

FORT MADISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-16
 Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
 Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
 Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	45
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	50
Schedule of Expenditures of Federal Awards	7	51
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 <u>Government Auditing Standards</u>		52-53
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		54-55
Schedule of Findings and Questioned Costs		56-61

Fort Madison Community School District

Officials

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

(Before September 2013 Election)

Judy Gerdes	President	2015
Timm Lamb	Vice President	2013
Duane Sherwood	Board Member	2015
George Wheeler	Board Member	2015
Rob Hogan	Board Member	2015
Tim Wondra	Board Member	2013
Denise Gray	Board Member	2013

(After September 2013 Election)

Judy Gerdes	President	2015
Timm Lamb	Vice President	2017
Tim Wondra	Board Member	2017
Duane Sherwood	Board Member	2015
George Wheeler	Board Member	2015
Rob Hogan	Board Member	2015
Gayla Young	Board Member	2017

School Officials

Dr. Kenneth Marang	Superintendent	2014
Janice Burch	Director of Student Services	2014
Sandra K. Elmore	Board Secretary/Treasurer and Business Manager	2014
Lynch Dallas	Attorney	2014

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

Independent Auditor's Report

To the Board of Education of the Fort Madison Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District, Fort Madison, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Fort Madison Community School District at June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Madison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2015, on our consideration of the Fort Madison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fort Madison Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2015
Newton, Iowa

Fort Madison Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fort Madison 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$24,029,177 as of June 30, 2014 compared to \$26,204,486 as of June 30, 2013, a decrease of 8.30%.
- General Fund revenues decreased from \$20,965,224 in fiscal 2013 to \$20,874,143 in fiscal 2014, while General Fund expenditures increased from \$21,482,623 in fiscal 2013 to \$22,315,105 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$3,696,689 at June 30, 2013 to \$2,255,727 at June 30, 2014.
- The increase in General Fund expenditures was due primarily to an increase in negotiated salaries and benefits.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Fort Madison Community School District Annual Financial Report

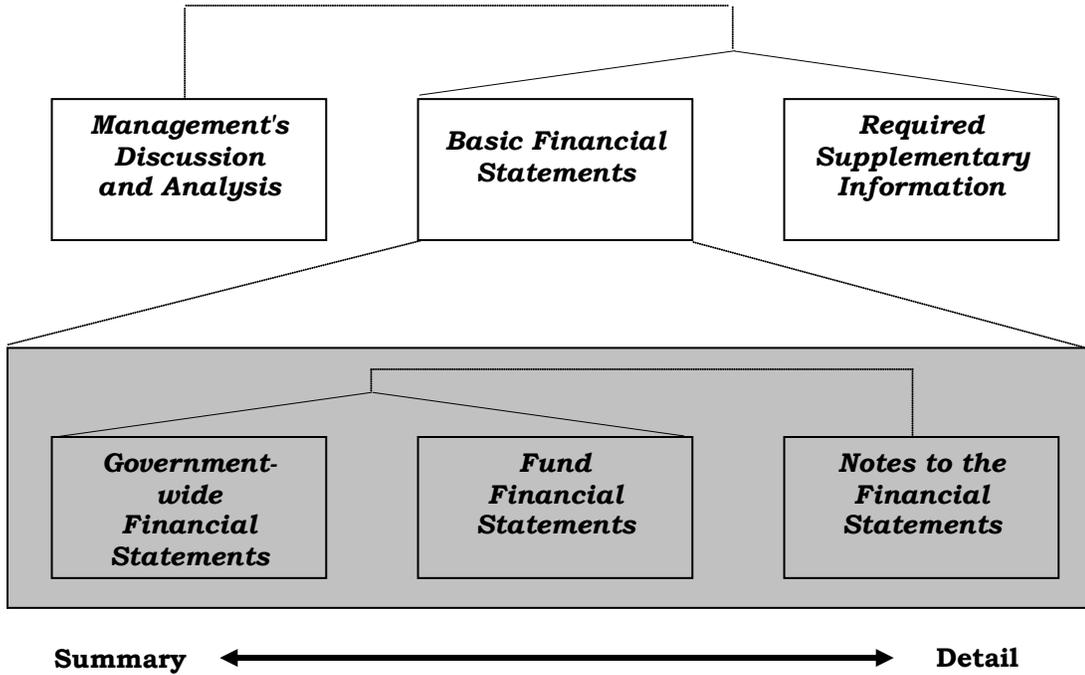


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 20,046,592	22,102,332	145,515	149,145	20,192,107	22,251,477	-9.25%
Capital assets	27,158,798	28,191,750	65,408	71,909	27,224,206	28,263,659	-3.68%
Total assets	47,205,390	50,294,082	210,923	221,054	47,416,313	50,515,136	-6.13%
Long-term liabilities	13,661,264	14,318,768	0	0	13,661,264	14,318,768	-4.59%
Other liabilities	2,817,696	3,408,802	40,668	53,691	2,858,364	3,462,493	-17.45%
Total liabilities	16,478,960	17,727,570	40,668	53,691	16,519,628	17,781,261	-7.10%
Deferred inflows of resources	6,867,508	6,529,389	0	0	6,867,508	6,529,389	5.18%
Net position:							
Net investment in capital assets	13,568,798	14,001,750	65,408	71,909	13,634,206	14,073,659	-3.12%
Restricted	8,220,976	8,417,128	0	0	8,220,976	8,417,128	-2.33%
Unrestricted	2,069,148	3,618,245	104,847	95,454	2,173,995	3,713,699	-41.46%
Total net position	\$ 23,858,922	26,037,123	170,255	167,363	24,029,177	26,204,486	-8.30%

The District's combined net position decreased by 8.30%, or \$2,175,309, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$196,152, or 2.33% from the prior year. This decrease was primarily a result of the decrease in the Capital Projects: Statewide Sales, Service and Use Tax Fund balance and the Management Levy Fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,539,704 or 41.46%. This decrease in unrestricted net position was primarily a result of the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 950,286	880,748	340,396	354,938	1,290,682	1,235,686	4.45%
Operating grants, contributions and restricted interest	2,352,796	2,053,220	687,153	649,855	3,039,949	2,703,075	12.46%
Capital grants, contributions and restricted interest	1,278	955,870	0	0	1,278	955,870	-99.87%
General revenues:							
Property tax	6,553,667	7,330,531	0	0	6,553,667	7,330,531	-10.60%
Statewide sales, services and use tax	1,929,697	1,868,451	0	0	1,929,697	1,868,451	3.28%
Unrestricted state grants	11,968,843	11,698,523	0	0	11,968,843	11,698,523	2.31%
Unrestricted investment earnings	635	729	7	12	642	741	-13.36%
Other	66,119	38,676	7,378	719	73,497	39,395	86.56%
Total revenues	23,823,321	24,826,748	1,034,934	1,005,524	24,858,255	25,832,272	-3.77%
Program expenses:							
Instructional	16,261,404	15,734,286	0	0	16,261,404	15,734,286	3.35%
Support services	6,513,755	5,953,930	8,057	15,758	6,521,812	5,969,688	9.25%
Non-instructional programs	0	0	1,023,985	1,077,410	1,023,985	1,077,410	-4.96%
Other expenses	2,803,341	2,746,928	0	0	2,803,341	2,746,928	2.05%
Total expenses	25,578,500	24,435,144	1,032,042	1,093,168	26,610,542	25,528,312	4.24%
Change in net position before special item	(1,755,179)	391,604	2,892	(87,644)	(1,752,287)	303,960	-676.49%
Special item:							
Loss on the sale of capital assets(Note 13)	(423,022)	0	0	0	(423,022)	0	-100.00%
Change in net position	(2,178,201)	391,604	2,892	(87,644)	(2,175,309)	303,960	-815.66%
Net position beginning of year	26,037,123	25,645,519	167,363	255,007	26,204,486	25,900,526	1.17%
Net position end of year	\$ 23,858,922	26,037,123	170,255	167,363	24,029,177	26,204,486	-8.30%

In fiscal 2014, property tax, statewide sales and services tax, and unrestricted state grants account for 85.85% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.29% of the revenue from business type activities.

The District's total revenues were approximately \$24.86 million of which approximately \$23.82 million was for governmental activities and approximately \$1.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 3.77% in revenues and a 4.24% increase in expenses. The increase in expenses was related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$23,823,321 and expenses were \$25,578,500 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 16,261,404	15,734,286	3.35%	13,967,721	13,783,255	1.34%
Support services	6,513,755	5,953,930	9.40%	6,433,468	4,909,340	31.05%
Other expenses	2,803,341	2,746,928	2.05%	1,872,951	1,852,711	1.09%
Totals	<u>\$ 25,578,500</u>	<u>24,435,144</u>	<u>4.68%</u>	<u>22,274,140</u>	<u>20,545,306</u>	<u>8.41%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$950,286.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,352,796.
- The net cost of governmental activities was financed with \$6,553,667 in property tax, \$1,929,697 in statewide sales, service and use tax, \$11,968,843 in unrestricted state grants, \$635 in interest income, \$1,278 in capital grants, contributions and restricted interest and \$66,119 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,034,934 and expenses were \$1,032,042. 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, investment and other income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fort Madison 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 \$10,470,570, below last year's ending fund balances of \$12,269,313. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to a decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. While revenues decreased during the year, expenditures increased by a larger amount. This resulted in a decrease in the District's General fund balance of 38.98%.

-
- The Capital Projects Fund balance decreased from a balance of \$5,157,238 at June 30, 2013 to \$4,649,008 at June 30, 2014. The decrease was primarily the result of ongoing renovations at the High School and Middle School buildings.
 - The Debt Service Fund balance increased from a balance of \$2,220,899 at June 30, 2013 to \$2,321,991 at June 30, 2014. The increase was due to increased transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$167,363 at June 30, 2013 to \$170,255 at June 30, 2014, representing an increase of 1.73%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$727,648 more than budgeted revenues, a variance of 3.02%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures under its maximum authorized spending authority for the General Fund. The District then amends the budget as necessary before expenditures exceed budgeted amounts and also manages or controls General Fund spending through its line-item budget.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$27,224,206, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.68% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,461,187.

The original cost of the District's capital assets was \$39,595,504. Governmental funds account for \$39,366,899 with the remainder of \$228,605 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,507,943 at June 30, 2014 compared to \$1,588,893 at June 30, 2013. This decrease was the result of the completion of work on the High School kitchen and various additions to the Middle School which were then capitalized as part of the District's fixed asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 899,760	919,088	0	0	899,760	919,088	-2.10%
Construction in progress	1,507,943	1,588,893	0	0	1,507,943	1,588,893	-5.09%
Buildings	23,396,206	24,280,191	0	0	23,396,206	24,280,191	-3.64%
Improvements other than buildings	796,766	811,521	0	0	796,766	811,521	-1.82%
Machinery and equipment	558,123	592,057	65,408	71,909	623,531	663,966	-6.09%
Total	\$ 27,158,798	28,191,750	65,408	71,909	27,224,206	28,263,659	-3.68%

Long-Term Debt

At June 30, 2014, the District had \$13,661,264 in long-term debt outstanding. This represents a decrease of 4.59% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Revenue Bonds payable from the Debt Service Fund of \$13,590,000 at June 30, 2014.

The District had compensated absences payable from the General Fund of \$71,264 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	District		Change
	June 30,		June 30,
	2014	2013	2013-14
Revenue bonds	\$ 13,590,000	14,190,000	-4.23%
Termination Benefits	0	50,000	-100.00%
Compensated absences	71,264	78,768	-9.53%
Totals	\$ 13,661,264	14,318,768	-4.59%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced several years of declining enrollment and the trend is projected to continue for the near future.
- The condition of the national, state, and local economies directly affects the future economics of the school. Actions taken by the president, congress, and the governor and state legislators to balance the federal and state budgets affect education funding. The allowable growth for education set by the state legislature has a large effect on the programs and services the District can offer to students.
- Expenses for health insurance both in the current period and for future periods are a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra K. Elmore, District Secretary/Treasurer and Business Manager, Fort Madison Community School District, 1930 Avenue M, Fort Madison, Iowa, 52601.

Basic Financial Statements

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 11,866,104	79,690	11,945,794
Receivables:			
Property tax:			
Delinquent	87,850	0	87,850
Succeeding year	6,867,508	0	6,867,508
Accounts	64,025	40,137	104,162
Due from other governments	971,595	6,257	977,852
Inventories	476	18,282	18,758
Net OPEB asset	189,034	1,149	190,183
Capital assets, net of accumulated depreciation	27,158,798	65,408	27,224,206
Total assets	47,205,390	210,923	47,416,313
Liabilities			
Accounts payable	608,501	2,225	610,726
Salaries and benefits payable	1,905,764	23,780	1,929,544
Unearned revenue	0	14,663	14,663
Advances from grantors	5,215	0	5,215
Accrued interest payable	298,216	0	298,216
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	710,000	0	710,000
Compensated absences	71,264	0	71,264
Portion due after one year:			
Revenue bonds	12,880,000	0	12,880,000
Total liabilities	16,478,960	40,668	16,519,628
Deferred Inflows of Resources			
Unavailable property tax revenue	6,867,508	0	6,867,508
Net Position			
Net investment in capital assets	13,568,798	65,408	13,634,206
Restricted for:			
Categorical funding	304,349	0	304,349
School infrastructure	3,171,872	0	3,171,872
Debt service	3,333,944	0	3,333,944
Physical plant and equipment	166,967	0	166,967
Management levy purposes	1,093,013	0	1,093,013
Student activities	150,831	0	150,831
Unrestricted	2,069,148	104,847	2,173,995
Total Net Position	\$ 23,858,922	170,255	24,029,177

SEE NOTES TO FINANCIAL STATEMENTS.

**FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 9,308,275	248,902	405,637	0	(8,653,736)	0	(8,653,736)
Special	4,007,903	220,016	413,526	0	(3,374,361)	0	(3,374,361)
Other	2,945,226	481,368	524,234	0	(1,939,624)	0	(1,939,624)
	<u>16,261,404</u>	<u>950,286</u>	<u>1,343,397</u>	<u>0</u>	<u>(13,967,721)</u>	<u>0</u>	<u>(13,967,721)</u>
Support services:							
Student	551,464	0	0	0	(551,464)	0	(551,464)
Instructional staff	862,748	0	0	0	(862,748)	0	(862,748)
Administration	1,953,233	0	0	0	(1,953,233)	0	(1,953,233)
Operation and maintenance of plant	2,120,098	0	0	1,278	(2,118,820)	0	(2,118,820)
Transportation	1,026,212	0	79,009	0	(947,203)	0	(947,203)
	<u>6,513,755</u>	<u>0</u>	<u>79,009</u>	<u>1,278</u>	<u>(6,433,468)</u>	<u>0</u>	<u>(6,433,468)</u>
Long-term debt interest	599,683	0	0	0	(599,683)	0	(599,683)
Other expenses:							
AEA flowthrough	930,390	0	930,390	0	0	0	0
Depreciation(unallocated)*	1,273,268	0	0	0	(1,273,268)	0	(1,273,268)
	<u>2,203,658</u>	<u>0</u>	<u>930,390</u>	<u>0</u>	<u>(1,273,268)</u>	<u>0</u>	<u>(1,273,268)</u>
Total governmental activities	<u>25,578,500</u>	<u>950,286</u>	<u>2,352,796</u>	<u>1,278</u>	<u>(22,274,140)</u>	<u>0</u>	<u>(22,274,140)</u>
Business Type activities:							
Support services:							
Operation and maintenance of plant	8,057	0	0	0	0	(8,057)	(8,057)
Non-instructional programs:							
Food service operations	1,023,985	340,396	687,153	0	0	3,564	3,564
Total business type activities	<u>1,032,042</u>	<u>340,396</u>	<u>687,153</u>	<u>0</u>	<u>0</u>	<u>(4,493)</u>	<u>(4,493)</u>
Total	<u>\$ 26,610,542</u>	<u>1,290,682</u>	<u>3,039,949</u>	<u>1,278</u>	<u>(22,274,140)</u>	<u>(4,493)</u>	<u>(22,278,633)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 6,368,984	0	6,368,984	
Capital outlay				184,683	0	184,683	
Statewide sales, services and use tax				1,929,697	0	1,929,697	
Unrestricted state grants				11,968,843	0	11,968,843	
Unrestricted investment earnings				635	7	642	
Other				66,119	7,378	73,497	
Total general revenues				<u>20,518,961</u>	<u>7,385</u>	<u>20,526,346</u>	
Change in net position before special item				(1,755,179)	2,892	(1,752,287)	
Special item:							
Loss on the sale of capital assets(Note 13)				(423,022)	0	(423,022)	
Change in net position				(2,178,201)	2,892	(2,175,309)	
Net position beginning of year				26,037,123	167,363	26,204,486	
Net position end of year	<u>\$</u>			<u>23,858,922</u>	<u>170,255</u>	<u>24,029,177</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments:	\$ 3,985,608	4,307,849	2,321,991	1,250,656	11,866,104
Receivables:					
Property tax:					
Delinquent	80,468	2,442	0	4,940	87,850
Succeeding year	6,422,690	185,567	0	259,251	6,867,508
Accounts	64,025	0	0	0	64,025
Due from other governments	580,614	390,981	0	0	971,595
Inventories	476	0	0	0	476
Total Assets	\$ 11,133,881	4,886,839	2,321,991	1,514,847	19,857,558
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 544,485	52,264	0	11,752	608,501
Salaries and benefits payable	1,905,764	0	0	0	1,905,764
Advances from grantors	5,215	0	0	0	5,215
Total liabilities	2,455,464	52,264	0	11,752	2,519,480
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	6,422,690	185,567	0	259,251	6,867,508
Fund balances:					
Nonspendable	476	0	0	0	476
Restricted for:					
Categorical funding	304,349	0	0	0	304,349
School infrastructure	0	3,171,872	0	0	3,171,872
Debt service	0	1,310,169	2,321,991	0	3,632,160
Physical plant and equipment	0	166,967	0	0	166,967
Management levy purposes	0	0	0	1,093,013	1,093,013
Student activities	0	0	0	150,831	150,831
Unassigned	1,950,902	0	0	0	1,950,902
Total fund balances	2,255,727	4,649,008	2,321,991	1,243,844	10,470,570
Total liabilities, deferred inflows of resources and fund balances	\$ 11,133,881	4,886,839	2,321,991	1,514,847	19,857,558

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 10,470,570
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	27,158,798
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.	(298,216)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	189,034
Long-term liabilities, including revenue bonds payable, and compensated absences payable are not due and not payable in the current period and, therefore, are not reported in the governmental funds.	<u>(13,661,264)</u>
Net position of governmental activities(page 18)	<u><u>\$ 23,858,922</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,000,619	184,683	0	368,365	6,553,667
Tuition	382,043	0	0	0	382,043
Other	184,174	233	92	464,830	649,329
State sources	13,336,760	1,929,847	0	0	15,266,607
Federal sources	970,547	1,128	0	0	971,675
Total revenues	20,874,143	2,115,891	92	833,195	23,823,321
Expenditures:					
Current:					
Instruction:					
Regular	9,159,805	0	0	194,457	9,354,262
Special	3,975,924	0	0	0	3,975,924
Other	2,499,204	0	0	444,236	2,943,440
	15,634,933	0	0	638,693	16,273,626
Support services:					
Student	551,613	0	0	0	551,613
Instructional staff	533,542	317,782	0	0	851,324
Administration	1,962,496	0	0	5,567	1,968,063
Operation and maintenance of plant	1,708,036	126,677	0	108,002	1,942,715
Transportation	994,095	0	0	31,576	1,025,671
	5,749,782	444,459	0	145,145	6,339,386
Capital outlay	0	951,035	0	0	951,035
Long-term debt:					
Principal	0	0	600,000	0	600,000
Interest and fiscal charges	0	0	608,683	0	608,683
	0	0	1,208,683	0	1,208,683
Other expenditures:					
AEA flowthrough	930,390	0	0	0	930,390
Total expenditures	22,315,105	1,395,494	1,208,683	783,838	25,703,120
Excess(deficiency) of revenues over(under) expenditures	(1,440,962)	720,397	(1,208,591)	49,357	(1,879,799)
Other financing sources(uses):					
Transfer in	0	0	1,309,683	0	1,309,683
Transfer out	0	(1,309,683)	0	0	(1,309,683)
Total other financing sources(uses)	0	(1,309,683)	1,309,683	0	0
Change in fund balances before special item	(1,440,962)	(589,286)	101,092	49,357	(1,879,799)
Proceeds from sale of real property(Note 13)	0	81,056	0	0	81,056
Change in fund balances	(1,440,962)	(508,230)	101,092	49,357	(1,798,743)
Fund balance beginning of year	3,696,689	5,157,238	2,220,899	1,194,487	12,269,313
Fund balance end of year	\$ 2,255,727	4,649,008	2,321,991	1,243,844	10,470,570

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON 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, 2014

Net change in fund balances - total governmental funds(page 22) \$ (1,798,743)

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

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

Capital outlays	\$ 922,823	
Depreciation expense	(1,448,519)	
Loss on disposal of assets	<u>(3,178)</u>	(528,874)

Although the sale of real property is revenue in the governmental funds, the disposal of real property reduces capital assets, net of accumulated depreciation in the Statement of Net Position. (Note 13) (504,078)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 600,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 9,000

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.

Termination benefits	50,000	
Compensated absences	7,504	
Other postemployment benefits	<u>(13,010)</u>	<u>44,494</u>

Changes in net position of governmental activities(page 19) \$ (2,178,201)

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 79,690
Accounts receivable	40,137
Due from other governments	6,257
Inventories	18,282
Total current assets	144,366
Non-current assets:	
Capital assets, net of accumulated depreciation	65,408
Net OPEB asset	1,149
Total non-current assets	66,557
Total Assets	210,923
Liabilities	
Accounts payable	2,225
Salaries and benefits payable	23,780
Unearned revenue	14,663
Total Liabilities	40,668
Net Position	
Invested in capital assets	65,408
Unrestricted	104,847
Total Net Position	\$ 170,255

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 325,396
Shared contracts	15,000
Miscellaneous	7,378
TOTAL OPERATING REVENUES	347,774
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	8,057
Non-instructional programs:	
Food service operations:	
Salaries	307,533
Benefits	51,699
Services	8,846
Supplies	612,843
Other	30,169
Depreciation	12,668
Total non-instructional programs	1,023,758
TOTAL OPERATING EXPENSES	1,031,815
OPERATING LOSS	(684,041)
NON-OPERATING REVENUES:	
State sources	9,314
Federal sources	677,839
Interest income	7
TOTAL NON-OPERATING REVENUES	687,160
Change in net asset before loss on disposal of assets	3,119
Loss on disposal of assets	(227)
Change in net position	2,892
Net position beginning of year	167,363
Net position end of year	\$ 170,255

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 334,788
Cash received from miscellaneous operating activities	22,378
Cash payments to employees for services	(371,343)
Cash payments to suppliers for goods or services	(613,729)
Net cash used in operating activities	(627,906)
Cash flows from non-capital financing activities:	
State grants received	9,314
Federal grants received	627,101
Net cash provided by non-capital financing activities	636,415
Cash flows from capital and related financing activities:	
Purchase of capital assets	(6,394)
Cash flows from investing activities:	
Interest income	7
Net increase in cash and cash equivalents	2,122
Cash and cash equivalents at beginning of year	77,568
Cash and cash equivalents at end of year	\$ 79,690
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (684,041)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	46,927
Depreciation	12,668
Increase in inventories	(1,466)
Decrease in accounts receivable	10,487
Increase in accounts payable	725
Decrease in salaries and benefits payable	(12,653)
Decrease in unearned revenue	(1,095)
Increase in other postemployment benefits	542
Net cash used in operating activities	\$ (627,906)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$46,927.

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Fort Madison 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. The geographic area served includes the city of Fort Madison, Iowa, and the predominate agricultural territory in Lee, Des Moines, and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Fort Madison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fort Madison Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports the non-major following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes 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. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents the 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.

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

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for administrators, teachers, bus drivers and associates with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenues consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include inventory items.

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

Unassigned - All amounts not included in preceding classifications.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and support services functions.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$8,914,118 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 1,309,683</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 919,088	0	19,328	899,760
Construction in progress	1,588,893	35,185	116,135	1,507,943
Total capital assets not being depreciated	<u>2,507,981</u>	<u>35,185</u>	<u>135,463</u>	<u>2,407,703</u>
Capital assets being depreciated:				
Buildings	32,948,057	797,271	1,051,650	32,693,678
Improvements other than buildings	1,311,665	62,007	37,190	1,336,482
Machinery and equipment	2,930,654	144,495	146,113	2,929,036
Total capital assets being depreciated	<u>37,190,376</u>	<u>1,003,773</u>	<u>1,234,953</u>	<u>36,959,196</u>
Less accumulated depreciation for:				
Buildings	8,667,866	1,212,558	582,952	9,297,472
Improvements other than buildings	500,144	60,710	21,138	539,716
Machinery and equipment	2,338,597	175,251	142,935	2,370,913
Total accumulated depreciation	<u>11,506,607</u>	<u>1,448,519</u>	<u>747,025</u>	<u>12,208,101</u>
Total capital assets being depreciated, net	<u>25,683,769</u>	<u>(444,746)</u>	<u>487,928</u>	<u>24,751,095</u>
Governmental activities capital assets, net	<u>\$ 28,191,750</u>	<u>(409,561)</u>	<u>623,391</u>	<u>27,158,798</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 223,766	6,394	1,555	228,605
Less accumulated depreciation	151,857	12,668	1,328	163,197
Business type activities capital assets, net	\$ 71,909	(6,274)	227	65,408

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 9,672
Special			1,279
Support services:			
Instructional staff			11,232
Operation and maintenance of plant			10,794
Transportation			142,274
			<u>175,251</u>
Unallocated depreciation			<u>1,273,268</u>
Total governmental activities depreciation expense			<u>\$ 1,448,519</u>
Business type activities:			
Food service operations			<u>\$ 12,668</u>

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 14,190,000	0	600,000	13,590,000	710,000
Termination Benefits	50,000	0	50,000	0	0
Compensated Absences	78,768	71,264	78,768	71,264	71,264
Total	\$ 14,318,768	71,264	728,768	13,661,264	781,264

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2009				
	Interest Rate		Principal	Interest	Total
2015	3.00	% \$	710,000	585,783	1,295,783
2016	3.50		705,000	562,795	1,267,795
2017	4.00		720,000	536,057	1,256,057
2018	4.00		735,000	506,958	1,241,958
2019	4.00		740,000	477,457	1,217,457
2020-2024	4.00-4.50		3,930,000	1,908,281	5,838,281
2025-2029	4.60-5.00		4,495,000	953,226	5,448,226
2030	5.00		1,555,000	53,000	1,608,000
Total			\$ 13,590,000	5,583,557	19,173,557

The District has pledged future statewide sales, services and use tax revenues to repay the \$16,290,000 of bonds issued on December 1, 2009. The bonds were issued for the purpose of building and furnishing a new middle school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 65% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$19,173,557. For the current year \$600,000 in principal and \$608,683 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,929,697.

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

- a) \$1,310,169 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District did not offer a voluntary early retirement program for the year ended June 30, 2014. However, the District did offer a voluntary early retirement plan to its certified employees in prior years. Eligible employees must have completed ten years of continuous service to the District in order to qualify for early retirement. Employees who desire to elect early retirement under this program must have completed an application which was required to be approved by the Board of Education.

The benefit for certified employees was \$30,000 payable in three equal installments.

Early retirement benefits paid during the year ended June 30, 2014, totaled \$50,000.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 145 active and 45 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Southeast Iowa Health Care (SEIHC). Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB asset.

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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	72,527
Interest on net OPEB obligation		(4,075)
Adjustment to annual required contribution		9,008
Annual OPEB cost		<u>77,460</u>
Contributions made		<u>(63,908)</u>
Decrease in net OPEB obligation		13,552
Net OPEB obligation beginning of year		<u>(203,735)</u>
Net OPEB obligation end of year	\$	<u><u>(190,183)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$63,908 to the medical plan.

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, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 115,622	139.44	(147,679)
2013	116,547	138.33	(203,735)
2014	77,460	82.50	(190,183)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$757,852 with

no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$757,852. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,579,771 and the ratio of the UAAL to covered payroll was 8.83%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 3.0%. The medical trend rate is reduced 1% each year until reaching the 3.0% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon recent Fort Madison Community School District experience. Termination probabilities were based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by Fort Madison Community School District.

Current claim costs of the medical plan are as follow are \$826 per month for retirees at the weighted average 62. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,212,827, \$1,145,339 and \$1,061,549, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Fort Madison Community School District is a member in the Southeast Iowa School Employees Benefits Health Plan, an Iowa Code Chapter 28E Organization. The Southeast Iowa School Employees Benefits Health Plan (SEISHP) is a local government risk-sharing pool whose members include various

schools throughout the State of Iowa. SEISHP was for the purpose of managing and funding employee benefits. SEISHP provides coverage and protection in the following categories: medical, dental, vision, basic life, and disability.

Each member's contributions to SEISHP funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEISHP's general and administrative expenses, claims, and claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEISHP for the year ended June 30, 2014 were \$1,741,854.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Most members agree to continue membership in the pool for a period of not less than full year. After such a period, a member who has given 30 days prior written notice may withdraw. SEISHP will pay claims incurred before the termination date.

Fort Madison 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 9. 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 \$930,390 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitment

The District is has entered into various contracts for construction projects as of June 30, 2014. These projects include the construction of a FEMA safe room and a remodel of the Richardson school. As of June 30, 2014, costs of \$1,507,973 have been incurred against these contracts. Upon completion of the projects the work will be capitalized in the District's fixed asset listing.

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 12. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 13,695
Talented and gifted program	13,414
Beginning teacher mentoring and induction	9,435
Teacher salary supplement	112,519
Successful progression for early readers	30,612
Professional development for model core curriculum	65,738
Professional development	45,521
Teacher leadership grants	<u>13,415</u>
Total	<u>\$ 304,349</u>

Note 13. Sale of Real Property

During the year ended June 30, 2014, the District received payment from the Township of Denmark of \$1 for the purchase of 502 Academy Avenue in Denmark. This land and the building was valued at \$192,668 on the District's books, resulting in a loss of \$192,667 to the District. During the year ended June 30, 2014, the District received payment of \$81,055 from Todd E. Schneider of Fort Madison for the purchase of an old middle school. This land and the building was valued at \$311,410 on the District's books, resulting in a loss of \$230,355 to the District.

Required Supplementary Information

FORT MADISO 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, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,585,039	347,781	7,932,820	9,759,393	9,759,393	(1,826,573)
State sources	15,266,607	9,314	15,275,921	12,821,214	12,821,214	2,454,707
Federal sources	971,675	677,839	1,649,514	1,550,000	1,550,000	99,514
Total revenues	<u>23,823,321</u>	<u>1,034,934</u>	<u>24,858,255</u>	<u>24,130,607</u>	<u>24,130,607</u>	<u>727,648</u>
Expenditures/expenses:						
Instruction	16,273,626	0	16,273,626	15,833,363	15,833,363	(440,263)
Support services	6,339,386	8,057	6,347,443	5,716,122	5,716,122	(631,321)
Non-instructional programs	0	1,023,758	1,023,758	1,150,000	1,150,000	126,242
Other expenditures	3,090,108	0	3,090,108	4,890,780	4,890,780	1,800,672
Total expenditures/expenses	<u>25,703,120</u>	<u>1,031,815</u>	<u>26,734,935</u>	<u>27,590,265</u>	<u>27,590,265</u>	<u>855,330</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,879,799)	3,119	(1,876,680)	(3,459,658)	(3,459,658)	1,582,978
Other financing sources, net	81,056	(227)	80,829	0	0	80,829
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,798,743)	2,892	(1,795,851)	(3,459,658)	(3,459,658)	1,663,807
Balance beginning of year	<u>12,269,313</u>	<u>167,363</u>	<u>12,436,676</u>	<u>10,183,092</u>	<u>10,183,092</u>	<u>2,253,584</u>
Balance end of year	<u>\$ 10,470,570</u>	<u>170,255</u>	<u>10,640,825</u>	<u>6,723,434</u>	<u>6,723,434</u>	<u>3,917,391</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2014, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	2,341,703	2,341,703	0.00%	14,051,407	16.67%
2010	July 1, 2008	-	2,341,703	2,341,703	0.00%	13,798,426	16.97%
2011	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,227,535	17.11%
2012	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,263,284	17.04%
2013	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,448,434	16.67%
2014	July 1, 2013	-	757,852	757,852	0.00%	8,579,771	8.83%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,088,092	162,564	1,250,656
Receivables:			
Property tax:			
Delinquent	4,940	0	4,940
Succeeding year	259,251	0	259,251
Total assets	\$ 1,352,283	162,564	1,514,847
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 19	11,733	11,752
 Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	259,251	0	259,251
 Fund balances:			
Restricted for:			
Management levy purposes	1,093,013	0	1,093,013
Student activities	0	150,831	150,831
Total fund balances	1,093,013	150,831	1,243,844
Total liabilities, deferred inflows of resources and fund balances	\$ 1,352,283	162,564	1,514,847

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 368,365	0	368,365
Other	30,033	434,797	464,830
Total revenues	<u>398,398</u>	<u>434,797</u>	<u>833,195</u>
Expenditures:			
Current:			
Instruction:			
Regular	194,457	0	194,457
Other	0	444,236	444,236
Support services:			
Administration	5,567	0	5,567
Operation and maintenance of plant	108,002	0	108,002
Transportation	31,576	0	31,576
Total expenditures	<u>339,602</u>	<u>444,236</u>	<u>783,838</u>
Excess(deficiency) of revenues over (under) expenditures	58,796	(9,439)	49,357
Fund balance beginning of year	<u>1,034,217</u>	<u>160,270</u>	<u>1,194,487</u>
Fund balance end of year	<u>\$ 1,093,013</u>	<u>150,831</u>	<u>1,243,844</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,143,324	164,525	4,307,849
Receivables:			
Delinquent	0	2,442	2,442
Succeeding year	0	185,567	185,567
Due from other governments	390,981	0	390,981
Total assets	\$ 4,534,305	352,534	4,886,839
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 52,264	0	52,264
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	0	185,567	185,567
Fund balances:			
Restricted for:			
School infrastructure	3,171,872	0	3,171,872
Debt service	1,310,169	0	1,310,169
Physical plant and equipment	0	166,967	166,967
Total fund balances	4,482,041	166,967	4,649,008
Total liabilities, deferred inflows of resources and fund balances	\$ 4,534,305	352,534	4,886,839

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 0	184,683	184,683
Other	223	10	233
State sources	1,929,847	0	1,929,847
Federal sources	1,128	0	1,128
Total revenues	1,931,198	184,693	2,115,891
Expenditures:			
Current:			
Support services:			
Instructional staff	315,434	2,348	317,782
Operation and maintenance of plant	0	126,677	126,677
Capital outlay	951,035	0	951,035
Total expenditures	1,266,469	129,025	1,395,494
Excess of revenues over expenditures	664,729	55,668	720,397
Other financing uses:			
Transfer out	(1,309,683)	0	(1,309,683)
Change in fund balances before special item	(644,954)	55,668	(589,286)
Proceeds from sale of real property(Note 13)	0	81,056	81,056
Change in fund balances	(644,954)	136,724	(508,230)
Fund balances beginning of year	5,126,995	30,243	5,157,238
Fund balances end of year	\$ 4,482,041	166,967	4,649,008

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance End of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Child Health Fund	\$ 9,913	2,000	5,999	0	5,914
Activity Account	1,946	114	170	0	1,890
Undistributed Funds	0	13	0	0	13
Vocal Music	2,617	1,522	4,103	0	36
Instrumental Music	5,106	19,262	15,724	0	8,644
Industrial Tech	4,303	344	1,608	0	3,039
Environmental Club	776	0	0	0	776
Family and Consumer	1,195	0	0	0	1,195
Soccer Coed	0	0	620	620	0
Boys Basketball	0	0	1,565	1,565	0
Football	0	0	1,170	1,170	0
Boys track	0	0	567	567	0
Wrestling	0	0	420	420	0
Girls basketball	0	0	1,300	1,300	0
Volleyball	0	0	595	595	0
Girls Track	0	350	587	237	0
Student Activity	5,770	16,163	16,777	(195)	4,961
Employee Activity Account - Middle School	1,942	1,543	2,678	0	807
Student Council	121	0	316	195	0
Library Club	2,997	4,222	5,416	0	1,803
Prairie fire	622	0	599	0	23
Just eliminate	634	0	0	0	634
Science Activity - M.S.	677	3,421	2,929	0	1,169
Speech - Large Group	0	25	724	699	0
Vocal Music	124	1,452	1,526	0	50
Instrumental Music	4,253	9,605	9,927	0	3,931
Color Guard	154	0	154	0	0
Co-Curricular Act - H.S.	0	51,024	44,559	(5,347)	1,118
Gate Receipts	3,331	69,337	990	(71,678)	0
Soccer Coed	0	585	3,290	2,705	0
Soccer - Fund Raiser	8,148	4,458	9,439	4,989	8,156
Cross Country	0	1,221	3,076	1,855	0
Boys Basketball	0	0	3,851	3,851	0
Boys Basketball - Fund Raiser	2,891	16,071	15,842	0	3,120
Football	0	0	25,354	25,354	0
Football - Fund Raiser	181	8,293	7,366	(565)	543
Baseball	0	290	4,729	4,439	0
Baseball - Fund Raiser	3,736	14,090	12,300	0	5,526
Boys Track	0	200	4,607	4,407	0
Boys Tennis	0	0	466	466	0
Boys Golf	0	0	1,670	1,670	0
Wrestling	0	640	6,581	5,941	0
Wrestling - Fund Raiser	15,141	11,493	12,202	0	14,432
Girls Basketball	0	0	4,286	4,286	0
Girls Basketball-Fund Raiser	1,205	7,165	6,534	0	1,836
Girls Soccer	0	4,281	7,450	3,169	0
Girls Soccer-Fund Raiser	0	10,206	9,073	0	1,133
Volleyball	0	0	3,629	3,629	0
Volleyball - Fund Raiser	14,423	6,903	11,043	0	10,283
Softball	0	0	3,455	3,455	0
Softball - Fund Raiser	0	15,273	13,656	(1,617)	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Girls Track	0	1,212	3,228	2,016	0
GTR/BTR/CC Fund Raiser	6	11,336	10,701	0	641
Girls Tennis	0	25	555	530	0
Girls Tennis Fundraiser	842	670	758	0	754
Bloodhound Productions	793	78	0	0	871
Art Club	853	0	0	0	853
Student Activity Account	0	372	2,331	1,959	0
Foreign Language Club	157	0	153	0	4
FFA	264	6,156	5,622	0	798
Employee Activity Account - High School	479	0	48	0	431
Leo Club	97	0	0	0	97
Post Prom	0	2,144	1,443	0	701
FCCLA	885	160	1,045	0	0
HS Student Government	0	1,981	1,452	(58)	471
Key Club	2,955	1,566	1,676	0	2,845
Madisonian	17,553	16,988	23,756	0	10,785
Dist. Educ. Club	250	5,253	5,430	0	73
Building Trades Vica	2,441	360	0	0	2,801
Auto Shop Vica	2,822	654	227	0	3,249
National Honor Society	348	181	273	0	256
Science Club	228	0	0	0	228
Varsity club	72	30	0	(102)	0
Student Concessions	1,307	52,932	52,763	0	1,476
Dance & Drill team fundraising	40	1,360	1,492	92	0
Library Club	794	0	0	(794)	0
Class of 2014	1,768	706	1,355	(1,118)	1
Class of 2015	1,520	6,900	5,809	0	2,611
Class of 2016	2,981	1,834	870	0	3,945
Class of 2017	0	2,799	354	0	2,445
Cheerleaders - Varsity	0	0	1,669	1,669	0
Cheerleaders - Fundraiser	0	17,781	11,723	(3,040)	3,018
HS E-reader book club	405	0	0	794	1,199
CLC	334	108	0	0	442
Special Education Club	360	8,537	8,137	0	760
Student Activity Account	11,757	369	633	0	11,493
Employee Activity Account - Lincoln	1,120	762	0	0	1,882
Richardson PTO	0	954	0	(886)	68
Student Activity Account	8,565	2,611	797	0	10,379
Vocal Music	0	0	327	327	0
Band	0	0	327	327	0
Social Studies Club	0	56	127	102	31
Richardson Employee	0	2,063	1,836	0	227
Richardson Bookstore	6,068	4,293	6,397	0	3,964
Total	\$ 160,270	434,797	444,236	0	150,831

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,553,667	9,198,982	9,331,997	9,471,555	8,900,029	8,400,107	8,280,598	8,211,007	7,281,321	7,190,181
Tuition	382,043	344,570	328,861	256,169	258,118	341,210	234,422	202,458	161,163	174,045
Other	649,329	608,174	677,649	606,582	692,970	810,139	987,790	1,028,627	923,719	791,009
State sources	15,266,607	12,822,162	13,094,062	12,768,847	11,871,380	13,241,057	12,541,859	12,102,102	11,358,669	10,962,706
Federal sources	971,675	1,852,860	1,414,028	1,838,699	2,548,558	1,275,077	1,081,517	1,190,701	1,088,627	2,689,181
Total	\$ 23,823,321	24,826,748	24,846,597	24,941,852	24,271,055	24,067,590	23,126,186	22,734,895	20,813,499	21,807,122
Expenditures:										
Current:										
Instruction:										
Regular	\$ 9,354,262	9,318,295	8,535,366	8,583,331	8,850,173	9,514,098	9,111,831	11,523,634	8,364,811	8,448,219
Special	3,975,924	3,934,298	3,998,469	3,951,481	3,956,482	3,736,493	3,449,199	2,259,659	3,161,927	3,278,363
Other	2,943,440	2,644,397	2,716,959	2,759,360	2,790,953	2,558,234	2,486,387	686,155	2,311,775	2,557,970
Support services:										
Student	551,613	489,653	462,312	418,488	391,154	386,911	384,748	417,238	429,221	305,392
Instructional staff	851,324	602,681	713,150	674,125	494,751	546,549	577,171	652,694	925,657	627,902
Administration	1,968,063	1,893,365	1,782,364	1,856,438	1,911,327	2,070,548	2,077,442	1,776,244	1,548,184	1,322,744
Operation and maintenance										
of plant	1,942,715	1,705,966	1,548,358	1,598,903	1,653,567	1,661,348	1,626,188	1,716,868	1,666,626	1,460,757
Transportation	1,025,671	1,064,141	970,325	935,644	793,403	1,014,609	860,144	829,556	725,492	919,733
Capital outlay	951,035	4,367,136	11,163,707	3,897,907	1,519,285	1,033,217	1,330,881	486,018	372,502	1,502,725
Long-term debt:										
Principal	600,000	595,000	590,000	915,000	0	0	0	0	0	0
Interest	608,683	623,358	642,882	722,410	500	0	0	0	0	0
Other expenditures:										
AEA flow-through	930,390	894,217	897,030	1,000,871	1,003,331	887,992	830,020	809,284	755,127	744,835
Total	\$ 25,703,120	28,132,507	34,020,922	27,313,958	23,364,926	23,409,999	22,734,011	21,157,350	20,261,322	21,168,640

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 7

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 116,626
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	552,680 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 14	<u>8,533</u>
			<u>677,839</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	393,789
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2322-GC	60,741
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	<u>15,004</u>
			<u>469,534</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	<u>105,046</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	<u>6,016</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 14	<u>115,709</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>30,143</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY14	<u>170</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 14	<u>1,128</u>
TOTAL			<u>\$ 1,405,585</u>

* Includes \$46,927 in non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fort Madison Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Fort Madison Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

Fort Madison Community School District's Responses to Findings

Fort Madison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Fort Madison 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 controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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

To the Board of Education of
Fort Madison Community School District

Report on Compliance for Each Major Federal Program

We have audited Fort Madison Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Fort Madison Community School District's major federal programs for the year ended June 30, 2014. Fort Madison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fort Madison Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Madison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Fort Madison Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fort Madison Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Members American Institute & Iowa Society of Certified Public Accountants

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2015
Newton, Iowa

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual Programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Madison Community School District qualified as a low-risk auditee.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District will not refuse a student a meal. However, the District makes every effort to collect unpaid balances. Letters are sent to parents as well as personal phone calls to try and collect negative balances. At the end of each fiscal year, the District refers accounts that are deemed uncollectable to a collection agency

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified amounts in the instruction and support services functional areas.

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 - The District will monitor expenditures and amend when necessary.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund to be given to students as prizes. Gift cards do not

appear to meet public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General’s opinion dated April 25, 1979.

Response - The District will review procedures in place and make necessary adjustments to comply.

Conclusion - Response accepted.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tim Lamb, Board Member Official	Services	\$275
Amy Doherty, Teacher Independent consult for Thirty One	Supplies	\$642

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest, as the amount paid is under the \$2,500 threshold.

In accordance with Chapter 301.28 of the Code of Iowa the above transactions with the teacher do not appear to represent a conflict of interest.

IV-E-14 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.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

Approval of Depositories: We noted that the board minutes did not name the approved depositories for school monies. Chapter 12C.2 of the Code of Iowa states “The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.”

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with Chapter 12C.2 of the Code of Iowa.

Response - The District will comply with the auditor’s recommendation.

Conclusion - Response accepted.

Official Board Minutes: We noted that the official board minutes have areas for the signature of both the Board President and the Board Secretary. We noted instances where signatures were not affixed to the official board minutes.

Recommendation - The lack of signatures has the potential to give the impression that the minutes were not approved or are not the official board minutes of the District. The District should evaluate its procedures for documenting the actions of the Board Minutes to ensure that documentation procedures are followed consistently.

Response - The District will comply with the auditor's recommendation.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - We noted no variances regarding supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Officiating Contracts - We noted during our audit that the Board President's signature was not present on contracts entered into by the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will have the board president sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 5,126,995
Revenues:		
Sales tax revenues	\$ 1,929,697	
Other local revenues	223	
State sources	150	
Federal sources	1,128	
	1,931,198	7,058,193
Expenditures/transfers out:		
School infrastructure construction	\$ 950,933	
Other	315,536	
Transfers to other funds:		
Debt service fund	1,309,683	
	2,576,152	
Ending balance		\$ 4,482,041

For the year ended June 30, 2014 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-N-14 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Employee Activity Accounts: We noted during our audit that the Employee Activity Account appears to be administratively maintained, rather than a student run organization.

Recommendation - The Employee Activity Account is not a student run organization and therefore should not be accounted for in the Student Activity Fund. The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund.

Response - The District will review the receipts and expenditures of the Employee Activity Account within the Student Activity Fund and move the money to the appropriate fund.

Conclusion - Response accepted.

Purchases of Instructional Supplies: We noted during our audit that the District's Library Club, Environmental Club, and the Student Activity account within the Student Activity Fund do not appear to be extracurricular in nature.

Recommendation - These receipts and expenditures appear to be more appropriate in the General Fund.

Response - The District will review these accounts and close them to the General Fund.

Conclusion - Response accepted.

IV-O-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer before November 1st.

Response - The District will research the outstanding checks and determine the appropriate course of action.

Conclusion - Response accepted.