,413	-

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Refunding Bond Issue of February 10, 2015				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.00%	\$ 535,000	202,563	737,563
2018	2.00%	540,000	191,812	731,812
2019	2.00%	545,000	180,963	725,963
2020	2.00%	560,000	169,912	729,912
2021	2.00%	570,000	158,613	728,613
2022	2.00%	585,000	147,062	732,062
2023	2.50%	590,000	133,838	723,838
2024	2.75%	600,000	118,212	718,212
2025	2.75%	620,000	101,438	721,438
2026	2.75%	645,000	84,044	729,044
2027	2.50%	660,000	66,925	726,925
2028	3.00%	675,000	48,550	723,550
2029	2.70%	700,000	28,975	728,975
2030	2.75%	710,000	9,762	719,762
		\$ 8,535,000	1,642,669	10,177,669

Refunding - February 10, 2015

On February 10, 2015, the District issued \$9,025,000 in revenue bonds to advance refund \$8,235,000 of outstanding revenue bonds dated June 22, 2009. The proceeds of the refunding bonds have been placed in a irrevocable escrow account and have been invested in U.S. Government Obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2009 bonds after July 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$862,907 and resulted in an economic gain of \$736,929.

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,025,000 of bonds issued in February, 2015. The bonds were issued for the purpose of refunding the prior revenue bond dated June, 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$10,177,669. For the current year, \$490,000 of principal and \$189,227 of interest was paid on the prior bonds and total statewide sales, services and use tax revenues were \$1,117,127.

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

- a) \$742,913 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Notes

Details of the District's June 30, 2016 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010					
Year Ending					
June 30,	Interest Rates	Principal	Interest	Total	
2017	0.00%	\$ 40,000	-	40,000	
2018	0.00%	40,000	-	40,000	
2019	0.00%	40,000	-	40,000	
2020	0.00%	40,000	-	40,000	
2021	0.00%	20,000	-	20,000	
	Total	\$ 180,000	-	180,000	

(6) Pension Plan

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

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

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except 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 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 the fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$799,624.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$6,154,521 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.123797%, which was an increase of 0.002681% from its proportion measured as of June 30, 2014.

Davis County Community School District
Notes to Financial Statements
June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$537,548. 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	\$ 92,987	-
Changes of assumptions	169,449	-
Net difference between projected and actual earnings on IPERS' investments	920,838	1,433,056
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	87,798	-
District contributions subsequent to the measurement date	799,624	-
Total	\$ 2,070,696	1,433,056

\$799,624 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	
2017	\$ (152,582)
2018	(152,582)
2019	(152,582)
2020	285,420
2021	10,342
	\$ (161,984)

There are 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, 1996)	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.

Davis County Community School District
Notes to Financial Statements
June 30, 2016

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

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 of 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 that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 10,775,462	\$ 6,154,521	\$ 2,254,118

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 \$36 for legally required employer contributions and \$20 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Davis County Community School District
Notes to Financial Statements
June 30, 2016

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

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

Annual required contribution	\$ 41,948
Interest on net OPEB obligation	4,197
Adjustment to annual required contribution	<u>(14,088)</u>
Annual OPEB cost	32,057
Contributions made	<u>(9,417)</u>
Increase in net OPEB obligation	22,640
Net OPEB obligation beginning of year	<u>167,886</u>
Net OPEB obligation end of year	<u><u>\$ 190,526</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 as of June 30, 2016, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,263	29.10%	\$ 24,309
June 30, 2011	33,731	29.51%	48,086
June 30, 2012	36,529	33.03%	72,550
June 30, 2013	46,524	32.88%	103,775
June 30, 2014	44,218	30.20%	134,641
June 30, 2015	42,488	21.80%	167,866
June 30, 2016	32,057	29.38%	190,526

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$269,603, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$269,603. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,600,000, and the ratio of the UAAL to covered payroll was 3.1%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

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

(8) Termination Benefits

The District has offered a voluntary early retirement plan for certified employees in prior years; however, the plan has not been offered since the 2011-2012 year. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2016, totaled \$5,000.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$467,209 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.

(11) Related Party Transactions

The District had business transactions totaling \$9,971 between the District and District officials during the year ended June 30, 2016.

(12) Commitments and Contingencies

Two former employees have been charged with criminal charges and found guilty. One conviction was later overturned by the Iowa Supreme Court. The District had been named as a defendant in a related civil complaint; however, those charges were dismissed on December 15, 2014. This decision was appealed and eventually denied on December 8, 2016.

(13) Restatement

Beginning net position for governmental and business type activities were restated to retroactively report changes in the calculation of accumulated depreciation of capital assets and to adjust the amount of prior year accounts receivable.

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2015, as previously reported	\$ 1,863,548	266,031
Adjustment to prior year Nutrition Fund receivables	-	1,620
Adjustment to prior year Capital Assets, Accumulated Depreciation	<u>29,939</u>	<u>-</u>
Net position July 1, 2015, as restated:	<u>\$ 1,893,487</u>	<u>267,651</u>

Required Supplementary Information

Davis County 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 Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 6,192,179	294,046	6,486,225	6,080,147	6,080,147	406,078
State sources	8,518,135	5,149	8,523,284	8,817,512	8,817,512	(294,228)
Federal sources	752,942	403,425	1,156,367	1,025,000	1,025,000	131,367
Total revenues	15,463,256	702,620	16,165,876	15,922,659	15,922,659	243,217
Expenditures/Expenses:						
Instruction	8,881,288	-	8,881,288	9,464,990	9,524,990	643,702
Support services	4,699,824	-	4,699,824	4,409,280	4,588,280	(111,544)
Non-instructional programs	-	688,720	688,720	700,000	700,000	11,280
Other expenditures	1,421,791	-	1,421,791	1,671,925	1,571,925	150,134
Total expenditures/expenses	15,002,903	688,720	15,691,623	16,246,195	16,385,195	693,572
Excess (deficiency) of revenues over (under) expenditures/expenses	460,353	13,900	474,253	(323,536)	(462,536)	(936,789)
Other financing sources, net	8,369	(422)	7,947	-	-	(7,947)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	468,722	13,478	482,200	(323,536)	(462,536)	(944,736)
Balances beginning of year, as restated	4,888,704	267,651	5,156,355	4,565,235	4,565,235	(591,120)
Balances end of year	\$ 5,357,426	281,129	5,638,555	4,241,699	4,102,699	(1,535,856)

See accompanying independent auditor's report.

Davis County 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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$139,000.

During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the support services functional area. The District did not exceed its General Fund unspent authorized budget.

**Davis County Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Two Years* (In Thousands)
Required Supplementary Information**

	2016	2015
District's proportion of the net pension liability	0.123797%	0.121116%
District's proportionate share of the net pension liability	\$ 6,155	4,902
District's covered-employee payroll	\$ 8,534	8,088
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	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 amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**Davis County Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years (In Thousands)
Required Supplementary Information**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 743	762	722	684	621	512	507	462	435	394
Contributions in relation to the statutorily required contribution	(743)	(762)	(722)	(684)	(621)	(512)	(507)	(462)	(435)	(394)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,323	8,534	8,088	7,888	7,691	7,368	7,621	7,281	7,194	6,853
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

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 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.

Davis County Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2016

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	\$ -	347,415	347,415	0.0%	7,500,000	4.6%
2011	July 1, 2009	-	345,459	345,459	0.0%	7,500,000	4.6%
2012	July 1, 2009	-	317,410	317,410	0.0%	7,600,000	4.2%
2013	July 1, 2012	-	354,957	354,957	0.0%	7,900,000	4.5%
2014	July 1, 2012	-	340,152	340,152	0.0%	7,900,000	4.3%
2015	July 1, 2012	-	324,366	324,366	0.0%	8,200,000	4.0%
2016	July 1, 2015	-	269,603	269,603	0.0%	8,600,000	3.1%

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

See accompanying independent auditor's report.

Supplementary Information

**Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 415,599	149,654	565,253
Receivables:			
Property tax:			
Delinquent	4,902	-	4,902
Succeeding year	299,999	-	299,999
Total assets	\$ 720,500	149,654	870,154
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 462	4,467	4,929
Total liabilities	462	4,467	4,929
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	299,999	-	299,999
Total deferred inflows of resources	299,999	-	299,999
Fund Balances:			
Restricted for:			
Management levy purposes	420,039	-	420,039
Student activities	-	145,187	145,187
Total fund balances	420,039	145,187	565,226
Total liabilities, deferred inflows of resources and fund balances	\$ 720,500	149,654	870,154

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 255,639	-	255,639
Other	16,839	215,424	232,263
State sources	1,771	-	1,771
Total revenues	<u>274,249</u>	<u>215,424</u>	<u>489,673</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,000	-	5,000
Other	-	209,537	209,537
Support services:			
Administration	98,653	-	98,653
Operation and maintenance of plant	57,055	-	57,055
Transportation	17,347	-	17,347
Total expenditures	<u>178,055</u>	<u>209,537</u>	<u>387,592</u>
Excess (deficiency) of revenues over (under) expenditures	96,194	5,887	102,081
Fund balances beginning of year	<u>323,845</u>	<u>139,300</u>	<u>463,145</u>
Fund balances end of year	<u>\$ 420,039</u>	<u>145,187</u>	<u>565,226</u>

See accompanying independent auditor's report.

Schedule 3

Davis County 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
Senior High				
Yearbook	\$ 10,904	11,409	8,428	13,885
Concessions	9,183	23,386	22,034	10,535
Mustang Media	1,380	-	-	1,380
Mustang Pride Day	59	80	-	139
Athletics	11,182	54,744	51,528	14,398
Football	2,879	1,843	3,828	894
Baseball	1,853	3,866	1,183	4,536
Boys' Track	1,536	-	-	1,536
Wrestling	3,354	2,825	3,763	2,416
Cross Country	2,287	3,809	2,808	3,288
Girls' Basketball	1,185	1,405	787	1,803
Boys' Basketball	1,914	3,304	3,700	1,518
Girls' Softball	7,651	11,437	12,481	6,607
Girls' Track	3,110	4,018	3,922	3,206
Girls' Volleyball	1,004	-	-	1,004
Instrumental Music	4,981	8,814	11,647	2,148
Soda	1,534	1,162	1,021	1,675
Vocal Music	4,160	973	1,114	4,019
Speech	479	575	383	671
3 Act Play	4,751	1,722	1,181	5,292
Future Farmers of America	14,351	40,013	39,793	14,571
Quiz Bowl	23	-	-	23
National Honor Society	898	947	452	1,393
Cheerleading	8,191	1,782	4,245	5,728
Spanish Club	925	342	77	1,190
Student Council	1,175	195	570	800
Art Club	2,953	4,669	6,034	1,588
Girls' Tennis	327	-	220	107
Boys' Tennis	965	614	370	1,209
Class of 2014	95	-	95	-
Class of 2015	295	-	295	-
Class of 2016	3,477	545	2,292	1,730
Class of 2017	1,241	9,086	7,533	2,794
Class of 2018	904	157	-	1,061
Class of 2019	-	990	-	990
Future Educators of America	1,162	1,272	491	1,943
Girls' Golf	1,678	676	710	1,644
Octagon Club	344	345	325	364
High School Academics	142	-	142	-
Boys' Golf	1,650	1	577	1,074
Subtotal	116,182	197,006	194,029	119,159

Schedule 3

Davis County 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
Middle School				
Athletics	2,803	8,703	6,503	5,003
Vocal Music	6,439	3,349	1,913	7,875
Instrumental Music	626	-	346	280
Student Council	2,165	1,656	1,545	2,276
Yearbook	371	1,837	616	1,592
7th/8th Football	2,025	15	364	1,676
7th/8th Girls Basketball	5	-	-	5
7th/8th Boys' Basketball	61	-	-	61
Cross Country	161	-	-	161
Girls' Track	1,531	-	21	1,510
8th Volleyball	29	-	-	29
Wrestling	28	-	-	28
Middle School Academics	5,487	20	264	5,243
Subtotal	<u>21,731</u>	<u>15,580</u>	<u>11,572</u>	<u>25,739</u>
Bloomfield Elementary				
Academics	1,281	390	1,407	264
Home School	106	2,448	2,529	25
Subtotal	<u>1,387</u>	<u>2,838</u>	<u>3,936</u>	<u>289</u>
Total	<u>\$ 139,300</u>	<u>215,424</u>	<u>209,537</u>	<u>145,187</u>

See accompanying independent auditor's report.

Schedule 4

Davis County 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, cash equivalents and pooled investments	\$ 620,773	100,592	721,365
Receivables:			
Property tax:			
Delinquent	-	2,134	2,134
Succeeding year	-	100,675	100,675
Due from other governments	91,643	-	91,643
Total assets	\$ 712,416	203,401	915,817
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 125,167	34,626	159,793
Total liabilities	125,167	34,626	159,793
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	100,675	100,675
Total deferred inflows of resources	-	100,675	100,675
Fund balances:			
Restricted for:			
School infrastructure	587,249	-	587,249
Physical plant and equipment	-	68,100	68,100
Total fund balances	587,249	68,100	655,349
Total liabilities, deferred inflows of resources and fund balances	\$ 712,416	203,401	915,817

See accompanying independent auditor's report.

Schedule 5

Davis County 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	\$ -	104,431	104,431
Other	4,592	340	4,932
State sources	1,117,127	695	1,117,822
Total revenues	<u>1,121,719</u>	<u>105,466</u>	<u>1,227,185</u>
Expenditures:			
Current:			
Support services:			
Administration	520	-	520
Operation and maintenance of plant	-	38,200	38,200
Transportation	213,015	-	213,015
Other expenditures:			
Facilities acquisition	155,939	20,904	176,843
Total expenditures	<u>369,474</u>	<u>59,104</u>	<u>428,578</u>
Excess (deficiency) of revenues over (under) expenditures	752,245	46,362	798,607
Other financing sources (uses)			
Operating transfers in (out)	(991,105)	(46,218)	(1,037,323)
Total other financing sources (uses)	<u>(991,105)</u>	<u>(46,218)</u>	<u>(1,037,323)</u>
Change in fund balances	(238,860)	144	(238,716)
Fund balances beginning of year	<u>826,109</u>	<u>67,956</u>	<u>894,065</u>
Fund balances end of year	<u>\$ 587,249</u>	<u>68,100</u>	<u>655,349</u>

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 4,866,250	4,694,394	4,440,736	5,218,900	4,514,183	4,212,154	3,982,845	3,912,580	3,661,556	3,759,205
Tuition	904,245	844,309	703,278	646,647	648,017	556,696	426,341	450,219	476,889	523,010
Other	421,684	348,277	403,130	329,808	554,943	590,253	458,279	530,792	467,508	445,742
State sources	8,518,135	8,095,328	7,917,330	6,577,367	6,607,731	6,369,502	5,498,043	6,539,708	5,914,312	5,810,933
Federal sources	752,942	828,480	714,360	652,416	811,184	1,011,849	1,461,585	761,386	690,483	786,793
Total	\$ 15,463,256	14,810,788	14,178,834	13,425,138	13,136,058	12,740,454	11,827,093	12,194,685	11,210,748	11,325,683
Expenditures:										
Instruction:										
Regular	\$ 5,503,442	5,202,969	5,365,122	5,991,325	5,728,254	5,581,992	5,908,935	5,670,214	5,323,249	5,067,509
Special	1,334,237	1,277,831	1,150,259	1,446,052	1,610,050	1,275,892	1,457,209	1,430,994	1,393,701	1,234,633
Other	2,043,609	2,028,639	1,891,856	728,521	835,838	848,494	586,024	474,335	457,030	426,860
Support services:										
Student	246,849	261,452	255,205	269,932	281,174	270,702	265,204	261,647	300,165	283,987
Instructional staff	641,005	396,279	348,333	273,314	211,987	166,077	217,841	180,304	150,229	161,232
Administration	1,693,230	1,631,735	1,522,048	1,461,693	1,458,682	1,542,486	1,436,589	1,432,204	1,474,623	1,413,251
Operation and maintenance										
of plant	1,064,091	1,028,240	991,232	954,957	905,301	912,164	996,407	718,539	723,406	691,604
Transportation	1,054,649	892,608	827,607	789,594	756,157	670,746	785,356	789,870	919,032	805,241
Other expenditures:										
Facilities acquisition	176,843	200,774	87,660	73,366	119,190	3,344,398	5,521,775	793,262	252,576	363,879
Long-term debt:										
Principal	585,134	429,866	405,000	320,000	285,000	170,000	-	255,000	250,000	245,000
Interest and other charges	192,605	437,847	431,318	445,830	458,093	468,630	248,108	172,939	14,527	20,138
AEA flowthrough	467,209	464,484	450,754	430,125	417,367	460,092	456,463	422,045	395,919	371,339
Total	\$ 15,002,903	14,252,724	13,726,394	13,184,709	13,067,093	15,711,673	17,879,911	12,601,353	11,654,457	11,084,673

See accompanying independent auditor's report.

Schedule 7

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Healthier US School Challenge: Smarter Lunchrooms	10.543	FY16	<u>1,500</u>
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 16	\$ 67,647
National School Lunch Program	10.555	FY 16	300,213
Summer Food Service Program For Children	10.559	FY 16	<u>34,065</u>
			<u>401,925</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 16	<u>403,503</u>
Career and Technical Education - Basic Grants to States	84.048	FY 16	<u>28,710</u>
Rural Education Achievement Program	84.358	FY 16	<u>23,607</u>
Improving Teacher Quality State Grants	84.367	FY 16	<u>74,029</u>
Grants for State Assessments and Related Activities	84.369	FY 16	<u>4,852</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 16	<u>55,377</u>
Reading Is Fundamental:			
Fund For the Improvement of Education	84.215	FY 16	<u>1,999</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
AIDS Education	93.938	FY 16	<u>223</u>
Total			<u>\$ 995,725</u>

See Notes to Schedule of Expenditures of Federal Awards.

Davis County Community School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards(Schedule) includes the federal award activity of Davis County Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Davis County Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Davis County Community School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles on OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowed or are limited as to reimbursement. Davis County Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$60,092 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

Note 4. Federal Loan Outstanding

The District participates in the following loan program for which payments are not required to be included on the schedule of expenditures of federal awards.

<u>CFDA #</u>	<u>Program</u>	<u>Outstanding Balance</u> <u>As of June 30, 2016</u>
10.854	Rural Economic Development Loan	\$180,000



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CERTIFIED PUBLIC ACCOUNTANTS

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
Davis County 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 financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County 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 January 10, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

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.

Davis County Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County 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.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 10, 2017



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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of Davis County Community School District:

Report on Compliance for Each Major Federal Program

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Davis County Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Davis County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 10, 2017

**Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

**Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-16 Certified Budget - Expenditures for the year ended June 30, 2016, exceeded the amended certified budget amounts in the support services functional area.

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

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

Conclusion - Response accepted.

IV-B-16 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-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.

IV-D-16 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$9,061
Doug Dixon, Board Member Mind's Ear Music	Services	630
Josh O'Dell, Board Member	Services	140
Josh Sinnott, Brother-in-law of Board Member Josh O'Dell	Services	140

Recommendation - The District may want to consult legal counsel to determine disposition whether any of these transactions are in violation of the Code of Iowa.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-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 coverage is adequate for current operations.

IV-F-16 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

**Davis County Community School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016**

IV-G-16 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation - The certified enrollment data should be corrected.

Response - The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

Conclusion - Response accepted.

IV-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-16 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-16 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-16 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 826,109
Revenues/transfers in:		
Sales tax revenues	\$ 1,117,127	
Other local revenues	4,592	1,121,719
		<u>1,947,828</u>
Expenditures/transfers out:		
School infrastructure construction	155,939	
Equipment	213,535	
Transfers to other funds:		
Debt service funds	991,105	1,360,579
		<u>1,360,579</u>
Ending balance		<u>\$ 587,249</u>

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