

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Charter Oak-Ute Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dean Staley	President	2015
Jim Ewoldt	Vice President	2015
Betty Lou Olson	Board Member	2015
Bill Magill	Board Member	2017
Randy Weed	Board Member	2017
<u>School Officials</u>		
Rollie Wiebers	Superintendent	2015
Cathy Carstens	District Secretary/Treasurer	2015
Rick Franck	Attorney	2015

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Independent Auditor's Report

To the Board of Education of Charter Oak-Ute 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 Charter Oak-Ute Community School District, Charter Oak, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Charter Oak-Ute Community School District at June 30, 2015 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Charter Oak-Ute Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 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 Charter Oak-Ute Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 9, 2016, on our consideration of the Charter Oak-Ute 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 Charter Oak-Ute Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Oak-Ute Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,341,688 in fiscal year 2014 to \$3,287,628 in fiscal year 2015, while General Fund expenditures decreased from \$3,602,248 in fiscal year 2014 to \$3,574,976 in fiscal year 2015. The District's General Fund balance decreased from \$696,269 at June 30, 2014 to \$408,948 at June 30, 2015.
- The decrease in General Fund revenues was attributable to a decrease in local source revenues as compared to the previous year. The decrease in expenditures was due a decrease in support service expenditures incurred as compared to the previous year.

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 Charter Oak-Ute 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 Charter Oak-Ute 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 Charter Oak-Ute Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

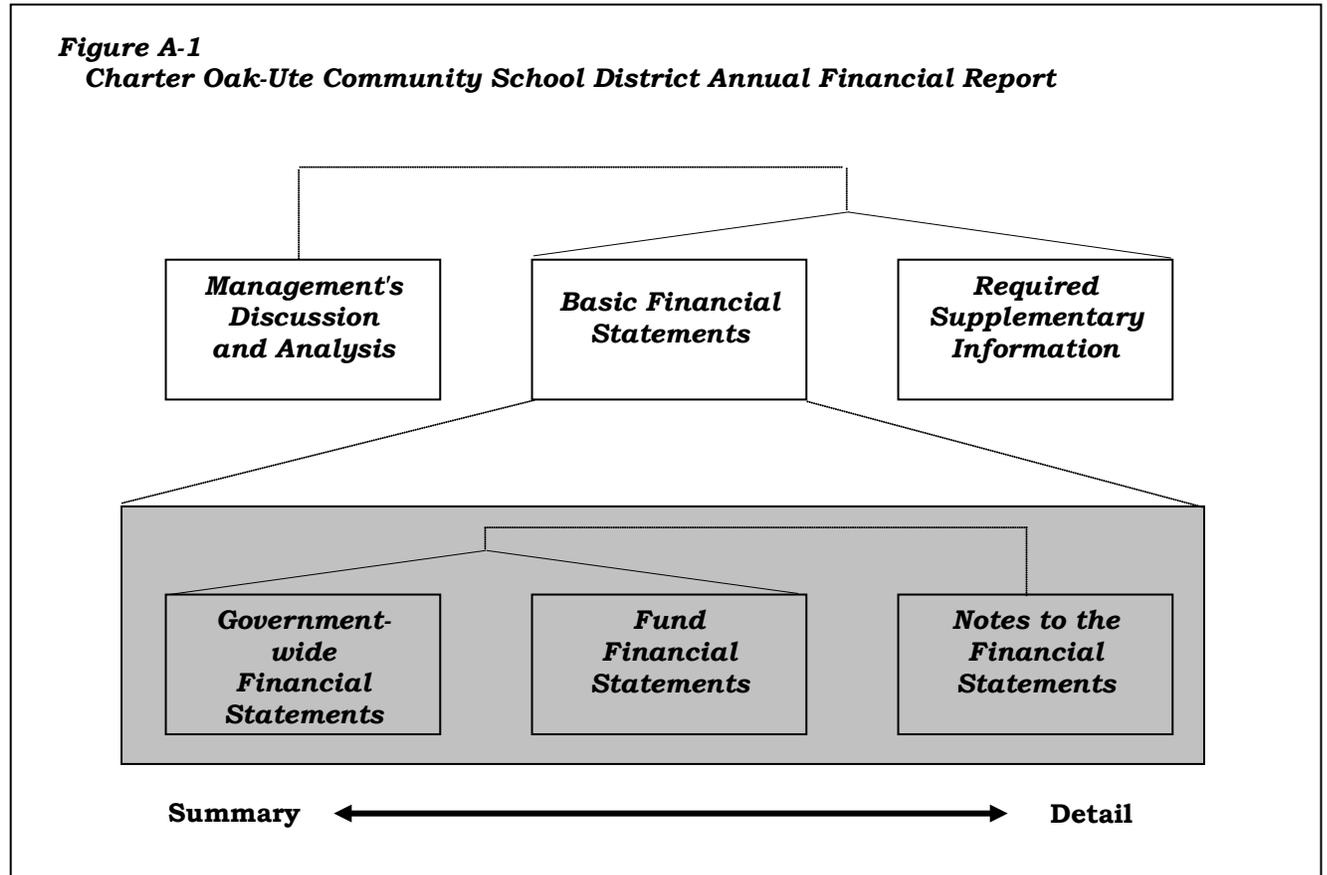


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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 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 Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 3,503,108	3,605,600	43,194	61,613	3,546,302	3,667,213	-3.30%
Capital assets	2,442,446	2,445,063	23,316	17,891	2,465,762	2,462,954	0.11%
Total assets	5,945,554	6,050,663	66,510	79,504	6,012,064	6,130,167	-1.93%
Deferred outflows of resources	250,035	-	6,783	-	256,818	-	100.00%
Long-term liabilities	2,102,143	774,126	29,253	93	2,131,396	774,219	175.30%
Other liabilities	372,938	382,163	3,851	3,060	376,789	385,223	-2.19%
Total liabilities	2,475,081	1,156,289	33,104	3,153	2,508,185	1,159,442	116.33%
Deferred inflows of resources	2,019,270	1,373,714	11,111	-	2,030,381	1,373,714	47.80%
Net position:							
Net investment in capital assets	1,847,446	1,780,063	23,316	17,891	1,870,762	1,797,954	4.05%
Restricted	947,103	963,170	-	-	947,103	963,170	-1.67%
Unrestricted	(1,093,311)	777,427	5,762	58,460	(1,087,549)	835,887	-230.11%
Total net position	\$ 1,701,238	3,520,660	29,078	76,351	1,730,316	3,597,011	-51.90%

The District's combined net position decreased by \$1,866,695, or 51.90%, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position 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 \$16,067, or 1.67% from the prior year. This was primarily the result of a decrease in the net position of the Capital Projects: Physical Plant and Equipment Levy Fund compared to the prior year as well as a decrease in the amount restricted carried over in the General Fund for categorical funding purposes.

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 \$1,923,436 or 230.11%. This decrease in unrestricted net position is primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,534,568 and \$36,447, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the

information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 461,201	498,546	71,904	86,390	533,105	584,936	-8.86%
Operating grants, contributions and restricted interest	318,903	327,809	103,472	111,068	422,375	438,877	-3.76%
General revenues:							
Property tax	1,397,434	1,355,105	-	-	1,397,434	1,355,105	3.12%
Income surtax	149,450	195,355	-	-	149,450	195,355	-23.50%
Statewide sales, services and use tax	276,848	267,728	-	-	276,848	267,728	3.41%
Unrestricted state grants	1,315,079	1,312,810	-	-	1,315,079	1,312,810	0.17%
Unrestricted interest income	5,002	5,954	176	175	5,178	6,129	-15.52%
Other	63,394	44,527	714	-	64,108	44,527	43.98%
Total revenues	3,987,311	4,007,834	176,266	197,633	4,163,577	4,205,467	-1.00%
Program expenses:							
Instruction	2,959,370	2,855,215	-	-	2,959,370	2,855,215	3.65%
Support services	1,092,622	1,259,513	-	-	1,092,622	1,259,513	-13.25%
Non-instructional programs	1,140	2,167	187,092	187,209	188,232	189,376	-0.60%
Other expenses	219,033	208,474	-	-	219,033	208,474	5.06%
Total expenses	4,272,165	4,325,369	187,092	187,209	4,459,257	4,512,578	-1.18%
Change in net position	(284,854)	(317,535)	(10,826)	10,424	(295,680)	(307,111)	-3.72%
Net position beginning of year	1,986,092	3,838,195	39,904	65,927	2,025,996	3,904,122	-48.11%
Net position end of year	\$ 1,701,238	3,520,660	29,078	76,351	1,730,316	3,597,011	-51.90%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.72% of the revenue from governmental activities while charges for service and operating grants and contributions and account for 99.50% of the revenue from business type activities.

The District's total revenues were approximately \$4.16 million of which approximately \$3.99 million was for governmental activities and approximately \$0.17 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.00% decrease in revenues and a 1.18% decrease in expenses. The decrease in revenues is primarily due to a decrease in charges for service revenue received while the decrease in expenses is primarily due to the decrease in support service expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$3,987,311 and expenses were \$4,272,165 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 2,959,370	2,855,215	3.65%	2,305,263	2,154,800	6.98%
Support services	1,092,622	1,259,513	-13.25%	1,092,622	1,259,513	-13.25%
Non-instructional programs	1,140	2,167	-47.39%	1,140	2,167	-47.39%
Other expenses	219,033	208,474	5.06%	93,036	82,534	12.72%
Totals	\$ 4,272,165	4,325,369	-1.23%	3,492,061	3,499,014	-0.20%

For the year ended June 30, 2015.

- The cost financed by users of the District's programs was \$461,201.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$318,903.
- The net cost of governmental activities was financed with \$1,397,434 in property tax, \$149,450 in income surtax, \$276,848 in statewide sales, services and use tax, \$1,315,079 in unrestricted state grants, \$5,002 in interest income and \$63,394 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$176,266 and expenses were \$187,092 for the year ended June 30, 2015. 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 income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Charter Oak-Ute 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 balance of \$1,448,262, below than last year's ending fund balances of \$1,705,502. This decrease is primarily a result of the decrease in the fund balance of the General Fund during the year.

Governmental Fund Highlights

- The General Fund financial position is a product of many factors. The General Fund balance decreased from \$696,296 at June 30, 2014 to \$408,948 at June 30, 2015. Total revenues decreased primarily due to a decrease in local source revenues received and total expenditures decreased due to a decrease in support service expenditures incurred. However, total expenditures exceeded total revenues for the year ensuring a decrease in fund balance.

-
- The Management Levy Fund balance increased from \$417,923 at June 30, 2014 to \$448,650 at June 30, 2015. This increase in fund balance was primarily due to an increase in local tax sources received as compared to the prior year.
 - The Capital Projects Fund balance decreased from \$539,278 at June 30, 2014 to \$524,091 at June 30, 2015. This decrease in fund balance was primarily due to a an increase in capital outlay expenditures incurred during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$39,904 restated at July 1, 2014 to \$29,078 at June 30, 2015, representing a decrease of 27.13%. The primary reason for this decrease in net position is due to a decrease in charges for service revenues received as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$247,753 less than budgeted revenues, a variance of 5.61%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area for the year ended June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$2,465,762, 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 increase of 0.11% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$200,120.

The original cost of the District's capital assets was \$5,322,662. Governmental funds account for \$5,287,055 with the remainder of \$35,607 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,781,511 at June 30, 2014, compared to \$1,821,521 reported at June 30, 2015. This increase resulted from the completion of classroom renovations and roof projects during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 747	747	-	-	747	747	0.00%
Buildings	1,821,521	1,781,511	-	-	1,821,521	1,781,511	2.25%
Land improvements	361,959	382,099	-	-	361,959	382,099	-5.27%
Machinery and equipment	258,219	280,706	23,316	17,891	281,535	298,597	-5.71%
Total	\$ 2,442,446	2,445,063	23,316	17,891	2,465,762	2,462,954	0.11%

Long-Term Debt

At June 30, 2015, the District had \$2,131,396 in revenue bond and other long-term debt outstanding. This represents an increase of 175.30% 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 total outstanding revenue bond indebtedness at June 30, 2015 of \$595,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

The District had total outstanding computer lease indebtedness at June 30, 2015 of \$141,684 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$95,252 at June 30, 2015.

The District had outstanding net pension liability at June 30, 2015 of \$1,255,817. The District's governmental activities accounted for \$1,226,682 of this total while the District's business type activities accounted for \$29,135.

The District had outstanding net OPEB liability at June 30, 2015 of \$43,613. The District's governmental activities accounted for \$43,495 of this total while the District's business type activities accounted for \$118.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenue Bonds	\$ 595,000	665,000	-	-	595,000	665,000	-10.53%
Computer lease	141,684	-	-	-	141,684	-	100.00%
Termination Benefits	95,282	74,592	-	-	95,282	74,592	27.74%
Net pension liability	1,226,682	-	29,135	-	1,255,817	-	100.00%
Net OPEB liability	43,495	34,534	118	93	43,613	34,627	25.95%
Totals	\$ 2,102,143	774,126	29,253	93	2,131,396	774,219	175.30%

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's unspent balance continued to decline and with projected enrollment declines and also projected small Supplemental Growth Amounts, the district will need to pursue cost savings measures in the General Fund. These changes can occur through finding appropriate measures to transfer General Fund spending to other accounts and through staff attrition.
- Declining enrollment and increased number of Open Enrolled Out Students will impact the District's ability to provide programs and will have a major impact on the financial condition of the District.
- The District had entered into sharing agreements in the operational sharing avenue and will look to share more positions to cut costs while keeping services available.
- The District is meeting with neighboring school District's to discuss possible grade sharing opportunities as means of reducing costs and improving the financial condition of 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 Cathy Carstens, District Secretary/Treasurer and Rollie Wiebers, Superintendent, Charter Oak-Ute Community School District, 321 Main Street, Charter Oak, IA 51439.

Basic Financial Statements

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,672,018	39,770	1,711,788
Receivables:			
Property tax:			
Delinquent	15,937	-	15,937
Succeeding year	1,551,448	-	1,551,448
Income surtax	146,724	-	146,724
Due from other governments	106,769	-	106,769
Inventories	10,212	3,424	13,636
Capital assets , net of accumulated depreciation	2,442,446	23,316	2,465,762
TOTAL ASSETS	5,945,554	66,510	6,012,064
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	250,035	6,783	256,818
LIABILITIES			
Accounts payable	37,495	-	37,495
Salaries and benefits payable	319,179	-	319,179
Accrued interest payable	16,264	-	16,264
Unearned revenue	-	3,851	3,851
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	75,000	-	75,000
Computer lease payable	46,014	-	46,014
Termination benefits	25,046	-	25,046
Portion due after one year:			
Revenue bonds	520,000	-	520,000
Computer lease payable	95,670	-	95,670
Termination benefits	70,236	-	70,236
Net pension liability	1,226,682	29,135	1,255,817
Net OPEB liability	43,495	118	43,613
TOTAL LIABILITIES	2,475,081	33,104	2,508,185
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,551,448	-	1,551,448
Pension related deferred inflows	467,822	11,111	478,933
TOTAL DEFERRED INFLOWS OF RESOURCES	2,019,270	11,111	2,030,381
NET POSITION			
Net investment in capital assets	1,847,446	23,316	1,870,762
Restricted for:			
Categorical funding	3,071	-	3,071
School infrastructure	428,555	-	428,555
Physical plant and equipment	95,536	-	95,536
Management levy purposes	353,368	-	353,368
Student activities	66,573	-	66,573
Unrestricted	(1,093,311)	5,762	(1,087,549)
TOTAL NET POSITION	\$ 1,701,238	29,078	1,730,316

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,933,084	308,176	43,485	(1,581,423)	-	(1,581,423)
Special	418,870	13,658	14,256	(390,956)	-	(390,956)
Other	607,416	139,367	135,165	(332,884)	-	(332,884)
	<u>2,959,370</u>	<u>461,201</u>	<u>192,906</u>	<u>(2,305,263)</u>	<u>-</u>	<u>(2,305,263)</u>
Support services:						
Student	88,400	-	-	(88,400)	-	(88,400)
Instructional staff	47,681	-	-	(47,681)	-	(47,681)
Administration	459,878	-	-	(459,878)	-	(459,878)
Operation and maintenance of plant	230,520	-	-	(230,520)	-	(230,520)
Transportation	266,143	-	-	(266,143)	-	(266,143)
	<u>1,092,622</u>	<u>-</u>	<u>-</u>	<u>(1,092,622)</u>	<u>-</u>	<u>(1,092,622)</u>
Non-instructional programs:						
Food service operations	1,140	-	-	(1,140)	-	(1,140)
	<u>27,275</u>	<u>-</u>	<u>-</u>	<u>(27,275)</u>	<u>-</u>	<u>(27,275)</u>
Other expenditures:						
AEA flowthrough	125,997	-	125,997	-	-	-
Depreciation(unallocated)*	65,761	-	-	(65,761)	-	(65,761)
	<u>191,758</u>	<u>-</u>	<u>125,997</u>	<u>(65,761)</u>	<u>-</u>	<u>(65,761)</u>
Total governmental activities	<u>4,272,165</u>	<u>461,201</u>	<u>318,903</u>	<u>(3,492,061)</u>	<u>-</u>	<u>(3,492,061)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	187,092	71,904	103,472	-	(11,716)	(11,716)
	<u>187,092</u>	<u>71,904</u>	<u>103,472</u>	<u>-</u>	<u>(11,716)</u>	<u>(11,716)</u>
Total	<u>\$ 4,459,257</u>	<u>533,105</u>	<u>422,375</u>	<u>(3,492,061)</u>	<u>(11,716)</u>	<u>(3,503,777)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,321,255	-	1,321,255
Capital outlay				76,179	-	76,179
Income surtax				149,450	-	149,450
Statewide sales, services and use tax				276,848	-	276,848
Unrestricted state grants				1,315,079	-	1,315,079
Unrestricted investment earnings				5,002	176	5,178
Other general revenues				63,394	714	64,108
Total general revenues				<u>3,207,207</u>	<u>890</u>	<u>3,208,097</u>
Change in net position				(284,854)	(10,826)	(295,680)
Net position beginning of year, as restated				<u>1,986,092</u>	<u>39,904</u>	<u>2,025,996</u>
Net position end of year				<u>\$ 1,701,238</u>	<u>29,078</u>	<u>1,730,316</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
ASSETS					
Cash and pooled investments	677,904	447,506	480,035	66,573	1,672,018
Receivables:					
Property tax:					
Delinquent	13,924	1,144	869	-	15,937
Succeeding year	1,361,399	100,000	90,049	-	1,551,448
Income surtax	73,362	-	73,362	-	146,724
Due from other governments	63,582	-	43,187	-	106,769
Inventories	10,212	-	-	-	10,212
TOTAL ASSETS	\$ 2,200,383	548,650	687,502	66,573	3,503,108
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 37,495	-	-	-	37,495
Salaries and benefits payable	319,179	-	-	-	319,179
Total liabilities	356,674	-	-	-	356,674
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,361,399	100,000	90,049	-	1,551,448
Income surtax	73,362	-	73,362	-	146,724
Total deferred inflows of resources	1,434,761	100,000	163,411	-	1,698,172
Fund balances:					
Nonspendable	10,212	-	-	-	10,212
Restricted for:					
Categorical funding	3,071	-	-	-	3,071
School infrastructure	-	-	428,555	-	428,555
Physical plant and equipment	-	-	95,536	-	95,536
Management levy purposes	-	448,650	-	-	448,650
Student activities	-	-	-	66,573	66,573
Unassigned	395,665	-	-	-	395,665
Total fund balances	408,948	448,650	524,091	66,573	1,448,262
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,200,383	548,650	687,502	66,573	3,503,108

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds (page 20)	\$	1,448,262
 <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.		2,442,446
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.		(16,264)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		146,724
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 250,035	
Deferred inflows of resources	<u>(467,822)</u>	(217,787)
Long-term liabilities, including bonds payable, termination benefits payable, leases payable, the net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,102,143)</u>
Net position of governmental activities (page 18)	\$	<u><u>1,701,238</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Nonmajor: Debt Service	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,298,525	100,324	153,773	-	-	1,552,622
Tuition	306,588	-	-	-	-	306,588
Other	48,616	8,850	34,442	131,101	-	223,009
State sources	1,504,426	47	276,884	-	-	1,781,357
Federal sources	129,473	-	-	-	-	129,473
TOTAL REVENUES	3,287,628	109,221	465,099	131,101	-	3,993,049
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,646,323	36,248	187,734	-	-	1,870,305
Special	410,842	-	-	-	-	410,842
Other	483,609	-	-	116,533	-	600,142
	2,540,774	36,248	187,734	116,533	-	2,881,289
Support services:						
Student	77,275	-	-	-	-	77,275
Instructional staff	22,529	-	7,940	-	-	30,469
Administration	409,407	7,410	44,100	-	-	460,917
Operation and maintenance of plant	190,578	24,835	94,420	-	-	309,833
Transportation	208,416	8,861	-	-	-	217,277
	908,205	41,106	146,460	-	-	1,095,771
Non-instructional programs:						
Food service operations	-	1,140	-	-	-	1,140
Capital outlay	-	-	210,184	-	-	210,184
Long-term debt:						
Principal	-	-	-	-	116,050	116,050
Interest and fiscal charges	-	-	-	-	19,252	19,252
	-	-	-	-	135,302	135,302
Other expenditures:						
AEA flowthrough	125,997	-	-	-	-	125,997
TOTAL EXPENDITURES	3,574,976	78,494	544,378	116,533	135,302	4,449,683
Excess(Deficiency) of revenues over(under) expenditures	(287,348)	30,727	(79,279)	14,568	(135,302)	(456,634)
Other financing sources(uses):						
Sale of equipment	-	-	1,650	-	-	1,650
Proceeds from sale or real property(Note 13)	-	-	10,010	-	-	10,010
Proceeds from computer lease	-	-	187,734	-	-	187,734
Transfer in	-	-	-	-	135,302	135,302
Transfer out	-	-	(135,302)	-	-	(135,302)
Total other financing sources(uses)	-	-	64,092	-	135,302	199,394
Change in fund balances	(287,348)	30,727	(15,187)	14,568	-	(257,240)
Fund balances beginning of year	696,296	417,923	539,278	52,005	-	1,705,502
Fund balances end of year	\$ 408,948	448,650	524,091	66,573	-	1,448,262

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE 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, 2015

Change in fund balances - total governmental funds (page 22)	\$	(257,240)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlay 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. Capital outlay and depreciation in the current year are as follows:		
Capital outlay	\$ 194,873	
Depreciation expense	<u>(197,490)</u>	(2,617)
Income surtax accounts receivable is not available to finance expenditures of the current period and is recognized as deferred inflows of resources in the governmental funds		
		(5,738)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:		
Issued	\$ (187,734)	
Repaid	<u>116,050</u>	(71,684)
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.		
		(8,023)
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		
		182,038
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	(20,690)	
Pension expense	(91,939)	
Other postemployment benefits	<u>(8,961)</u>	<u>(121,590)</u>
Changes in net position of governmental activities (page 19)	\$	<u>(284,854)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Business Type Activities Enterprise Fund
	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 39,770
Inventories	3,424
Total current assets	43,194
Non-current assets:	
Capital assets, net of accumulated depreciation	23,316
TOTAL ASSETS	66,510
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	6,783
LIABILITIES	
Current liabilities:	
Unearned revenue	3,851
Long-term liabilities:	
Net pension liability	29,135
Net OPEB liability	118
Total long-term liabilities	29,253
TOTAL LIABILITIES	33,104
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	11,111
NET POSITION	
Net investment in capital assets	23,316
Unrestricted	5,762
TOTAL NET POSITION	\$ 29,078

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Business Type Activities Enterprise Fund
	School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 71,904
Miscellaneous	714
TOTAL OPERATING REVENUES	72,618
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	57,321
Benefits	9,340
Supplies	117,801
Depreciation	2,630
TOTAL OPERATING EXPENSES	187,092
OPERATING LOSS	(114,474)
NON-OPERATING REVENUES:	
State sources	1,586
Federal sources	101,886
Interest on investments	176
TOTAL NON-OPERATING REVENUES	103,648
Change in net position	(10,826)
Net position beginning of year, as restated	39,904
Net position end of year	\$ 29,078

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Business Type Activities</u>
	<u>Enterprise Fund</u>
	School
	<u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 72,695
Cash received from miscellaneous	714
Cash payments to employees for services	(69,620)
Cash payments to suppliers for goods or services	(105,777)
Net cash used in operating activities	<u>(101,988)</u>
Cash flows from non-capital financing activities:	
State grants received	1,586
Federal grants received	88,099
Net cash provided by non-capital financing activities	<u>89,685</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(8,055)</u>
Cash flows from investing activities:	
Interest on investments	<u>176</u>
Net decrease in cash and pooled investments	(20,182)
Cash and pooled investments beginning of year	<u>59,952</u>
Cash and pooled investments end of year	<u>\$ 39,770</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (114,474)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,787
Depreciation	2,630
Increase in inventories	(1,763)
Increase in other postemployment benefits	25
Decrease in net pension liability	(11,605)
Increase in deferred inflows of resources	(2,490)
Increase in deferred outflows of resources	11,111
Increase in unearned revenue	791
Net cash used in operating activities	<u>\$ (101,988)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$13,787.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Charter Oak-Ute Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Charter Oak, Ute and Soldier, Iowa, and the agricultural territory of Crawford and Monona 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, Charter Oak-Ute Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Crawford and Monona County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 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 also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, termination benefits, and insurance agreements relating to such liabilities.

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

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

The Enterprise, 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 – committed, assigned and then unassigned fund balances.

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents 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.

Asset Class	Amount
Land	\$ 1
Buildings	10,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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

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.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E, Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, the District exceeded the amounts budgeted in the other expenditures function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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. As of June 30, 2015, the District had no investments.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 747	-	-	747
Total capital assets not being depreciated	<u>747</u>	<u>-</u>	<u>-</u>	<u>747</u>
Capital assets being depreciated:				
Buildings	2,389,061	84,406	-	2,473,467
Land improvements	552,989	1,225	-	554,214
Machinery and equipment	2,164,285	109,242	14,900	2,258,627
Total capital assets being depreciated	<u>5,106,335</u>	<u>194,873</u>	<u>14,900</u>	<u>5,286,308</u>
Less accumulated depreciation for:				
Buildings	607,550	44,396	-	651,946
Land improvements	170,890	21,365	-	192,255
Machinery and equipment	1,883,579	131,729	14,900	2,000,408
Total accumulated depreciation	<u>2,662,019</u>	<u>197,490</u>	<u>14,900</u>	<u>2,844,609</u>
Total capital assets being depreciated, net	<u>2,444,316</u>	<u>(2,617)</u>	<u>-</u>	<u>2,441,699</u>
Governmental activities capital assets, net	<u>\$ 2,445,063</u>	<u>(2,617)</u>	<u>-</u>	<u>2,442,446</u>
Business Type Activities:				
Machinery and equipment	\$ 27,552	8,055	-	35,607
Less accumulated depreciation	9,661	2,630	-	12,291
Business type activities capital assets, net	<u>\$ 17,891</u>	<u>5,425</u>	<u>-</u>	<u>23,316</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 67,680
Special	2,518
Other	8,772
Support services:	
Administration	3,157
Operation and maintenance of plant	10,288
Transportation	39,314
	<u>131,729</u>
Unallocated depreciation	65,761
Total governmental activities depreciation expense	<u>\$ 197,490</u>
Business type activities:	
Food service operations	<u>\$ 2,630</u>

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 135,302</u>

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

Note 5. Long-Term Debt

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

	Balance			Balance End of Year	Due Within One Year
	Beginning of Year Restated	Additions	Deletions		
Governmental Activities:					
Revenue Bonds	\$ 665,000	-	70,000	595,000	75,000
Computer Lease	-	187,734	46,050	141,684	46,014
Termination Benefits	74,592	26,135	5,445	95,282	25,046
Net Pension Liability	1,715,308	-	488,626	1,226,682	-
Net OPEB Liability	34,534	8,961	-	43,495	-
Total	<u>\$ 2,489,434</u>	<u>222,830</u>	<u>610,121</u>	<u>2,102,143</u>	<u>146,060</u>
Business Type Activities:					
Net Pension Liability	\$ 40,740	-	11,605	29,135	-
Net OPEB Liability	93	25	-	118	-
Total	<u>\$ 40,833</u>	<u>25</u>	<u>11,605</u>	<u>29,253</u>	<u>-</u>

Revenue Bonds

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

Year Ending June 30,	Bond Issue of December 7, 2011			
	Rate	Principal	Interest	Total
2016	1.55 %	\$ 75,000	15,061	90,061
2017	1.90	80,000	13,720	93,720
2018	2.25	80,000	12,060	92,060
2019	2.60	85,000	10,055	95,055
2020	2.95	90,000	7,623	97,623
2021-2022	3.30-3.50	185,000	6,472	191,472
Total		<u>\$ 595,000</u>	<u>64,991</u>	<u>659,991</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$800,000 of bonds issued on December 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition to the high school. The bonds are payable solely from the proceeds of

the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33% of the statewide, sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$659,991. For the current year \$70,000 of principal and \$16,063 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$276,848.

Computer Lease

Details of the Districts June 30, 2015 computer lease indebtedness, payable from the Capital Projects; Statewide Sales Services and Use Tax Fund are as follows:

Year Ending June 30,	Computer Lease Issue of July 25, 2014				
	Rate	Principal	Interest	Total	
2016	2.59 %	\$ 46,014	3,225	49,239	
2017	2.59 %	47,217	2,022	49,239	
2018	2.59 %	48,453	786	49,239	
Total		<u>\$ 141,684</u>	<u>6,033</u>	<u>147,717</u>	

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2015. The plan was offered to employees for only one year. Employees must have completed at least eight years of service to the District and must have reached the age of fifty-five on or before June 30, 2015. Employees completing application for early retirement which must be accompanied by the employee’s written resignation. Applications for early retirement are subject to approval by the Board of Education.

The District will pay the monthly premiums for the single health and major medical insurance coverage. The retiree shall be notified of termination of benefits upon reaching age of sixty-five, death, or failure to make payment if participating in family plan at their option.

At June 30, 2015, the District has obligations to four participants with a total liability of \$95,282. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$5,455.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Charter Oak-Ute Community School District has 18 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through ISEBA and dental covered is provided through Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

Annual required contribution	\$ 12,885
Interest on net OPEB obligation	866
Adjustment to annual required contribution	<u>(2,596)</u>
Annual OPEB cost	11,155
Contributions made	<u>(2,169)</u>
Increase in net OPEB obligation	8,986
Net OPEB obligation beginning of year	<u>34,627</u>
Net OPEB obligation end of year	<u><u>\$ 43,613</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 10,819	37.1 %	\$ 26,222
2014	9,999	15.9	34,627
2015	11,155	19.4	43,613

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$63,631 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$63,631. The covered payroll (annual payroll of active employees covered by the plan) was \$1,086,920 and the ratio of the UAAL to covered payroll was 5.85%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

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

Note 7. Pension Plan

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$187,205.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,255,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.031030 percent, which was an increase of 0.000016 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$94,122. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,648	\$ -
Changes of assumptions	55,422	-
Net difference between projected and actual earnings on pension plan investments	-	478,933
Changes in proportion and differences between District contributions and proportionate share of contributions	543	-
District contributions subsequent to the measurement date	<u>187,205</u>	<u>-</u>
Total	<u>\$ 256,818</u>	<u>\$ 478,933</u>

\$187,205 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (103,469)
2017	(103,469)
2018	(103,469)
2019	(103,469)
2020	4,556
	<u>\$ (409,320)</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

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

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,372,831	\$ 1,255,817	\$ 312,942

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$22,923 for legally required employer contributions and \$15,273 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Risk Management

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

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$184,843.

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

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

Note 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 \$125,997 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s ending balances for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 341
Successful progression for early readers	2,730
Total	<u>\$ 3,071</u>

Note 11. Deficit Balance

The District had deficit unrestricted net position in its governmental activities on the Statement of Net Position of \$1,093,311 at June 30, 2015.

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amounts budgeted.

Note 13. Sale of Real Property

During the year ended June 30, 2015, the District received \$10,010 for the sale of the Ute Building and surrounding property from Meadows Logistics as approved on October 21, 2013. The corresponding land, improvements, building and machinery and equipment capital assets were removed from the District’s capital asset listing in fiscal year 2014.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 3,520,660	\$ 76,351
Net pension liability at June 30, 2014	(1,715,308)	(40,740)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	180,740	4,293
Net position July 1, 2014, as restated	<u>\$ 1,986,092</u>	<u>\$ 39,904</u>

Note 15. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	<u>Net Investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	448,650	395,665
Capital assets, net of accumulated depreciation	2,442,446	-	-
Revenue bond capitalized indebtedness	(595,000)	-	-
Termination benefits	-	(95,282)	-
Computer lease indebtedness	-	-	(141,684)
Accrued interest payable	-	-	(16,264)
Income surtax receivable	-	-	146,724
Net OPEB liability	-	-	(43,495)
Net pension liability	-	-	(1,226,682)
Pension related deferred outflows	-	-	250,035
Pension related deferred inflows	-	-	(467,822)
Nonspendable fund balance	-	-	10,212
Net position (Exhibit A)	<u>\$ 1,847,446</u>	<u>353,368</u>	<u>(1,093,311)</u>

Charter Oak-Ute Community School District

Required Supplementary Information

CHARTER OAK-UTE 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, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,082,219	72,794	2,155,013	2,325,361	2,325,361	(170,348)
State sources	1,781,357	1,586	1,782,943	1,833,707	1,833,707	(50,764)
Federal sources	129,473	101,886	231,359	258,000	258,000	(26,641)
Total revenues	<u>3,993,049</u>	<u>176,266</u>	<u>4,169,315</u>	<u>4,417,068</u>	<u>4,417,068</u>	<u>(247,753)</u>
Expenditures/Expenses:						
Instruction	2,881,289	-	2,881,289	4,063,037	4,063,037	1,181,748
Support services	1,095,771	-	1,095,771	1,233,000	1,233,000	137,229
Non-instructional programs	1,140	187,092	188,232	319,327	319,327	131,095
Other expenditures	471,483	-	471,483	462,640	462,640	(8,843)
Total expenditures/expenses	<u>4,449,683</u>	<u>187,092</u>	<u>4,636,775</u>	<u>6,078,004</u>	<u>6,078,004</u>	<u>1,441,229</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(456,634)	(10,826)	(467,460)	(1,660,936)	(1,660,936)	1,193,476
Other financing sources, net	199,394	-	199,394	-	-	199,394
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(257,240)	(10,826)	(268,066)	(1,660,936)	(1,660,936)	1,392,870
Balances beginning of year, as restated	<u>1,705,502</u>	<u>39,904</u>	<u>1,745,406</u>	<u>1,791,752</u>	<u>1,791,752</u>	<u>(46,346)</u>
Balances end of year	<u>\$ 1,448,262</u>	<u>29,078</u>	<u>1,477,340</u>	<u>130,816</u>	<u>130,816</u>	<u>1,346,524</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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, 2015, expenditure in the other expenditures function exceeded the amounts budgeted.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR *
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.031030%
District's proportionate share of the net pension liability	\$ 1,255,817
District's covered-employee payroll	\$ 2,096,366
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.90%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 187,205	185,033	173,695	110,193	108,928	92,055	110,075	107,161	101,191	102,307
Contributions in relation to the statutorily required contribution	(187,205)	(185,033)	(173,695)	(110,193)	(108,928)	(92,055)	(110,075)	(107,161)	(101,191)	(102,307)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,096,366	2,072,038	2,003,403	1,365,465	1,567,309	1,324,532	1,733,465	1,771,256	1,759,843	1,779,252
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 49,000	\$ 49,000	0.0 %	2,044,000	2.40%
2011	July 1, 2009	-	46,000	46,000	0.0	2,057,000	2.24%
2012	July 1, 2009	-	46,000	46,000	0.0	1,921,000	2.39%
2013	July 1, 2012	-	68,967	68,967	0.0	915,818	7.53%
2014	July 1, 2012	-	66,703	66,703	0.0	918,900	7.26%
2015	July 1, 2012	-	63,631	63,631	0.0	1,086,920	5.85%

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.

Charter Oak-Ute Community School District

Supplementary Information

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 385,368	94,667	480,035
Receivables:			
Property tax:			
Delinquent	-	869	869
Succeeding year	-	90,049	90,049
Income surtax	-	73,362	73,362
Due from other governments	43,187	-	43,187
TOTAL ASSETS	\$ 428,555	258,947	687,502
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	90,049	90,049
Income surtax	-	73,362	73,362
Total deferred inflows of resources	-	163,411	163,411
Fund balances:			
Restricted for:			
School infrastructure	428,555	-	428,555
Physical plant and equipment	-	95,536	95,536
Total fund balances	428,555	95,536	524,091
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 428,555	258,947	687,502

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	153,773	153,773
Other	34,110	332	34,442
State sources	276,848	36	276,884
TOTAL REVENUES	310,958	154,141	465,099
EXPENDITURES:			
Current:			
Instruction			
Regular	187,734	-	187,734
Support services:			
Instructional staff	-	7,940	7,940
Administration	-	44,100	44,100
Operation and maintenance of plant	67,362	27,058	94,420
Capital outlay	89,419	120,765	210,184
TOTAL EXPENDITURES	344,515	199,863	544,378
Deficiency of revenues under expenditures	(33,557)	(45,722)	(79,279)
Other financing sources(uses):			
Proceeds from sale of equipment	-	1,650	1,650
Proceeds from sale of real property(Note 13)	-	10,010	10,010
Proceeds from computer lease	187,734	-	187,734
Transfer out	(135,302)	-	(135,302)
Total other financing (sources) uses	52,432	11,660	64,092
Change in fund balances	18,875	(34,062)	(15,187)
Fund balances beginning of year	409,680	129,598	539,278
Fund balances end of year	\$ 428,555	95,536	524,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
DRAMA CLUB	\$ 5,584	2,138	2,538	-	5,184
MUSIC BOOSTER	3,740	18,476	19,054	-	3,162
VENDING MACHIINE/POP - CHARTER OAK	471	2,036	1,784	-	723
ELEMENTARY STAND	4,438	2,020	4,666	-	1,792
COACHES	-	1,092	914	-	178
BASKETBALL	1,488	11,265	9,468	-	3,285
TRACK AND GOLF	182	1,748	1,580	-	350
FOOTBALL	552	4,943	4,034	-	1,461
SPEED AND AGILITY	526	110	498	-	138
VOLLEYBALL	419	5,188	3,441	-	2,166
SOFTBALL	182	4,591	4,423	-	350
SCIENCE CLUB	384	390	645	-	129
NATIONAL HONOR SOCIETY	2,363	1,184	-	-	3,547
ANNUAL	299	3,698	3,789	-	208
NEWSPAPER	343	747	393	-	697
PEP CLUB	1,073	1,170	2,061	-	182
FFA NATIONAL CONVENTION	1,428	6,000	3,142	-	4,286
FFA FUND	13,672	32,745	26,419	-	19,998
STUDENT COUNCIL SR HIGH	3,893	9,384	9,570	-	3,707
CLASS OF 2015	5,171	-	-	(5,171)	-
CLASS OF 2016	1,222	18,289	11,795	-	7,716
CLASS OF 2017	1,433	470	-	-	1,903
CLASS OF 2018	1,086	470	-	-	1,556
CLASS OF 2019	1,182	1,155	597	-	1,740
CLASS OF 2020	874	974	143	-	1,705
CLASS OF 2021	-	470	60	-	410
CLASS OF 2022	-	155	5,326	5,171	-
INTEREST	-	193	193	-	-
TOTALS	\$ 52,005	131,101	116,533	-	66,573

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE 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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,552,622	1,538,552	1,756,827	1,845,615	1,784,636	1,718,477	1,597,974	1,500,384	1,450,792	1,389,813
Tuition	306,588	346,263	293,211	264,401	248,485	252,090	170,565	141,325	129,725	162,155
Other	223,009	202,764	185,133	209,285	254,752	194,892	206,375	212,299	219,753	188,467
State sources	1,781,357	1,767,772	1,582,924	1,629,113	1,632,944	1,349,712	1,655,583	1,607,944	1,552,952	1,472,765
Federal sources	129,473	140,575	146,674	138,655	299,745	322,558	167,724	129,054	225,805	212,189
Total	\$ 3,993,049	3,995,926	3,964,769	4,087,069	4,220,562	3,837,729	3,798,221	3,591,006	3,579,027	3,425,389
Expenditures:										
Instruction:										
Regular	\$ 1,870,305	1,593,246	1,603,309	1,456,356	1,726,506	1,353,636	1,414,974	1,405,177	1,456,838	1,415,674
Special	410,842	396,695	380,526	368,470	335,721	345,162	375,132	361,681	306,329	322,355
Other	600,142	587,032	558,641	510,211	571,522	446,599	431,189	459,088	466,225	490,775
Support services:										
Student	77,275	89,310	83,177	70,219	65,606	71,650	59,147	44,659	42,454	59,723
Instructional staff	30,469	19,906	19,129	41,196	50,915	47,739	60,886	77,754	109,602	49,777
Administration	460,917	475,119	428,672	468,923	439,172	397,923	380,269	398,239	356,759	306,131
Operation and maintenance of plant	309,833	317,173	388,677	369,902	333,938	297,719	311,394	324,472	282,827	267,784
Transportation	217,277	331,277	176,539	259,237	248,795	250,517	167,392	168,647	159,096	220,079
Non-instructional programs	1,140	2,167	1,409	1,221	222	1,087	1,166	3,397	2,038	2,448
Capital outlay	210,184	41,901	307,408	738,538	165,948	16,501	46,659	738,398	104,796	127,918
Long-term debt:										
Principal	116,050	148,982	140,641	267,440	135,853	60,000	130,000	55,000	-	-
Interest and fiscal charges	19,252	19,378	24,339	13,510	16,487	13,417	18,624	9,371	-	-
Other expenditures:										
AEA flow-through	125,997	125,940	122,723	121,896	136,948	130,790	121,409	114,358	110,135	106,094
Total	\$ 4,449,683	4,148,126	4,235,190	4,687,119	4,227,633	3,432,740	3,518,241	4,160,241	3,397,099	3,368,758

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 Charter Oak-Ute 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 Charter Oak-Ute Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Oak-Ute 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 Charter Oak-Ute Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Oak-Ute Community School District's internal control.

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

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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Oak-Ute 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 and other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Charter Oak-Ute Community School District's Responses to Findings

Charter Oak-Ute Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Charter Oak-Ute 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 Charter Oak-Ute 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 9, 2016
Newton, Iowa

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recordkeeping, preparation, posting.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response accepted.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - Our evaluation of these expenditures at the time the budget would have needed to be amended did not indicate that overspending would occur. The District will continue to monitor these expenditures closer and will amend the budget accordingly in the future if necessary.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-15 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Jepsen, Head of Maintenance Brother Owns Jepsen Repair	Purchased Services	\$11,068
Chris Wood, Teacher Owner DJ Services	Purchased Services	\$250

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the brother of John Jepsen do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to present a conflict of interest.

II-E-15 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.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 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
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 409,680
Revenues:		
Sales tax revenues	\$ 276,848	
Other local revenues	34,110	
Proceeds from computer lease	187,734	498,692
Total revenues		<u>908,372</u>
Expenditures:		
School infrastructure construction	57,091	
Equipment	255,096	
Other	32,328	
Transfers to other funds:		
Debt service fund	135,302	479,817
Ending balance		<u>\$ 428,555</u>

For the year ended June 30, 2015 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Financial Condition - The District had deficit unrestricted net position in the District's governmental activities of \$1,093,311 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will educate the board and administration how the accounting changes implemented by GASB 68 and 71 will affect the District's financials moving forward.

Conclusion - Response accepted.