

**Northeast Community School District
Goose Lake, Iowa**

Financial Report
Year Ended June 30, 2016

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Northeast Community School District

Officials

Year Ended June 30, 2016

Name	Title	Term Expires
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Board of Education

Richard Krogmann	President	2019
Mary Smith	Vice President	2017
Andy Friedrichsen	Board Member	2017
Jeni Grantz	Board Member	2019
Shawn Rathje	Board Member	2019

School Officials

Jim Cox	Superintendent
Tina Bartels	District Secretary/Treasurer/ Business Manager
Ahlers & Cooney, P.C.	Attorney

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Independent Auditor's Report

To the Board of Education
Northeast Community School District
Goose Lake, 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 the Northeast Community School District, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the Northeast Community School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 4-13 and 46-53 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2007 through 2010, which are not presented herein, were audited by other auditors whose report thereon dated March 21, 2011, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2007 through 2010 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2007 through 2010 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
January 20, 2017

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Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Northeast 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.

Financial Highlights

- General fund revenues increased from \$8,175,211 in fiscal year 2015 to \$9,010,814 in fiscal year 2016. General fund expenditures increased from \$8,492,617 in fiscal year 2015 to \$8,852,336 in fiscal year 2016. This resulted in an increase in the District's General fund balance from \$864,592 to \$1,023,070. This represents an 18.3 percent increase from the prior year.
- As of June 30, 2016, the District's governmental funds reported combined ending fund balances of \$3,262,897, an increase of \$831,726 in comparison to 2015. As of June 30, 2015, the District's governmental funds reported combined ending funding balances of \$2,431,171, a decrease of \$3,026,664 in comparison with 2014. Of the total 2016 combined fund balance, \$817,488 represents unassigned fund balance.
- The District reported an increase in net position of \$1,134,319 during the year ended June 30, 2016. The District reported an increase in net position of \$848,198 during the year ended June 30, 2015.

Using this Annual Report

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

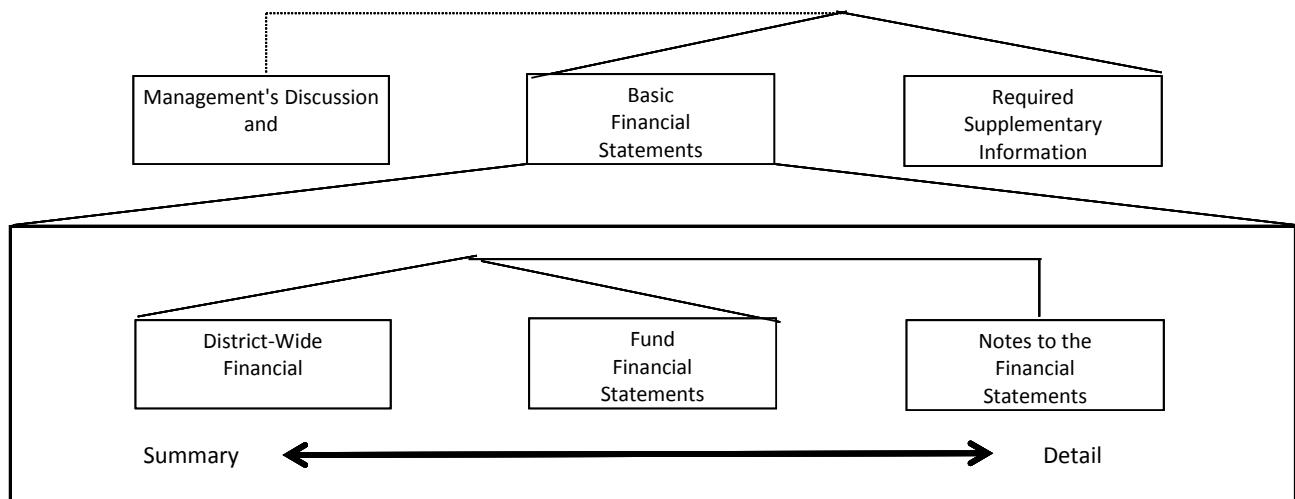
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Northeast Community School District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Northeast Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds.

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

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

Figure A-1
Northeast Community School District Annual Financial Report



Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Northeast Community School District

Management's Discussion and Analysis

Year Ended June 30, 2016

Government-Wide Financial Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax based and the condition of school buildings and other facilities need to be considered.

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for fiscal year 2016 were the General Fund, Capital Projects Fund, and Debt Service Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activity Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund which is a nonmajor fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.
- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Private-Purpose Trust Funds and Agency Funds.

Private-Purpose Trust Fund: This fund accounts for donations and scholarships for individual students.

Agency Fund: This fund accounts for the River Valley Conference revenue collected and related expenditures.

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

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

Government-Wide Financial Analysis

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

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
Current and other assets	\$ 6,712,439	\$ 7,710,809	\$ 96,263	\$ 106,931	\$ 6,808,702	\$ 7,817,740	14.8%
Capital assets	20,096,737	19,799,087	93,074	82,307	20,189,811	19,881,394	-1.5%
Total assets	26,809,176	27,509,896	189,337	189,238	26,998,513	27,699,134	2.6%
Deferred outflows of resources	644,945	1,139,847	19,262	31,708	664,207	1,171,555	76.4%
Long-term liabilities	15,085,671	15,210,851	84,640	102,584	15,170,311	15,313,435	0.9%
Other liabilities	1,183,046	1,118,789	5,433	9,408	1,188,479	1,128,197	-5.1%
Total liabilities	16,268,717	16,329,640	90,073	111,992	16,358,790	16,441,632	0.5%
Deferred inflows of resources	3,888,247	3,886,270	31,166	23,951	3,919,413	3,910,221	-0.2%
Net position:							
Net investment in capital assets	8,127,628	8,292,151	93,074	82,307	8,220,702	8,374,458	1.9%
Restricted	1,727,495	2,471,957	-	-	1,727,495	2,471,957	43.1%
Unrestricted	(2,557,966)	(2,330,275)	(5,714)	2,696	(2,563,680)	(2,327,579)	9.2%
Total net position	\$ 7,297,157	\$ 8,433,833	\$ 87,360	\$ 85,003	\$ 7,384,517	\$ 8,518,836	15.4%

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

The District's combined net position as of June 30, 2016 increased by \$1,134,319 (15.4 percent) over the June 30, 2015 combined net position. Net position in the governmental activities increased by \$1,136,676. The net position of the District's business-type activities decreased by \$2,357.

The major factor for the increase in net position of the District is the increase in the deferred outflows of resources from improved performance of the pension plan investments and the settlement of the whole-grade sharing agreement.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$744,462 or 43.1 percent from the prior year. The increase was primarily a result of increases to the debt service requirements and the settlement of the whole-grade sharing agreement.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$236,101 or 9.2 percent. The unrestricted net position is in a deficit position primarily due to recording the net pension liability.

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

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
Revenues:							
Program revenues:							
Charges for services	\$ 3,229,566	\$ 3,536,131	\$ 257,580	\$ 252,529	\$ 3,487,146	\$ 3,788,660	8.6%
Operating grants and contributions	1,002,125	1,087,134	220,928	219,911	1,223,053	1,307,045	6.9%
Capital grants and contributions	-	-	-	-	-	-	0.0%
General revenues:							
Property taxes	2,803,856	2,867,425	-	-	2,803,856	2,867,425	2.3%
Income surtax	279,568	255,735	-	-	279,568	255,735	-8.5%
State foundation aid	2,338,668	2,427,714	-	-	2,338,668	2,427,714	3.8%
Statewide sales and services tax	547,078	513,766	-	-	547,078	513,766	-6.1%
Other	57,483	416,906	-	-	57,483	416,906	625.3%
Total revenues	10,258,344	11,104,811	478,508	472,440	10,736,852	11,577,251	7.8%
Expenses:							
Instruction	6,412,956	6,806,493	-	-	6,412,956	6,806,493	6.1%
Support services	2,602,795	2,766,252	24,948	23,150	2,627,743	2,789,402	6.2%
Noninstructional programs	2,075	1,469	458,561	451,647	460,636	453,116	-1.6%
Other	387,319	393,921	-	-	387,319	393,921	1.7%
Total expenses	9,405,145	9,968,135	483,509	474,797	9,888,654	10,442,932	5.6%
Increase (decrease) in net position	\$ 853,199	\$ 1,136,676	\$ (5,001)	\$ (2,357)	\$ 848,198	\$ 1,134,319	

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

In 2015-16, property tax, statewide sales and services tax, and state foundation aid accounted for 50.2 percent of the total revenue of the District. Charges for services and operating grants and contributions accounted for 44.0 percent. In 2014-15, property tax, statewide sales and services tax, and state foundation aid accounted for 53.0 percent of total revenue of the District. Charges for services and operating grants and contributions accounted for 43.9 percent of the total revenue of the District.

The District's expenses primarily relate to instructional and support services which account for 91.9 percent and 91.4 percent of the total expenses in fiscal years 2016 and 2015, respectively.

Total revenue for the District increased by \$840,399 (7.8 percent) in the fiscal year ended June 30, 2016. The most significant change was an increase of \$359,423 in other general revenues from the whole-grade sharing settlement. Charges for services increased \$301,514 due to increases in tuition and open enrolled in students.

Total District expenses increased 5.6 percent or \$554,278 from June 30, 2015 primarily due to increases in depreciation expense and salaries and benefits.

Governmental Activities

Governmental activities net position as of June 30, 2016 increased \$1,136,676 (15.6 percent) over the June 30, 2015 balance. Revenue for the District's governmental activities in 2015-16 increased \$846,467 (8.3 percent) from the previous year, while total expenses increased \$562,990 (6.0 percent). The increases in revenue are from the whole-grade sharing settlement, increases in tuition charged for regular and special education, and increases in categorical funding. Expenses increased due to increases in categorical funding, salaries and benefits adjustments, and depreciation expense.

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

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2016		2015	2016	
Instruction	\$ 6,412,956	\$ 6,806,493	6.14%	\$ 2,503,351	\$ 2,905,897	16.1%
Support services	2,602,795	2,766,252	6.28%	2,494,807	2,266,245	-9.2%
Noninstructional	2,075	1,469	-29.20%	2,075	1,469	-29.2%
Other	387,319	393,921	1.70%	173,221	171,259	-1.1%
	<u>\$ 9,405,145</u>	<u>\$ 9,968,135</u>	<u>5.99%</u>	<u>\$ 5,173,454</u>	<u>\$ 5,344,870</u>	<u>3.3%</u>

For the year ended June 30, 2016:

- The cost financed by the users of the District's programs was \$3,536,131.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$1,087,134.
- The net cost of governmental activities was financed with \$2,867,425 in property taxes, \$2,427,714 of unrestricted state grants, \$513,766 in statewide sales and services tax revenue, \$255,735 in income surtax revenue, and \$416,906 in other revenue.

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

For the year ended June 30, 2015:

- The cost financed by the users of the District's programs was \$3,229,566.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$1,002,125.
- The net cost of governmental activities was financed with \$2,803,856 in property taxes, \$2,338,668 of unrestricted state grants, \$547,078 in statewide sales and services tax revenue, \$279,568 in income surtax revenue, and \$57,483 in investment earnings.

Business-Type Activities

Revenues of the District's business-type activities were \$472,440 and expenses were \$474,797. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,262,897, which is an increase of \$831,726 from last year's ending fund balances of \$2,431,171. The primary reason for the increase in combined fund balances at the end of fiscal 2016 is due to less facility acquisitions expended than statewide sales, services and use tax generated and the whole-grade sharing settlement.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased \$158,478 from \$864,592 as of June 30, 2015 to \$1,023,070 as of June 30, 2016. The increase is mainly due to increases in tuition and categorical funding revenues.
- The fund balance in the Capital Projects Fund increased \$545,420 from \$366,366 as of June 30, 2015 to \$911,686 as of June 30, 2016. The increase was from the whole-grade sharing settlement and no significant capital projects in the current year.
- The fund balance of the Debt Service Fund increased \$219,513 from \$1,002,813 as of June 30, 2015 to \$1,222,326 as of June 30, 2016. The increase is mainly due to the \$177,537 annual transfer from the Capital Projects Fund to the debt service reserve as required by the bonds.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$87,360 as of June 30, 2015 to \$85,003 as of June 30, 2016. The decrease was mainly due to increases in food costs.

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Budgetary Highlights

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

In accordance with the Code of Iowa, the Board of Education annual adopts a budget following required public notice and hearing for all funds, except blended 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 uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. The budget was amended one time during the 2015-2016 school year to increase noninstructional program expenditures \$23,500. The District's revenues were approximately \$173,950 more than budgeted revenues. The District received more in state sources than originally anticipated. The District's expenditures were approximately \$1.6 million less than budgeted due to the timing of capital expenditures. The District exceeded the budgeted expenditures in the instruction and noninstructional programs functions.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2015-16 fiscal year, the District had invested \$19,881,394 (net of accumulated depreciation of \$8,532,054) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-6). This amount represents a net decrease of \$308,417 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$669,098.

Figure A-6 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
Land	\$ 202,905	\$ 202,905	\$ -	\$ -	\$ 202,905	\$ 202,905	0.0%
Buildings	18,825,002	18,643,403	28,501	27,881	18,853,503	18,671,284	-1.0%
Improvements other than buildings	659,360	600,845	-	-	659,360	600,845	-8.9%
Furniture and equipment	409,470	289,428	64,573	54,426	474,043	343,854	-27.5%
Construction in progress	-	62,506	-	-	-	62,506	100.0%
Total	\$ 20,096,737	\$ 19,799,087	\$ 93,074	\$ 82,307	\$ 20,189,811	\$ 19,881,394	-1.5%

Northeast Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Long-Term Liabilities

As of June 30, 2016, the District had \$15,313,435 in general obligation and other long-term debt outstanding. This represents an increase of \$143,124 from the prior year primarily due to a \$638,414 increase in the net pension liability offset by debt service principal payments. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
General obligation bonds	\$ 7,366,669	\$ 6,999,724	\$ -	\$ -	\$ 7,366,669	\$ 6,999,724	-5.0%
Qualified school construction bonds	3,302,000	3,302,000	-	-	3,302,000	3,302,000	0%
Revenue bonds	900,000	900,000	-	-	900,000	900,000	0%
Capital loan notes	271,700	240,002	-	-	271,700	240,002	-12%
Note payable	128,740	65,210	-	-	128,740	65,210	-49%
Early retirement	123,338	33,386	-	-	123,338	33,386	-73%
Net OPEB liability	256,979	313,171	2,920	3,563	259,899	316,734	22%
Net pension liability	2,736,245	3,357,358	81,720	99,021	2,817,965	3,456,379	23%
Total	\$ 15,085,671	\$ 15,210,851	\$ 84,640	\$ 102,584	\$ 15,170,311	\$ 15,313,435	1%

Economic Factors Bearing on the District's Future

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

- Continued budget concerns at the state level will likely affect the District in the next several years.
- The District's fiscal year 2017 budgeted expenditures are \$11,767,489.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Tina Bartels, Business Manager, Northeast Community School District, P.O. Box 66, Goose Lake, Iowa 52750.

Northeast Community School District

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,442,348	\$ 97,189	\$ 2,539,537
Receivables:			
Property tax:			
Current year	59,673	-	59,673
Succeeding year	3,101,773	-	3,101,773
Other	-	155	155
Income surtax	243,850	-	243,850
Due from other governments	685,540	-	685,540
Inventories	-	9,587	9,587
Restricted cash	1,177,625	-	1,177,625
Capital assets:			
Nondepreciable	265,411	-	265,411
Depreciable, net	19,533,676	82,307	19,615,983
Total assets	27,509,896	189,238	27,699,134
Deferred outflows of resources,			
pension related deferred outflows	1,139,847	31,708	1,171,555
Liabilities			
Accounts payable	239,534	2,199	241,733
Salaries and benefits payable	836,207	-	836,207
Accrued interest payable	43,048	-	43,048
Unearned revenue	-	7,209	7,209
Long-term liabilities:			
Portion due within one year:			
Early retirement	33,386	-	33,386
General obligation bonds	360,000	-	360,000
Capital loan notes	32,330	-	32,330
Revenues bonds	169,701	-	169,701
Note payable	65,210	-	65,210
Portion due after one year:			
General obligation bonds	6,639,724	-	6,639,724
Qualified school construction bonds	3,302,000	-	3,302,000
Capital loan notes	207,672	-	207,672
Revenues bonds	730,299	-	730,299
Net OPEB liability	313,171	3,563	316,734
Net pension liability	3,357,358	99,021	3,456,379
Total liabilities	16,329,640	111,992	16,441,632
Deferred inflows of resources:			
Succeeding year property tax	3,101,773	-	3,101,773
Pension related deferred inflows	784,497	23,951	808,448
Total deferred inflows of resources	3,886,270	23,951	3,910,221
Net Position			
Net investment in capital assets	8,461,852	82,307	8,544,159
Restricted for:			
Categorical funding	205,582	-	205,582
Debt service	1,222,326	-	1,222,326
Management levy	47,236	-	47,236
Student activities	58,579	-	58,579
School infrastructure	709,527	-	709,527
Physical plant and equipment	228,707	-	228,707
Unrestricted	(2,499,976)	2,696	(2,497,280)
Total net position	\$ 8,433,833	\$ 85,003	\$ 8,518,836

See Notes to Financial Statements.

Northeast Community School District

Statement of Activities
Year Ended June 30, 2016

	<u>Functions/Programs</u>	<u>Expenses</u>
Governmental activities:		
Instruction:		
Regular instruction	\$ 4,526,994	
Special instruction	1,184,873	
Other	1,094,626	
	<u>6,806,493</u>	
Support services:		
Student services	349,165	
Instructional staff services	243,770	
Administration services	1,023,267	
Operation and maintenance of plant services	668,079	
Transportation services	481,971	
	<u>2,766,252</u>	
Noninstructional programs	1,469	
Other expenditures:		
Long term debt interest	171,259	
AEA flowthrough	222,662	
	<u>393,921</u>	
	Total governmental activities	9,968,135
Business-Type Activities:		
Support services:		
Administration services	15,302	
Operation and maintenance of plant services	7,848	
	<u>23,150</u>	
Noninstructional programs, food service operations	451,647	
	<u>474,797</u>	
	Total	\$ 10,442,932
General revenues:		
Property tax levied for:		
General purposes	15,302	
Capital outlay	7,848	
Debt service	23,150	
Statewide sales and services tax	451,647	
Income surtax	474,797	
Unrestricted state grants	15,302	
Unrestricted investment earnings	7,848	
Other revenue	23,150	
	Total general revenues	\$ 10,442,932
	Change in net position	
Net position, beginning of year	15,302	
Net position, end of year	7,848	
See Notes to Financial Statements.		

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Northeast Community School District

Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,426,583	\$ 854,092	\$ 34,090	\$ 127,583	\$ 2,442,348
Receivables:					
Property tax:					
Current year	42,997	4,019	10,611	2,046	59,673
Succeeding year	2,271,097	207,127	523,550	99,999	3,101,773
Income surtax	243,850	-	-	-	243,850
Due from other governments	569,926	113,864	-	1,750	685,540
Restricted cash	-	-	1,177,625	-	1,177,625
Total assets	\$ 4,554,453	\$ 1,179,102	\$ 1,745,876	\$ 231,378	\$ 7,710,809
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 180,229	\$ 33,741	\$ -	\$ 25,564	\$ 239,534
Salaries and benefits payable	836,207	-	-	-	836,207
Total liabilities	1,016,436	33,741	-	25,564	1,075,741
Deferred inflows of resources, unavailable revenue:					
Sales tax	-	26,548	-	-	26,548
Succeeding year property tax	2,271,097	207,127	523,550	99,999	3,101,773
Income surtax	243,850	-	-	-	243,850
Total deferred inflows of resources	2,514,947	233,675	523,550	99,999	3,372,171
Fund balances:					
Restricted for:					
Categorical funding	205,582	-	-	-	205,582
Debt service	-	-	1,222,326	-	1,222,326
Management levy	-	-	-	47,236	47,236
Student activities	-	-	-	58,579	58,579
School infrastructure	-	682,979	-	-	682,979
Physical plant and equipment	-	228,707	-	-	228,707
Unassigned	817,488	-	-	-	817,488
Total fund balances	1,023,070	911,686	1,222,326	105,815	3,262,897
Total liabilities, deferred inflows of resources and fund balances	\$ 4,554,453	\$ 1,179,102	\$ 1,745,876	\$ 231,378	\$ 7,710,809

See Notes to Financial Statements.

Northeast 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 \$ 3,262,897

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. 19,799,087

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds 270,398

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 (43,048)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources 1,139,847
Deferred inflows of resources (784,497)

Long-term liabilities, including bonds payable, compensated absences, net pension liability and early retirement are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.

Net position of governmental activities (15,210,851)

\$ 8,433,833

See Notes to Financial Statements.

Northeast Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,303,963	\$ 196,721	\$ 526,072	\$ 100,726	\$ 3,127,482
Tuition	2,810,454	-	-	-	2,810,454
Other	264,758	404,547	35,356	314,416	1,019,077
State sources	3,407,174	531,926	1,648	355	3,941,103
Federal sources	224,465	-	-	-	224,465
Total revenues	9,010,814	1,133,194	563,076	415,497	11,122,581
Expenditures:					
Current:					
Instruction:					
Regular	3,839,513	138,744	-	141,150	4,119,407
Special	1,184,873	-	-	-	1,184,873
Other	808,303	-	-	286,323	1,094,626
	5,832,689	138,744	-	427,473	6,398,906
Support services:					
Student services	389,010	-	-	-	389,010
Instructional staff services	243,770	-	-	-	243,770
Administration services	964,776	5,927	-	-	970,703
Operation and maintenance of plant services	792,815	-	-	65,110	857,925
Transportation services	406,145	-	-	13,599	419,744
	2,796,516	5,927	-	78,709	2,881,152
Noninstructional programs	469	-	-	1,000	1,469
Other expenditures:					
Debt service:					
Principal	-	-	450,228	-	450,228
Interest and fiscal charges	-	-	174,824	-	174,824
Facilities acquisition	-	161,614	-	-	161,614
AEA flowthrough	222,662	-	-	-	222,662
	222,662	161,614	625,052	-	1,009,328
Total expenditures	8,852,336	306,285	625,052	507,182	10,290,855
Revenues over (under) expenditures	158,478	826,909	(61,976)	(91,685)	831,726
Other financing sources (uses):					
Interfund transfers in	-	-	281,489	-	281,489
Interfund transfers out	-	(281,489)	-	-	(281,489)
Total other financing sources (uses)	-	(281,489)	281,489	-	-
Net change in fund balance	158,478	545,420	219,513	(91,685)	831,726
Fund balances, beginning of year	864,592	366,266	1,002,813	197,500	2,431,171
Fund balances, end of year	\$ 1,023,070	\$ 911,686	\$ 1,222,326	\$ 105,815	\$ 3,262,897

See Notes to Financial Statements.

Northeast 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 \$ 831,726

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.:

Capital outlay	\$ 368,704	
Depreciation expense	<u>(658,331)</u>	(289,627)
Loss on sale of capital assets		(8,023)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (17,770)

The issuance of debt provides current financial resources to governmental funds; however, the issuance increases 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.

Repayment of long-term debt	450,228	
Amortization of bond premium	11,945	
Change in accrued interest payable	<u>(8,380)</u>	453,793

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 17,608

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

Early retirement	89,952	
Net OPEB liability	(56,192)	
Pension expense	<u>115,209</u>	148,969

Change in net position of governmental activities \$ 1,136,676

See Notes to Financial Statements.

Northeast Community School District**Statement of Net Position****Proprietary Fund****June 30, 2016**

	Nonmajor Enterprise Fund	
	School	
	Nutrition	
Assets		
Cash and cash equivalents	\$ 97,189	
Accounts receivable	155	
Inventories	9,587	
Capital assets, net of accumulated depreciation	82,307	
Total assets	189,238	
 Deferred outflows of resources , pension related deferred outflows		 31,708
 Liabilities		
Accounts payable	2,199	
Unearned revenue	7,209	
Net OPEB liability	3,563	
Net pension liability	99,021	
Total liabilities	111,992	
 Deferred inflows of resources , pension related deferred inflows		 23,951
 Net Position		
Net investment in capital assets	82,307	
Unrestricted	2,696	
Total net position	\$ 85,003	

See Notes to Financial Statements.

Northeast Community School District

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2016**

	Nonmajor Enterprise Fund	
	School	
	Nutrition	
Operating revenues:		
Local sources, charges for services	\$ 252,529	
Operating expenses:		
Support services:		
Administration:		
Salaries	9,418	
Benefits	5,884	
Operation and maintenance of plant:		
Services	7,848	
Total support services	<u>23,150</u>	
Noninstructional programs:		
Food service operations:		
Salaries	131,762	
Benefits	24,421	
Purchased services	2,968	
Supplies	281,729	
Depreciation	10,767	
	<u>451,647</u>	
Total expenses	<u>474,797</u>	
Operating (loss)	<u>(222,268)</u>	
Nonoperating revenues:		
State sources	4,061	
Federal sources	<u>215,850</u>	
Total nonoperating revenues	<u>219,911</u>	
Change in net position	(2,357)	
Net position, beginning of year	87,360	
Net position, end of year	<u>\$ 85,003</u>	

See Notes to Financial Statements.

Northeast Community School District

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2016

	Nonmajor Enterprise Fund	School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 256,490	
Cash payments to employees for services	(173,202)	
Cash payments to suppliers for goods or services	(259,591)	
Net cash (used in) operating activities	(176,303)	
Cash flows from noncapital financing activities:		
Payments on interfund accounts	4,061	
State grants received	180,144	
Federal grants received	184,205	
Net cash provided by noncapital financing activities	184,205	
Cash flows from capital financing activities, purchase of capital assets		-
Net increase in cash and cash equivalents	7,902	
Cash and cash equivalents, beginning of year	89,287	
Cash and cash equivalents, end of year	\$ 97,189	
Reconciliation of operating (loss) to net cash		
(used in) operating activities:		
Operating (loss)	\$ (222,268)	
Adjustments to reconcile operating (loss) to net cash		
(used in) operating activities:		
Depreciation	10,767	
Commodities used	35,706	
Increase in inventories	(2,766)	
Increase in unearned revenue	3,961	
Increase in accounts payable	14	
Increase in net OPEB liability	643	
Decrease in net pension liability and related deferrals	(2,360)	
Net cash (used in) operating activities	\$ (176,303)	
Schedule of noncash items:		
Noncapital financing activities, federal commodities	\$ 35,706	

See Notes to Financial Statements.

Northeast Community School District

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust
Additions:	
Local sources, donations	<u>\$ 1,000</u>
Deductions:	
Scholarships	<u>\$ 1,000</u>
Net Change in net position	\$ -
Net position, beginning of year	<u>\$ -</u>
Net position, end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Northeast Community School District is a political subdivision of the state of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. The courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Goose Lake, Iowa, and the predominately agricultural territory in Clinton County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting entity:

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

Jointly governed organizations: The District participates in a jointly governed organization that provides services to the District but 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 Clinton County Assessor's Conference Board.

Basis of presentation:

District-wide financial statements: The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental 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 nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer 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 and proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. The Capital Projects Fund includes the Statewide Sales, Services and Use Tax Account and the Physical Plant and Equipment Levy Account and the Other Capital Projects Account.

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

The District also has two nonmajor governmental funds:

Special revenue funds: Special revenue funds are used to account for the revenue sources that are legally restricted to expenditures for specific purposes. The District has the following special revenue funds:

The Management Fund is used to pay the costs of unemployment benefits, liability insurance, judgments, and certain early retirement benefits.

The Student Activity Fund is used to support cocurricular programs.

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 District has one proprietary fund type, the enterprise fund.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for the management accountability. The District's nonmajor proprietary fund is the Enterprise, School Nutrition Fund, used to account for the food service operations of the District.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The District also reports fiduciary funds which are used to account for net position and changes in net position. The District's fiduciary funds include the following:

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

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

Measurement focus and basis of accounting:

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

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

Revenues – exchange and nonexchange transactions: Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

Assets, liabilities and fund equity:

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

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit, which are stated at cost.

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

Property tax receivable: Property tax in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. 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 unavailable in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in the governmental funds becomes due and collectible in September and March of the fiscal year with 1 ½ percent per month penalty for delinquent payments; is based on the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Asset Class	Amount
Land	\$ 1
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 years
Furniture and equipment	5-20 years

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.

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

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 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.

Assigned: Amounts the Board of Education intend to use for specific purposes. The authority to assign fund balances has been delegated to the Business Manager through the Board approved budget of the District.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned funds and then unassigned.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District reports unavailable revenue in the governmental funds balance sheet from the income surtax, statewide sales tax and property tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources in the government-wide statements consist of succeeding year property tax revenue and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Northeast Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted through enabling legislation consists of \$709,527 for school infrastructure, \$228,707 for physical plant and equipment levy, \$47,236 for management levy and \$1,222,326 for debt service. All other restricted net position consists of \$205,582 for categorical funding and \$58,579 for student activities and are restricted by grantors and donors.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Long-term liabilities: In the District-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.

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceed the amounts budgeted in the instruction and noninstructional functions program expenditures.

Northeast Community School District

Notes to Basic Financial Statements

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of 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.

Note 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 Fund	Capital Projects Fund	\$ <u>281,489</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Capital Projects Fund transferred monies for debt service payment to the Debt Service Fund.

Note 4. Whole Grade Sharing

As allowed under Iowa Code Section 282, the District entered into a one-way whole sharing agreement with East Central Community School District (ECCSD) on June 23, 2010. Under the agreement, beginning fiscal year 2012, the District agreed to accept all ECCSD regular education students enrolled in grades 7 through 12 to attend regular classes in the District and allow participation in all extra-curricular activities. The ECCSD agreed to pay tuition to the District based on the number of ECCSD students enrolled in the District on October 1st of the first semester and March 1st of the second semester.

The term of the agreement began with the 2011-12 school fiscal year and was to renew each year thereafter so as to continue with a three year contract in effect at all times. In the event either party wished to terminate the agreement, the termination was to be accomplished by either party giving written notice to the other by the 15th day of December of any school year.

On September 11, 2012, a referendum, authorized by the Mississippi Bend Area Education Agency, to vote on a petition to seek reorganization of the Preston Community School District and East Central Community School District passed. As a result, the two school districts combined to form Easton Valley Community School District beginning with the 2013-2014 year. The District's whole-grade sharing agreement was with the East Central Community School District. On December 14, 2012, the Board of the newly formed Easton Valley Community School District provided written notice to the District of its intent to cancel the agreement effective July 1, 2013 when the East Central Community School District ceased to exist. However, the District determined the Easton Valley Community School District does not have the authority to cancel the agreement until the East Central Community School District is dissolved.

Northeast Community School District

Notes to Basic Financial Statements

Note 4. Whole Grade Sharing (Continued)

As East Central Community School District did not cancel the agreement by December 15, 2012, the District expected the whole-grade sharing agreement to remain until the 2015-2016 school year. The District sought a ruling in Clinton County District Court regarding the agreement. The court ruled the merger-vote made the whole grade sharing agreement unenforceable. The District appealed to the Iowa Supreme Court.

On August 19, 2015, the Board approved a settlement agreement with Easton Valley Community School District. The settlement agreement required Easton Valley Community School District to pay Northeast Community School District \$450,000. Easton Valley Community School District paid the settlement on September 16, 2015.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 202,905	\$ -	\$ -	\$ 202,905
Construction in progress	-	62,506	-	62,506
Total capital assets not being depreciated	202,905	62,506	-	265,411
Capital assets being depreciated:				
Buildings	22,988,570	302,228	8,023	23,282,775
Improvements other than buildings	1,572,971	-	-	1,572,971
Furniture and equipment	3,013,344	3,970	6,613	3,010,701
Total capital assets being depreciated	27,574,885	306,198	14,636	27,866,447
Less accumulated depreciation for:				
Buildings	4,163,568	475,804	-	4,639,372
Improvements other than buildings	913,611	58,515	-	972,126
Furniture and equipment	2,603,874	124,012	6,613	2,721,273
Total accumulated depreciation	7,681,053	658,331	6,613	8,332,771
Total capital assets being depreciated, net	19,893,832	(352,133)	8,023	19,533,676
Governmental activities capital assets, net	\$ 20,096,737	\$ (289,627)	\$ 8,023	\$ 19,799,087

Northeast Community School District

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 30,981	\$ -	\$ -	\$ 30,981
Furniture and equipment	250,609	-	-	250,609
Total capital assets being depreciated	281,590	-	-	281,590
Less accumulated depreciation for:				
Buildings and improvements	2,480	620	-	3,100
Furniture and equipment	186,036	10,147	-	196,183
Total accumulated depreciation	188,516	10,767	-	199,283
Business-type activities capital assets, net	\$ 93,074	\$ (10,767)	\$ -	\$ 82,307

Depreciation expense was charged by the District to the following functions:

Governmental activities:			
Instruction, Regular		\$ 534,319	
Support services:			
Administrative services		52,564	
Operation and maintenance of plant services		9,221	
Transportation		62,227	
Total governmental activities depreciation expense		\$ 658,331	
Business-type activities, food service operations		<u><u>\$ 10,767</u></u>	

Northeast Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,295,000	\$ -	\$ 355,000	\$ 6,940,000	\$ 360,000
General obligation bond premium	71,669	-	11,945	59,724	-
Qualified school construction bonds	3,302,000	-	-	3,302,000	-
School infrastructure sales, services and use tax revenue bonds	900,000	-	-	900,000	169,701
Capital loan notes	271,700	-	31,698	240,002	32,330
Note payable	128,740	-	63,530	65,210	65,210
Early retirement	123,338	-	89,952	33,386	33,386
Net OPEB liability	256,979	66,662	10,470	313,171	-
Net pension liability	2,736,245	621,113	-	3,357,358	-
Total	\$ 15,085,671	\$ 687,775	\$ 562,595	\$ 15,210,851	\$ 660,627
 Business-type activities:					
Net OPEB liability	\$ 2,920	\$ 643	\$ -	\$ 3,563	\$ -
Net pension liability	81,720	17,301	-	99,021	-
Total	\$ 84,640	\$ 17,944	\$ -	\$ 102,584	\$ -

Early retirement: The District provided early retirement incentives for certain employees who met certain qualifications as established by the Board of Education. The cost of the incentives is borne by the District in whole. Eligible participants cannot, and do not, contribute to the incentive program.

Early retirement participation is based on the following criteria:

1. It is available to teachers who are at least 55 years of age. The Board of Directors reserves the right to limit the number of early retirements.
2. The employee has completed at least fifteen (15) years of service to the District or East Central District.
3. The employee will not be eligible if they received an official notice of layoff or termination or is subject to termination pursuant to Iowa Code Section 279.15 or 279.27.
4. The employee submits a written notification of their intent to apply for early retirement benefits within the timeframe specified in the Plan and following adoption of the Plan by the Board.

During the year ended June 30, 2014, 3 District employees requested early retirement, to be payable during the years ending June 30, 2015 and 2016. During the year ended June 30, 2015, 4 District employees requested early retirement, to be payable during the years ending June 30, 2016 and 2017. The District did not offer an early retirement plan during the year ended June 30, 2016. The final benefits to be paid to these employees will be in July 2016. The District paid \$89,952 of early retirement benefits approved during the year from the Management Fund.

Northeast Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

General obligation bonds payable:

The District issued \$7,500,000 general obligation bonds on May 1, 2013 to build, furnish and equip an addition to and to remodel, repair, furnish and equip the existing middle school/high school building including site improvements and to build, improve, remodel, repair, and equip athletic facilities including site improvements. Principal is due annually beginning May 1, 2015. The bonds have interest rates ranging from 1 percent to 3.5 percent due semi-annually on November 1st and May 1st until maturity on May 1, 2033. Following are the details of the District's General Obligation Bonds Series 2013 as of June 30, 2016:

Year Ending June 30	General Obligation Bonds Series 2013			
	Interest Rates	Principal	Interest	Total
2017	1.00%	360,000	162,050	522,050
2018	1.00%	365,000	158,450	523,450
2019	1.00%	365,000	154,800	519,800
2020	1.50%	370,000	151,150	521,150
2021	2.00%	375,000	145,600	520,600
2021-2025	2.00%	1,975,000	612,900	2,587,900
2026-2030	2.0-3.0%	2,180,000	363,050	2,543,050
2031-2033	3.0-3.5%	950,000	50,050	1,000,050
Total		\$ 6,940,000	\$ 1,798,050	\$ 8,738,050

Qualified school construction bonds: The District issued \$3,302,000 of qualified school construction bonds (QSCB) bearing 3 percent interest on September 30, 2009 for construction of a fine arts building. Annual transfers of \$177,537 from the Capital Projects Fund to the debt sinking fund at Gateway State Bank are made through September 1, 2024, to pay the \$3,302,000 indebtedness due September 1, 2024. As of June 30, 2016, the District has \$1,177,625 in the debt sinking fund. The bonds are to be paid with statewide sales, services and use tax. Total principal and interest remaining to be paid on the bonds is \$3,302,000. Statewide sales, services and use tax revenues for the year ended June 30, 2016 were \$531,246. The pledge of statewide, sales, services and use tax revenues constitutes approximately 35% of annual statewide sales, services and use tax revenues of the District.

School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2015: On April 23, 2015, The District issued \$900,000 of school infrastructure sales, services and use tax revenue bonds for funds to complete construction in progress on the high school building addition. Principal is due annually beginning on July 15, 2016 through July 15, 2020. The bonds bear interest at a rate of 2% per annum. Monthly, the District is required to transfer from the project fund to a sinking fund an amount sufficient to pay principal and interest due each year. The bonds are to be paid with statewide sales, services and use tax. Total interest and principal remaining to be paid on the bonds is \$958,976. There were no principal and interest payments made during the year ended June 30, 2016. Statewide sales, services and use tax revenues for the year ended June 30, 2016 were \$531,246. The pledge of statewide, sales, services and use tax revenues constitutes approximately 35% of annual statewide sales, services and use tax revenues of the District.

Northeast Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

Following are the details of the District's School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2015 as of June 30, 2016:

Year Ending June 30	School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2015				
	Interest		Principal	Interest	Total
	Rates				
2017	2.00%	\$ 169,701	\$ 22,100	\$ 191,801	
2018	2.00%	177,188	14,606	191,794	
2019	2.00%	180,732	11,062	191,794	
2020	2.00%	184,346	7,448	191,794	
2021	2.00%	188,033	3,761	191,794	
Total		900,000	58,976	958,976	

General obligation school capital loan notes series 2013: On September 5, 2013, the District issued \$335,000 of general obligation school capital loan notes to install air conditioning in the elementary and middle/high schools. Principal is due annually beginning June 1, 2014. The capital loan notes bear an interest rate of 1.95 percent due annually on June 1st until maturity on June 1, 2023. Following are the details of the District's General Obligation School Capital Loans Notes Series 2013 as of June 30, 2016:

Year Ending June 30	General Obligation Capital Loan Notes Series 2013				
	Interest		Principal	Interest	Total
	Rates				
2017	1.95%		32,330	4,580	36,910
2018	1.95%		32,960	4,043	37,003
2019	1.95%		33,603	3,407	37,010
2020	1.95%		34,259	2,751	37,010
2021	1.95%		34,926	2,083	37,009
2022	1.95%		35,608	1,402	37,010
2023	1.95%		36,316	708	37,024
Total		\$ 240,002	\$ 18,974	\$ 258,976	

Note payable: On July 15, 2013, the District issued a note payable to purchase two busses. Principal is due annually beginning July 15, 2014. The note payable bears an interest rate of 2.65 percent due annually on July 15 until maturity on July 15, 2016. Following are the details of the District's Note Payable as of June 30, 2016:

Year Ending June 30	Note Payable				
	Interest		Principal	Interest	Total
	Rates				
2017	2.65%		\$ 65,210	\$ 1,733	\$ 66,943

Northeast Community School District

Notes to Basic Financial Statements

Note 7. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 81 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 81,222
Interest on net OPEB obligation	6,497
Adjustment to annual required contribution	(20,414)
Annual OPEB cost	67,305
Contributions made	10,470
Increase in net OPEB obligation	56,835
Net OPEB obligation beginning of year	259,899
Net OPEB obligation end of year	<u><u>\$ 316,734</u></u>

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 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage	Net OPEB Obligation
		of Annual OPEB Cost Contributed	
June 30, 2014	\$ 48,933	4.0%	\$ 208,866
June 30, 2015	51,033	0.0%	259,899
June 30, 2016	67,305	15.6%	316,734

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 \$378,672, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 378,672. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,981,607 and the ratio of the UAAL to covered payroll was 7.60 percent. As of June 30, 2016, there were no trust fund assets.

Northeast Community School District

Notes to Basic Financial Statements

Note 7. Other Postemployment Benefits (OPEB) (Continued)

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, presented as required supplementary information in the section following the notes to financial statements, will present 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 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy and 3.0 percent inflation rate. The projected annual medical trend rate is 6 percent. Mortality rates are from the RP 2000 Group Annuity Mortality Table projected to 2015 on a 2/3 female, 1/3 male gender basis.

The UAAL is being amortized as a level dollar of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

Northeast Community School District

Notes to Basic Financial Statements

Note 8. Pension and Retirement Benefits (Continued)

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2016 were \$444,858.

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 \$3,456,379 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 .0699603 percent, which was a decrease of .001094 percent from its proportion measured as of June 30, 2014.

Northeast Community School District

Notes to Basic Financial Statements

Note 8. Pension and Retirement Benefits (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$309,591. 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	\$ 52,221	\$ -
Changes of assumptions	95,162	-
Net difference between projected and actual earnings on pension plan investments	517,143	804,804
Changes in proportion and differences between District contributions and proportionate share of contributions	62,171	3,644
District contributions subsequent to the measurement date	444,858	\$ -
Total	\$ 1,171,555	\$ 808,448

\$444,858 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, 2016	
2017	\$ (77,970)
2018	(77,970)
2019	(77,970)
2020	150,620
2021	1,539
Total	\$ (81,751)

There were no non-employer contributing entities to 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 percent per annum
Salary Increases (effective June 30, 2010)	4.00 percent to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

Northeast Community School District

Notes to Basic Financial Statements

Note 8. Pension and Retirement Benefits (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

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

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

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

	1%	Discount	1%
	Decrease (6.5%)	Rate (7.5%)	Increase (8.5%)
District's proportionate share of the net pension liability	\$ 6,051,499	\$ 3,456,379	\$ 1,265,913

Northeast Community School District

Notes to Basic Financial Statements

Note 8. Pension and Retirement Benefits (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position are available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2016, the District reported payables to the defined benefit pension plan of \$49,461 for legally required employer contributions and \$32,956 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 9. Risk Management

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

Note 10. Commitments

The District has entered into a contract for security upgrades of \$117,165. As of June 30, 2016, costs of \$62,506 have been incurred against the contract. The balance of \$54,659 remaining as of June 30, 2016 will be paid as work on the project progresses.

Note 11. 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 \$222,662 for the year ended June 30, 2016 and is recorded in the General Fund.

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding as of June 30, 2016 is comprised of the following programs:

Program	Amount
Limited English proficiency weighting	\$ 11,723
Home school assistance	9,077
Talented and gifted	31,421
Beginning teacher mentoring	13,180
Teacher salary supplement	30,801
Market factor	4,578
Early childhood	6,160
Successful progression for early readers	25,571
Model CORE	6,711
Teacher development academies	2,622
Professional Development	7,468
TLC	56,270
Total	\$ 205,582

Northeast Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Standard also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The implementation of the above statements did not have a material impact to the District's financial statements.

As of June 30, 2016, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Northeast Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its year ending June 30, 2017. This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the District's financial position and results of operations, including the District's ability to raise revenue sources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate state or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016, will be effective for the District beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

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Northeast Community School District**Required Supplementary Information****Schedule of Funding Progress for the Retiree Health Plan****Year Ended June 30, 2016**

Year Ended	Actuarial Valuation	Actuarial		Actuarial		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll		
		Value of Assets	(a)	Accrued Liability (AAL)	Unfunded AAL (UAAL)			(b-a)	(a/b)	(c)
June 30:	Date									
2012	7/1/2009	\$	-	\$ 355,874	\$ 355,874	0.00%	\$ 3,392,000			10.49%
2013	7/1/2012		-	421,441	421,441	0.00%	3,498,800			12.05%
2014	7/1/2012		-	394,419	394,419	0.00%	3,735,700			10.56%
2015	7/1/2012		-	394,419	394,419	0.00%	4,792,900			8.23%
2016	7/1/2015		-	378,672	378,672	0.00%	4,981,607			7.60%

See Note 7 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Northeast 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
Revenues:			
Local sources	\$ 6,957,013	\$ 252,529	\$ 7,209,542
State sources	3,941,103	4,061	3,945,164
Federal sources	224,465	215,850	440,315
Total revenues	11,122,581	472,440	11,595,021
Expenditures/expenses:			
Instruction	6,398,906	-	6,398,906
Support services	2,881,152	23,150	2,904,302
Noninstructional programs	1,469	451,647	453,116
Other expenditures	1,009,328	-	1,009,328
Total expenditures/expenses	10,290,855	474,797	10,765,652
Excess (deficiency) of revenues over (under) expenditures/expenses	831,726	(2,357)	829,369
Other financing sources (uses):			
Interfund transfers in	281,489	-	281,489
Interfund transfers out	(281,489)	-	(281,489)
Total other financing sources (uses)	-	-	-
Net change in fund balance	831,726	(2,357)	829,369
Balance, beginning of year	2,431,171	87,360	2,518,531
Balance, end of year	\$ 3,262,897	\$ 85,003	\$ 3,347,900

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance
Original	Final	
\$ 7,543,324	\$ 7,543,324	(333,782)
3,358,555	3,358,555	586,609
519,192	519,192	(78,877)
<u>11,421,071</u>	<u>11,421,071</u>	<u>173,950</u>
6,280,000	6,280,000	(118,906)
3,367,500	3,367,500	463,198
426,500	450,000	(3,116)
2,233,594	2,233,594	1,224,266
<u>12,307,594</u>	<u>12,331,094</u>	<u>1,565,442</u>
<u>(886,523)</u>	<u>(910,023)</u>	<u>1,739,392</u>
178,000	178,000	103,489
-	-	(281,489)
<u>178,000</u>	<u>178,000</u>	<u>(178,000)</u>
<u>\$ (708,523)</u>	<u>\$ (732,023)</u>	<u>1,561,392</u>

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Northeast Community School District**Required Supplementary Information****Schedule of the District's Proportionate Share of the Net Pension Liability****Iowa Public Employees' Retirement System****Last Two Fiscal Years**

	2016*	2015*
District's proportion of the net pension liability	0.069960%	0.071055%
District's proportionate share of the net pension liability	\$ 3,456,379	\$ 2,817,965
District's covered-employee payroll	\$ 4,792,917	\$ 4,641,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72%	61%
Plan fiduciary net pension as a percentage of the total pension liability	85.19%	87.61%

*The amounts presented for each fiscal year were determined as of the prior fiscal-year end.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Supplementary Information.

Northeast Community School District**Required Supplementary Information****Schedule of District Contributions****Iowa Public Employees' Retirement System****Last Ten Fiscal Years**

	2016		2015		2014		2013		2012
Statutorily required contribution	\$ 445		\$ 428		\$ 415		\$ 380		\$ 331
Contributions in relation to the statutorily required contribution	\$ (445)		\$ (428)		\$ (415)		\$ (380)		\$ (331)
Contribution deficiency (excess)	\$ -		\$ -		\$ -		\$ -		\$ -
District's covered-employee payroll	\$ 4,982		\$ 4,793		\$ 4,642		\$ 4,389		\$ 4,101
Contributions as a percentage of covered-employee payroll	8.93%		8.93%		8.93%		8.67%		8.06%

See Notes to Required Supplementary Information.

	2011		2010		2009		2008		2007
\$	265	\$	260	\$	243	\$	214	\$	193
\$	(265)	\$	(260)	\$	(243)	\$	(214)	\$	(193)
\$	-	\$	-	\$	-	\$	-	\$	-
\$	3,813	\$	3,910	\$	3,827	\$	3,537	\$	3,357
	6.95%		6.65%		6.36%		6.05%		5.74%

Northeast Community School District

Notes to Required Supplementary Information

Note 1. Budgets and Budgetary Information

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

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

The District amended the budget one time during the year ended June 30, 2016 to increase expenditures \$23,500 for additional expenditures in the noninstructional programs function. During the year ended June 30, 2016, expenditures in the instruction and noninstructional programs functions exceeded the amounts budgeted.

Note 2. Pension Liability

Changes of benefit terms: Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65. In 2008, legislative action transferred four groups – emergency medical service providers, county jailors, 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 quadrennial experience study:

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

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

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

Northeast Community School District

Notes to Required Supplementary Information

Note 2. Pension Liability (Continued)

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.

Northeast Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue			Total	
	Management	Student	Activity		
	Levy				
Assets					
Cash and pooled investments	\$ 45,190	\$ 82,393		\$ 127,583	
Receivables:					
Property tax:					
Current year	2,046		-	2,046	
Succeeding year	99,999		-	99,999	
Due from other governments	-	1,750		1,750	
Total assets	\$ 147,235	\$ 84,143		\$ 231,378	
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities, accounts payable	\$ -	\$ 25,564		\$ 25,564	
Deferred inflows of resources, unavailable revenue:					
Succeeding year property tax	99,999		-	99,999	
Fund balances:					
Restricted for:					
Management levy	47,236		-	47,236	
Student activities	-	58,579		58,579	
Total fund balances	47,236	58,579		105,815	
Total liabilities, deferred inflows of resources and fund balances	\$ 147,235	\$ 84,143		\$ 231,378	

Northeast Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue		
	Management	Student	Total
	Levy	Activity	
Revenues:			
Local sources:			
Local tax	\$ 100,726	\$ -	\$ 100,726
Other	464	313,952	314,416
State sources	355	-	355
Total revenues	101,545	313,952	415,497
Expenditures:			
Current:			
Instruction:			
Regular	141,150	-	141,150
Other	-	286,323	286,323
Support services:			
Operation and maintenance			
of plant services	65,110	-	65,110
Transportation services	13,599	-	13,599
Noninstructional programs	1,000	-	1,000
Total expenditures	220,859	286,323	507,182
Net change in fund balances	(119,314)	27,629	(91,685)
Fund balances, beginning of year	166,550	30,950	197,500
Fund balances, end of year	\$ 47,236	\$ 58,579	\$ 105,815

Northeast Community School District

Schedule of Combining Balance Sheet
Capital Project Fund - By Account
June 30, 2016

	Capital Projects Accounts				Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Physical	Plant and Equipment	
Assets					
Cash and pooled investments	\$ 616,366	\$ 237,726			854,092
Receivables:					
Property tax:					
Current year	-	4,019			4,019
Succeeding year	-	207,127			207,127
Due from other governments	113,864		-		113,864
Total assets	\$ 730,230	\$ 448,872			\$ 1,179,102
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 20,703	\$ 13,038	\$ 33,741		
Total liabilities	20,703	13,038			33,741
Deferred inflows of resources-					
unavailable revenue:					
Statewide sales tax	26,548		-		26,548
Succeeding year property tax	-	207,127			207,127
Total deferred inflows of resources	26,548	207,127			233,675
Fund Balances, restricted for:					
School infrastructure	682,979		-		682,979
Physical plant and equipment	-	228,707			228,707
Total fund balances	682,979	228,707			911,686
Total liabilities, deferred inflows of resources and fund balances	\$ 730,230	\$ 448,872			\$ 1,179,102

Northeast Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in

Fund Balances (Deficit)

Capital Project Fund - By Account

Year Ended June 30, 2016

Capital Projects Accounts					
	Physical				
	Statewide	Plant and	Other		
	Sales, Services and Use Tax	Equipment Levy	Capital Projects		
				Total	
Revenues:					
Local sources:					
Local tax	\$ 3,365	\$ 193,356	\$ -	\$ 196,721	
Other	403,000	1,547	-	404,547	
State sources	531,246	680	-	531,926	
Total revenues	937,611	195,583	-	1,133,194	
Expenditures:					
Current:					
Instruction, regular	138,744	-	-	138,744	
Support services,					
Administration	5,927	-	-	5,927	
Facilities acquisition	152,087	9,527	-	161,614	
Total expenditures	296,758	9,527	-	306,285	
Revenues over expenditures	640,853	186,056	-	826,909	
Other financing sources (uses):					
Transfer in	-	-	14,304	14,304	
Transfers out	(177,537)	(118,256)	-	(295,793)	
Total other financing sources (uses)	(177,537)	(118,256)	14,304	(281,489)	
Net change in fund balance	463,316	67,800	14,304	545,420	
Fund balance (deficit), beginning of year	219,663	160,907	(14,304)	366,266	
Fund balance, end of year	\$ 682,979	\$ 228,707	\$ -	\$ 911,686	

Northeast 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
Drama	\$ -	\$ 8,933	\$ 8,293	\$ 640
Drama Fundraiser	-	-	-	-
Speech	-	8,294	8,795	(501)
Speech Fundraiser	-	-	-	-
Music	5,256	8,714	12,602	1,368
Vocal Music Fundraiser	1,267	-	1,267	-
Band	-	-	-	-
Cross Country	-	1,031	-	1,031
Golf	-	3,333	-	3,333
Golf Coed Fundraising	-	63	-	63
HS Cheerleading	482	2,991	482	2,991
Cheerleading Fundraiser	269	-	1,007	(738)
MS Boys Basketball	-	1,230	1,230	-
HS Boys Basketball	3,352	2,499	8,969	(3,118)
HS Boys Basketball Fundraising	4,775	8,047	8,047	4,775
MS Football	437	675	675	437
HS Football	-	3,857	8,287	(4,430)
HS Football Fundraising	-	12,174	12,553	(379)
HS Boys Soccer	100	-	6,987	(6,887)
HS Girls Soccer	-	6,770	4,422	2,348
Baseball	-	5,091	11,243	(6,152)
Baseball Fundraising	408	11,595	11,595	408
MS Boys Track	-	295	1,295	(1,000)
HS Boys Track	-	-	5,537	(5,537)
Boys Track Fundraising	1,407	6,219	6,219	1,407
Boys Golf	26	-	-	26
MS Wrestling	1,357	525	525	1,357
HS Wrestling	3,476	3,389	3,746	3,119
Wrestling Fundraising	348	2,243	2,243	348
MS Girls Basketball	-	1,556	1,117	439
HS Girls Basketball	1,603	5,175	5,614	1,164
HS Girls Basketball Fundraising	2,679	9,298	9,298	2,679
MS Volleyball	815	444	1,214	45
HS Volleyball	2,543	3,740	6,663	(380)
HS Volleyball Fundraising	5,953	21,281	21,281	5,953
MS Girls Softball	-	1,540	770	770
HS Softball	388	-	8,342	(7,954)
HS Softball Fundraising	-	9,625	9,868	(243)
MS Girls Track	419	225	1,425	(781)
HS Girls Track	-	6,211	4,011	2,200
HS Girls Track Fundraising	-	4,793	5,114	(321)
Girls Golf	-	-	-	-
Activity General Activities	-	4,049	15,886	(11,837)
Lifting & Strength Conditioning	563	2,666	2,666	563
Activity Interest Account	-	-	-	-
Student Center-Vending Commissions	-	-	-	-

(Continued)

Northeast Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Post Prom	\$ 4,547	\$ 6,109	\$ 6,109	\$ 4,547
Student Leadership	-	-	-	-
Spanish Club	4,007	9,755	9,755	4,007
Dance Team	-	-	-	-
S.A.D.D.	1,520	-	-	1,520
NHS Fundraising	98	11	12	97
Yearbook	1,371	828	828	1,371
Neat Treats Food Production	-	-	-	-
Economics Club	768	9,494	9,494	768
FBLA	1,476	23,609	23,609	1,476
FCCLA	645	-	-	645
FTA	-	200	200	-
FFA	301	65,931	50,363	15,869
MS Student Council	1,551	2,200	2,200	1,551
HS Student Council	1,198	6,492	6,492	1,198
IT/VREP	-	2,598	2,926	(328)
Class of 2024	-	-	-	-
Class of 2015	-	-	-	-
Class of 2016	939	467	939	467
Class of 2017	-	1,090	618	472
Class of 2018	-	-	-	-
Class of 2019	-	-	-	-
6th Grade Store	-	-	-	-
Interaccount transfers	(25,394)	16,597	(46,510)	37,713
Total	\$ 30,950	\$ 313,952	\$ 286,323	\$ 58,579

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Northeast Community School District**Schedule of Changes in Fiduciary Assets and Liabilities****Agency Fund****Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,742	\$ 2,800	\$ 7,542	\$ -
Total assets	\$ 4,742	\$ 2,800	\$ 7,542	\$ -
Liabilities				
Due to others	\$ 4,742	\$ 2,800	\$ 7,542	\$ -
Total liabilities	\$ 4,742	\$ 2,800	\$ 7,542	\$ -

Northeast Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds - Modified Accrual Basis

Last Ten Years

	Years Ended June 30:			
	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 3,127,482	\$ 3,072,347	\$ 2,800,432	\$ 3,208,440
Tuition	2,810,454	2,518,438	2,419,125	2,179,509
Other	1,019,077	733,312	576,524	520,077
Intermediate sources	-	-	-	-
State sources	3,941,103	3,663,225	3,546,843	2,826,800
Federal sources	224,465	233,108	199,486	292,039
Total revenues	\$ 11,122,581	\$ 10,220,430	\$ 9,542,410	\$ 9,026,865
Expenditures:				
Instruction:				
Regular	\$ 4,119,407	\$ 3,905,171	\$ 3,585,978	\$ 3,294,447
Special	1,184,873	1,065,926	1,272,380	1,193,277
Other	1,094,626	1,139,164	939,048	764,566
Support services:				
Student services	389,010	440,519	347,128	377,449
Instructional staff services	243,770	225,015	218,149	227,329
Administration services	970,703	992,046	883,306	879,904
Operation and maintenance of plant services	857,925	923,857	894,596	766,431
Transportation services	419,744	396,785	742,048	450,451
Noninstructional programs	1,469	2,075	3,731	2,500
Other expenditures:				
Facilities acquisition	161,614	4,209,736	4,424,656	510,788
Long-term debt:				
Principal	450,228	447,996	347,195	475,000
Interest and fiscal charges	174,824	184,706	167,334	208,078
AEA flowthrough	222,662	214,098	207,731	192,298
Total expenditures	\$ 10,290,855	\$ 14,147,094	\$ 14,033,280	\$ 9,342,518

Years Ended June 30:						
	2012	2011	2010	2009	2008	2007
\$	3,155,437	\$ 3,057,629	\$ 2,743,193	\$ 2,649,113	\$ 2,660,377	\$ 2,692,210
2,056,092	1,568,952	1,361,457	1,249,924	1,047,153	860,319	
601,890	689,649	376,759	328,051	345,411	317,999	
-	-	-	-	29,470	36,864	
2,925,251	3,029,861	2,447,461	2,812,220	2,727,325	2,777,706	
660,694	1,892,138	440,984	198,624	99,773	115,911	
\$ 9,399,364	\$ 10,238,229	\$ 7,369,854	\$ 7,237,932	\$ 6,909,509	\$ 6,801,009	
<hr/>						
\$	3,209,518	\$ 3,061,683	\$ 2,891,009	\$ 2,866,720	\$ 2,655,381	\$ 2,512,909
865,793	640,696	734,869	742,209	677,998	704,686	
946,346	783,121	861,437	779,628	748,162	680,686	
357,757	305,332	266,469	243,906	228,253	227,253	
182,879	143,256	131,282	137,313	121,472	108,100	
877,686	722,058	683,221	676,707	629,884	590,011	
740,695	621,402	590,053	612,086	561,162	573,790	
463,838	538,438	386,027	388,819	679,148	502,626	
519	2,145	2,023	1,665	5,469	2,901	
1,839,002	4,457,977	426,884	350,732	137,763	157,320	
290,000	280,000	354,948	593,791	380,000	370,000	
40,685	49,035	60,833	73,026	77,462	85,858	
192,652	216,762	214,498	199,657	195,507	192,793	
\$ 10,007,370	\$ 11,821,905	\$ 7,603,553	\$ 7,666,259	\$ 7,097,661	\$ 6,708,933	

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**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
Northeast Community School District
Goose Lake, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northeast Community School District 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, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001 through 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Northeast Community School 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.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
January 20, 2017

Northeast Community School District

Schedule of Findings and Responses

Year Ended June 30, 2016

Part I: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Material weaknesses:

2016-001

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Condition: The Business Manager has access to set up or edit vendors in the system, has access to enter invoices into the system to be paid, prints checks, and reconciles bank statements. This position also has access to post entries to the general ledger, provides the monthly financial reports, and has access to District credit cards.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash disbursement function.

Identification as a repeat finding: This is a repeat finding.

Recommendation: We recommend the District continue the practice of having the Administration Secretary monitor check sequence by agreeing each check written to the supporting invoice and ensuring that all checks are accounted for and beginning and ending check numbers are proper. In addition, the vendor master file edit access should be removed from the Business Manager and performed by an employee independent of the cash disbursement process. The District should consider if user access levels can be maintained by the Superintendent or an employee outside of the Business Office.

Response and corrective action plan: The District will realign and reassign duties where possible to improve internal controls over the District's transactions.

Conclusion: Response accepted.

2016-002

Finding: The District has insufficient segregation of duties over the payroll process.

Condition: The Business Manager has the ability to change the employee master file, including entering new employees, modifying pay rates and adding deductions; enters time to the payroll system, processes the payroll and generates payroll checks and direct deposits. This position also posts the payroll to the general ledger and reconciles the bank statements.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Northeast Community School District

Schedule of Findings and Responses

Year Ended June 30, 2016

Cause: A limited number of personnel are involved in the payroll function.

Identification as a repeat finding: This is a repeat finding.

Recommendation: We recommend the District restrict the Business Manager from all payroll master file edit access and from user access level administration of the financial software. An employee independent of the financial software should be the user access administrator. The Administrative Secretary should edit employee payroll information and enter new employees but not process payroll. The District should continue the practice of providing each payroll register to the Superintendent each time payroll is processed and the Superintendent should detail review the register to note any unusual items and initial the report indicating approval.

Response and corrective action plan: The District will realign and reassign duties where possible to improve internal controls over the District's transactions.

Conclusion: Response accepted.

2016-003

Finding: A properly designed system of internal control over financial reporting requires entities to initiate, authorize, record, process and report financial data reliably in accordance with accounting principles generally accepted in the United States of America. The District did not properly identify year-end accrual adjustments required to be reported in accordance with the applicable accounting standards and principles.

Condition:

- Material audit adjustments to the District's trial balances were identified and proposed. In addition, the District continues to have unreconciled differences between the capital asset subsidiary ledgers and the balances reported on the District's trial balances. The adjustments included capital assets and accumulated depreciation, long-term debt, accounts receivable, revenue, deferred inflows of resources, and retainages payable.
- Significant differences between cash and investment balances on the trial balance and the reconciled bank balances existed during the year and were not properly identified or addressed until year-end. In addition, the District is not reconciling the ISJIT accounts or the certificate of deposits. The District's flex account is not recorded on the District's trial balance.

Context: Audit adjustments were proposed for the General Fund, Capital Projects Fund, School Nutrition Fund, and Government-wide Capital Asset and Long-term Debt funds.

Effect: Financial statements are materially misstated and errors are not detected in a timely basis.

Cause: The District does not reconcile all balance sheet accounts by fund on a monthly basis.

Identification as a repeat finding: This is a repeat finding.

Recommendation: We recommend the District reconcile all cash and investment accounts on a monthly basis by ensuring the reconciled balance agrees to the District's trial balance. We recommend the District reconciles the balance sheet accounts for accounts receivable, accounts payable, long-term debt, and capital assets to the subsidiary ledgers and workpapers at year-end. On a monthly basis, we recommend the District reconciles the capital asset and accumulated depreciation accounts and long-term debt accounts of the Government-wide Fund and School Nutrition Fund.

Northeast Community School District

Schedule of Findings and Responses

Year Ended June 30, 2016

Response and corrective action plan: The District will reconcile the balance sheet accounts to properly identify year-end adjustments and to resolve the unreconciled differences in capital asset subsidiary ledgers.

Conclusion: Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-16

Certified Budget:

Finding: Expenditures for the year ended June 30, 2016, exceeded the amounts budgeted for the instruction and noninstructional programs function.

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.

II-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.

II-C-16

Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted the following:

Finding: The District distributed cash payments of \$6,932 to students who fundraised for a club trip. The Iowa Department of Education issued *Frequently Asked Questions (FAQs) Regarding the Student Activities Fund* in March 2016. Per Section 98.70(3) of the FAQ, inappropriate uses of the student activity fund include cash payments to student members of activity groups.

Recommendation: The District should discontinue the practice of issuing payments to students. All fundraising for a District activity is for the club collectively. In addition, the District should require all payments for student activities to be paid by the District directly to the vendor.

Response: The District has and will no longer issue payments to students. The District is in the process of reviewing current processes to ensure compliance with the Iowa Department of Education requirements.

Conclusion: Response accepted.

II-D-16

Business Transactions: No business transactions between the District and District officials or employees were noted.

II-E-16

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

Northeast Community School District

Schedule of Findings and Responses

Year Ended June 30, 2016

II-F-16

Board Minutes: No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-16

Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-16

Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-16

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

II-J-16

Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

II-K-16

Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-16

Statewide Sales and Services Tax: No instances of noncompliance with the use of the statewide sales and services 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 and services 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 and services tax revenue in the District's CAR:

Beginning balance	\$	219,663
Statewide sales and services tax revenue		531,246
Interest and other local revenues		406,365
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$	144,671
Equipment		152,087
Transfers out		177,537
Ending balance	\$	682,979

Northeast Community School District

Schedule of Findings and Responses Year Ended June 30, 2016

For the year ended June 30, 2016, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.35000	\$ 255,161
Physical Plant and Equipment Levy (PPEL)	0.67000	128,540

II-M-16

Financial Condition

Finding: The District had several deficit student activity fund accounts.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits. The District should implement procedures that prevent deficit spending from occurring.

Response: We will look at alternatives to eliminate negative activity fund accounts.

Conclusion: Response accepted.