

FARRAGUT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Farragut Community School District

Officials

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

Jenny Varellas	President	2015
Robert Lynn	Vice President	2017
Tim Blank	Board Member	2015
Shelly Mount	Board Member	2017
Monica Whitehead	Board Member	2015

School Officials

Tom Hinrichs	Superintendent	2015
Pam Nebel	Board Secretary	2015
Kris Wood	Business Manager	2015
Gruhn Law Firm	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Chief Administrator of the Green Hills Area Education Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut Community School District, Farragut 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, the business type activities, each major fund, and the aggregate remaining fund information of Farragut Community School District as of 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 16 to the financial statements, Farragut 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, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 required supplementary 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 Farragut Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four 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 the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2016, on our consideration of Farragut Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Farragut Community School District provides the 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 \$3,735,914 in fiscal year 2014 to \$3,580,156 in fiscal year 2015, while General Fund expenditures decreased from \$3,143,728 in fiscal year 2014 to \$2,865,604 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from a balance of \$394,262 at June 30, 2014 to \$1,108,814 at June 30, 2015, which represents a 181.24% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in tuition revenues in fiscal year 2015. The decrease in expenditures was due primarily to a decrease in instructional costs.

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 Farragut 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 Farragut 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 Farragut Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the 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-1
Farragut Community School District Annual Financial Report

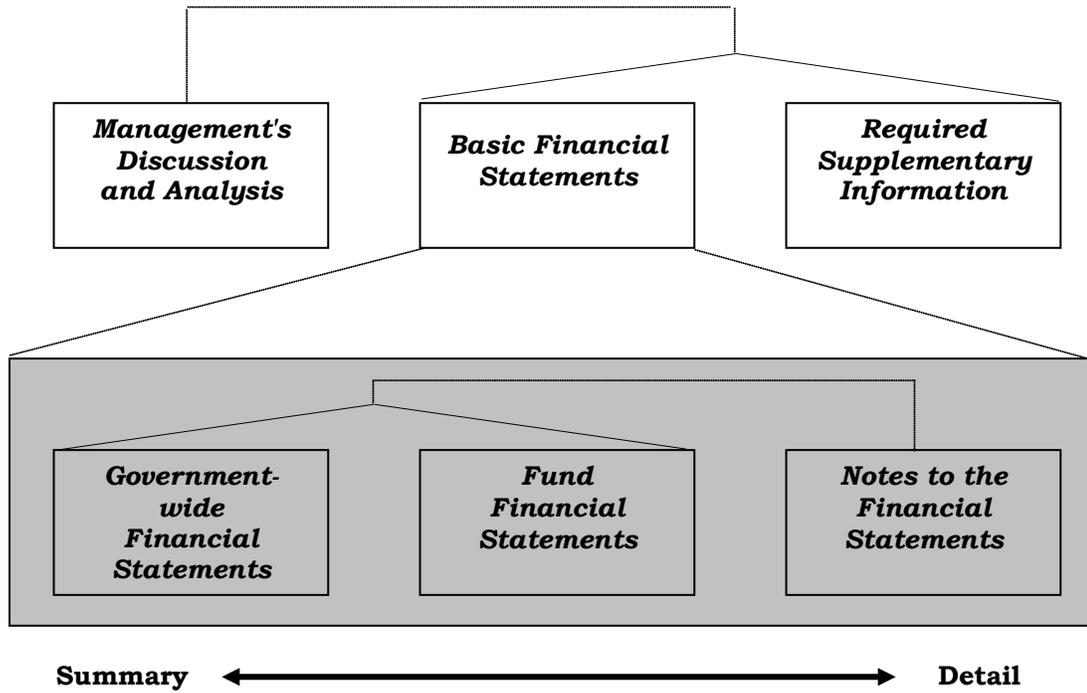


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position 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	All additions and deductions 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 three kinds of funds:

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.
 - Private-Purpose Trust Fund - The District accounts for outside donations to scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 4,100,903	3,838,332	16,976	21,401	4,117,879	3,859,733	6.69%
Capital assets	1,545,108	1,629,850	829	921	1,545,937	1,630,771	-5.20%
Total assets	5,646,011	5,468,182	17,805	22,322	5,663,816	5,490,504	3.16%
Deferred outflows of resources	173,086	-	4,445	-	177,531	-	100.00%
Long-term obligations	1,852,064	918,954	22,622	-	1,874,686	918,954	104.00%
Other liabilities	694,780	526,960	57,033	62,294	751,813	589,254	27.59%
Total liabilities	2,546,844	1,445,914	79,655	62,294	2,626,499	1,508,208	74.15%
Deferred inflows of resources	1,950,776	2,097,984	12,361	-	1,963,137	2,097,984	-6.43%
Net position:							
Net investment in capital assets	825,831	834,225	829	921	826,660	835,146	-1.02%
Restricted	791,255	769,593	-	-	791,255	769,593	2.81%
Unrestricted	(295,609)	320,466	(70,595)	(40,893)	(366,204)	279,573	-230.99%
Total net position	\$ 1,321,477	1,924,284	(69,766)	(39,972)	1,251,711	1,884,312	-33.57%

The District's total net position decreased by 33.57%, or \$632,601, from the prior year. A significant portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 2.81%, or \$21,662, from the prior year. The increase was primarily due to the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$645,777, or 230.99%. The 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 \$1,316,147 and \$32,917, 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 the year ended June 30, 2014.

Figure A-4 Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2014		2014		2014		2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)		
Revenues:								
Program revenues:								
Charges for service	\$ 594,129	822,967	32,913	35,545	627,042	858,512	-26.96%	
Operating grants, contributions and restricted interest	230,303	168,141	47,448	51,071	277,751	219,212	26.70%	
General revenues:								
Property tax	2,107,986	1,963,176	-	-	2,107,986	1,963,176	7.38%	
Income surtax	108,454	123,628	-	-	108,454	123,628	-12.27%	
Statewide sales, services and use tax	189,396	185,048	-	-	189,396	185,048	2.35%	
Unrestricted state grants	750,053	801,644	-	-	750,053	801,644	-6.44%	
Unrestricted investment earnings	1,385	3,069	13	20	1,398	3,089	-54.74%	
Other	20,700	22,487	-	-	20,700	22,487	-7.95%	
Total revenues	4,002,406	4,090,160	80,374	86,636	4,082,780	4,176,796	-2.25%	
Program expenses:								
Instruction	2,059,698	2,187,663	-	-	2,059,698	2,187,663	-5.85%	
Support services	1,049,304	1,256,329	-	-	1,049,304	1,256,329	-16.48%	
Non-instructional programs	-	-	77,251	84,633	77,251	84,633	-8.72%	
Other expenses	180,064	204,965	-	-	180,064	204,965	-12.15%	
Total expenses	3,289,066	3,648,957	77,251	84,633	3,366,317	3,733,590	-9.84%	
Changes in net position	713,340	441,203	3,123	2,003	716,463	443,206	61.65%	
Net position beginning of year, as restated	608,137	1,483,081	(72,889)	(41,975)	535,248	1,441,106	-62.86%	
Net position end of year	\$ 1,321,477	1,924,284	(69,766)	(39,972)	1,251,711	1,884,312	-33.57%	

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 78.85% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$4.08 million, of which approximately \$4.00 million was for governmental activities and approximately \$0.08 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.25% decrease in revenues and a 9.84% decrease in expenses. The most significant decrease in revenue was from charges for service revenues which decreased \$231,470 from the prior year. The decrease in expenses related to a decrease in support services costs.

Governmental Activities

Revenues for governmental activities were \$4,002,406 and expenses were \$3,289,066.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 2,059,698	2,187,663	-5.85%	1,397,026	1,471,576	-5.07%
Support services	1,049,304	1,256,329	-16.48%	975,983	1,070,670	-8.84%
Other expenses	180,064	204,965	-12.15%	91,625	115,603	-20.74%
Totals	\$ 3,289,066	3,648,957	-9.86%	2,464,634	2,657,849	-7.27%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$594,129.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$230,303.
- The net cost of governmental activities was financed with \$2,107,986 in property tax, \$108,454 in income surtax, \$189,396 in statewide sales, services and use tax, \$750,053 in unrestricted state grants, \$1,385 in interest income and \$20,700 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$80,374 and expenses were \$77,251. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and unrestricted investment earnings.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,837,554, above last year's ending fund balances of \$1,107,731. The primary reason for the increase in combined fund balances is due to the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Revenue from local sources decreased compared to the prior year, resulting in a decrease in total revenue. Expenditures decreased compared to the prior year, primarily due to decreased spending in the instruction functional area. The net result was an increase in fund balance from \$394,262 at June 30, 2014 to a fund balance of \$1,108,814 at June 30, 2015.
- The combined Capital Projects Fund balance increased from \$452,776 at June 30, 2014 to \$491,815 at June 30, 2015. During the year ended June 30, 2014 the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$357,987 at June 30, 2014 to \$384,801 at June 30, 2015. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$94,789 at June 30, 2014 to \$107,014 at June 30, 2015.

Proprietary Fund Highlights

For the year ended June 30, 2015, the School Nutrition Fund experienced a decrease in revenues and a decrease in expenses as compared to the year ended June 30, 2014. Overall, net position increased from a deficit \$72,889 at June 30, 2014 to a deficit \$69,766 at June 30, 2015, representing an increase of 4.28%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$562,248 less than budgeted revenues, a variance of 12.12%. The most significant variances resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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 District exceeded its General Fund unspent authorized budget

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,545,937, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.20% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$146,031.

The original cost of the District's capital assets was \$4,853,815. Governmental funds account for \$4,836,246 with the remainder of \$17,569 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014 as compared to \$58,194 at June 30, 2015. This increase is due to work on an addition to District facilities started during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 15,020	15,020	-	-	15,020	15,020	0.00%
Construction in progress	58,194	-	-	-	58,194	-	100.00%
Land improvements	47,646	51,877	-	-	47,646	51,877	-8.16%
Buildings	1,227,498	1,291,287	-	-	1,227,498	1,291,287	-4.94%
Machinery and equipment	196,750	271,666	829	921	197,579	272,587	-27.52%
Total	\$ 1,545,108	1,629,850	829	921	1,545,937	1,630,771	-5.20%

Long-Term Debt

At June 30, 2014, the District had \$1,874,686 in revenue bonds, a bus lease and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

- The District had outstanding revenue bonds of \$590,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable of \$27,893 payable at June 30, 2015.
- The District had an outstanding bus lease of \$129,277 at June 30, 2015 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.
- The District had termination benefits outstanding of \$109,056 in the governmental activities at June 30, 2015.
- The District had a net pension liability of \$927,146 payable at June 30, 2015. Of this \$904,524 is attributable to the governmental activities of the District and the remaining \$22,622 is attributable to the business activities of the District.
- The District had a net OPEB liability of \$91,314 in the governmental activities at June 30, 2015.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Revenue bonds	\$ 590,000	645,000	-	-	590,000	645,000	-8.53%
Compensated absences	27,893	-	-	-	27,893	-	100.00%
Bus lease	129,277	150,625	-	-	129,277	150,625	-14.17%
Termination benefits	109,056	49,320	-	-	109,056	49,320	121.12%
Net pension liability	904,524	1,449,421	22,622	36,250	927,146	1,485,671	-37.59%
Net OPEB liability	91,314	74,009	-	-	91,314	74,009	23.38%
Total	\$ 1,852,064	2,368,375	22,622	36,250	1,874,686	2,404,625	-22.04%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Certified enrollment count continues to decline.
- The District has multiple 28E agreements with neighboring districts that can change from year to year.
- The District continues to whole grade share with a neighboring district.
- The District had three teachers and one associate that chose the early retirement package offered. Additional reductions were made through attrition.
- The District closed the elementary school, weight room, and voc ag building due to ADA violations.
- The District has less than 50 FTE, therefore, does not fall within the Affordable Care Act guidelines regarding mandatory offering of health insurance.
- The District has a negative unspent budget balance requiring the District to appear before the School Budget Review Committee. The District has shown negative trends in spending authority for over ten years with a negative unspent budget balance the last four years. On November 18, 2015, prior to appearing before the School Budget Review Committee, the Iowa State Board of Education voted to revoke the Farragut Community School District's accreditation effective June 30, 2016 and to place the school district into receivership with the Green Hills Area Education Agency to handle the day-to-day operations and make final financial and program arrangements for the District. The district will undergo a merger with the surrounding school districts, with the Iowa Department of Education determining the new district boundaries.

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 Dr. Lane Plugge, Chief Administrator, Green Hills AEA, P.O. Box 1109, 24997 Highway 92, Council Bluffs, Iowa 51502.

BASIC FINANCIAL STATEMENTS

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,902,590	3,367	1,905,957
Receivables:			
Property tax:			
Delinquent	43,055	-	43,055
Succeeding year	1,456,574	-	1,456,574
Income surtax	111,667	-	111,667
Accounts	-	10,289	10,289
Inventories	-	3,320	3,320
Due from other funds	53,445	-	53,445
Due from other governments	533,572	-	533,572
Capital assets, net of accumulated depreciation	1,545,108	829	1,545,937
TOTAL ASSETS	5,646,011	17,805	5,663,816
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	173,086	4,445	177,531
LIABILITIES			
Due to other funds	-	53,445	53,445
Accounts payable	487,570	2,628	490,198
Advances from grantors	736	-	736
Salaries and benefits payable	204,462	-	204,462
Accrued interest payable	2,012	-	2,012
Unearned revenue	-	960	960
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	55,000	-	55,000
Bus lease payable	21,880	-	21,880
Termination benefits payable	40,321	-	40,321
Compensated absences	27,893	-	27,893
Portion due after one year:			
Revenue bonds payable	535,000	-	535,000
Bus lease payable	107,397	-	107,397
Termination benefits payable	68,735	-	68,735
Net pension liability	904,524	22,622	927,146
Net OPEB liability	91,314	-	91,314
TOTAL LIABILITIES	2,546,844	79,655	2,626,499
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,456,574	-	1,456,574
Pension related deferred inflows	494,202	12,361	506,563
TOTAL DEFERRED INFLOWS OF RESOURCES	1,950,776	12,361	1,963,137
NET POSITION			
Net investment in capital assets	825,831	829	826,660
Restricted for:			
Categorical funding	98,141	-	98,141
Student activities	126,307	-	126,307
Debt service	74,992	-	74,992
School infrastructure	384,801	-	384,801
Physical plant and equipment	107,014	-	107,014
Unrestricted	(295,609)	(70,595)	(366,204)
TOTAL NET POSITION	\$ 1,321,477	(69,766)	1,251,711

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT 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	\$ 1,351,450	365,141	75,199	(911,110)	-	(911,110)
Special	245,504	38,235	9,144	(198,125)	-	(198,125)
Other	462,744	131,843	43,110	(287,791)	-	(287,791)
	<u>2,059,698</u>	<u>535,219</u>	<u>127,453</u>	<u>(1,397,026)</u>	<u>-</u>	<u>(1,397,026)</u>
Support services:						
Student	76,827	45,192	-	(31,635)	-	(31,635)
Instructional staff	80,015	13,718	13,312	(52,985)	-	(52,985)
Administration	420,104	-	-	(420,104)	-	(420,104)
Operation and maintenance of plant	272,365	-	-	(272,365)	-	(272,365)
Transportation	199,993	-	1,099	(198,894)	-	(198,894)
	<u>1,049,304</u>	<u>58,910</u>	<u>14,411</u>	<u>(975,983)</u>	<u>-</u>	<u>(975,983)</u>
Long-term debt interest	23,605	-	-	(23,605)	-	(23,605)
Other expenses:						
AEA flowthrough	88,439	-	88,439	-	-	-
Depreciation(unallocated)*	68,020	-	-	(68,020)	-	(68,020)
	<u>156,459</u>	<u>-</u>	<u>88,439</u>	<u>(68,020)</u>	<u>-</u>	<u>(68,020)</u>
Total governmental activities	3,289,066	594,129	230,303	(2,464,634)	-	(2,464,634)
Business type activities:						
Non-instructional programs:						
Food service operations	77,251	32,913	47,448	-	3,110	3,110
Total	<u>\$ 3,366,317</u>	<u>627,042</u>	<u>277,751</u>	<u>(2,464,634)</u>	<u>3,110</u>	<u>(2,461,524)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,067,505	-	2,067,505
Capital outlay				40,481	-	40,481
Income surtax				108,454	-	108,454
Statewide sales, services and use tax				189,396	-	189,396
Unrestricted state grants				750,053	-	750,053
Unrestricted investment earnings				1,385	13	1,398
Other				20,700	-	20,700
Total general revenues				<u>3,177,974</u>	<u>13</u>	<u>3,177,987</u>
Change in net position				713,340	3,123	716,463
Net position beginning of year, as restated				608,137	(72,889)	535,248
Net position end of year				<u>\$ 1,321,477</u>	<u>(69,766)</u>	<u>1,251,711</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,286,918	306,264	307,068	1,900,250
Receivables:				
Property tax:				
Delinquent	41,202	827	1,026	43,055
Succeeding year	1,295,019	41,555	120,000	1,456,574
Income surtax	111,667	-	-	111,667
Due from other funds	53,445	172,039	-	225,484
Due from other governments	504,565	29,007	-	533,572
TOTAL ASSETS	\$ 3,292,816	549,692	428,094	4,270,602
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 172,039	-	-	172,039
Advances from grantors	736	-	-	736
Accounts payable	400,079	16,322	71,169	487,570
Salaries and benefits payable	204,462	-	-	204,462
Total liabilities	777,316	16,322	71,169	864,807
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,295,019	41,555	120,000	1,456,574
Income surtax	111,667	-	-	111,667
Total deferred inflows of resources	1,406,686	41,555	120,000	1,568,241
Fund balances:				
Restricted for:				
Categorical funding	98,141	-	-	98,141
Management levy purposes	-	-	35,212	35,212
Student activities	-	-	126,307	126,307
Debt service	-	-	77,004	77,004
School infrastructure	-	384,801	-	384,801
Physical plant and equipment	-	107,014	-	107,014
Unassigned:				
General	1,010,673	-	-	1,010,673
Student activities	-	-	(1,598)	(1,598)
Total fund balances	1,108,814	491,815	236,925	1,837,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,292,816	549,692	428,094	4,270,602

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT 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)	\$	1,837,554
 <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 in the governmental funds.		1,545,108
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		2,340
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period and, therefore, is recognized as a deferred inflows of resources in the governmental funds.		111,667
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.		(2,012)
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	\$ 173,086	
Deferred inflows of resources	<u>(494,202)</u>	(321,116)
Long-term liabilities, including revenue bonds payable, compensated absences, capital lease payable, other postemployment benefits payable ,termination benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,852,064)</u>
Net position of governmental activities(page 18)	\$	<u><u>1,321,477</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,119,603	40,481	50,235	2,210,319
Tuition	261,583	-	-	261,583
Other	219,101	287	135,699	355,087
Intermediate sources	860	-	-	860
State sources	914,574	189,410	17	1,104,001
Federal sources	64,435	-	-	64,435
TOTAL REVENUES	3,580,156	230,178	185,951	3,996,285
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,285,189	-	13,848	1,299,037
Special	250,292	-	-	250,292
Other	352,301	-	132,746	485,047
	1,887,782	-	146,594	2,034,376
Support services:				
Student	77,740	-	-	77,740
Instructional staff	57,442	7,801	-	65,243
Administration	410,464	1,500	25,778	437,742
Operation and maintenance of plant	202,911	3,367	27,832	234,110
Transportation	140,826	-	10,258	151,084
	889,383	12,668	63,868	965,919
Capital outlay	-	77,454	-	77,454
Long-term debt:				
Principal	-	-	76,348	76,348
Interest and fiscal charges	-	-	23,926	23,926
	-	-	100,274	100,274
Other expenditures:				
AEA flowthrough	88,439	-	-	88,439
TOTAL EXPENDITURES	2,865,604	90,122	310,736	3,266,462
Excess(Deficiency) of revenues over(under)expenditures	714,552	140,056	(124,785)	729,823
Other financing sources(uses):				
Transfer in	-	-	101,017	101,017
Transfer out	-	(101,017)	-	(101,017)
Total other financing sources(uses)	-	(101,017)	101,017	-
Change in fund balances	714,552	39,039	(23,768)	729,823
Fund balances beginning of year	394,262	452,776	260,693	1,107,731
Fund balances end of year	\$ 1,108,814	491,815	236,925	1,837,554

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT 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) \$ 729,823

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

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

Expenditures for capital assets	\$ 61,197	
Depreciation expense	<u>(145,939)</u>	(84,742)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (104)

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 repayments are as follows:

Repaid	76,348
--------	--------

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. 321

Income surtax account receivable is considered available revenue and is recognized as a deferred inflow of resources in the governmental funds. 6,121

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. 123,337

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	(59,736)	
Compensated Absences	(27,893)	
Pension expense	(32,830)	
Other postemployment benefits	<u>(17,305)</u>	<u>(137,764)</u>

Changes in net position of governmental activities(page 19) \$ 713,340

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 3,367	2,340
Accounts receivable	10,289	-
Inventories	3,320	-
Total current assets	16,976	2,340
Noncurrent assets:		
Capital assets, net of accumulated depreciation	829	-
TOTAL ASSETS	17,805	2,340
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	4,445	-
LIABILITIES		
Current liabilities:		
Due to other funds	53,445	-
Accounts payable	2,628	-
Unearned revenue	960	-
Total current liabilities	57,033	-
Long-term liabilities:		
Net pension liability	22,622	-
TOTAL LIABILITIES	79,655	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	12,361	-
NET POSITION		
Invested in capital assets	829	-
Unrestricted	(70,595)	2,340
TOTAL NET POSITION	\$ (69,766)	2,340

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 32,913	-
Donations	168	-
Miscellaneous	-	228
TOTAL OPERATING REVENUES	33,081	228
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	-	333
Non-instructional programs:		
Food service operations:		
Salaries	36,277	-
Benefits	3,664	-
Services	191	-
Supplies	36,915	-
Depreciation	92	-
Other	112	-
	<u>77,251</u>	<u>-</u>
TOTAL OPERATING EXPENSES	77,251	333
OPERATING LOSS	(44,170)	(105)
NON-OPERATING REVENUES:		
State sources	730	-
Federal sources	46,550	-
Interest income	13	1
TOTAL NON-OPERATING REVENUES	47,293	1
Change in net position	3,123	(104)
Net position beginning of year, as restated	<u>(72,889)</u>	<u>2,444</u>
Net position end of year	<u>\$ (69,766)</u>	<u>2,340</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 22,712	-
Cash received from donations	168	-
Cash received from miscellaneous	-	228
Cash payments to employees for services	(42,797)	-
Cash payments to suppliers for goods or services	(30,826)	(333)
Net cash used in operating activities	<u>(50,743)</u>	<u>(105)</u>
Cash flows from non-capital financing activities:		
Repayment to General Fund	(7,500)	-
State grants received	730	-
Federal grants received	45,718	-
Net cash provided by non-capital financing activities	<u>38,948</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	13	1
Net decrease in cash and cash equivalents	(11,782)	(104)
Cash and cash equivalents beginning of year	15,149	2,444
Cash and cash equivalents end of year	<u>\$ 3,367</u>	<u>2,340</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (44,170)	(105)
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	4,925	-
Depreciation	92	-
Increase in inventories	(1,161)	-
Increase in accounts receivable	(10,289)	-
Decrease in salaries and benefits payable	(477)	-
Increase in accounts payable	2,628	-
Increase in unearned revenue	88	-
Decrease in net pension liability	(13,628)	-
Increase in deferred outflows of resources	(1,112)	-
Increase in deferred inflows of resources	12,361	-
Net cash used in operating activities	<u>\$ (50,743)</u>	<u>(105)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received \$4,925 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 31,945
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 31,945</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 264
Contributions	1,400
TOTAL ADDITIONS	<u>1,664</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,710</u>
Change in net position	(1,046)
Net position beginning of year	<u>32,991</u>
Net position end of year	<u>\$ 31,945</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Farragut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Farragut, Iowa, and the agricultural area in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position that does not meet 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 that 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 other 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 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 two non-major proprietary funds:

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

The Internal Service Fund is used to account for the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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 nonoperating revenues and expenses.

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets - Capital assets, which include property, machinery and 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	\$ 1,000
Buildings	1,000
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 over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more 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 expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to 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 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 in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 receivables and income surtax receivable 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.

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015 the District exceeded its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered

open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$64,172 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 53,445
Capital Projects: Statewide Sales, Services, and Use Tax	General	172,039
Total		<u>\$ 225,484</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits of the current year and prior years that have not been repaid.

The General Fund is repaying the Capital Projects: Statewide Sales, Services, and Use Tax Fund for funds borrowed to repay ISCAP and a short term loan in a prior year.

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	\$ 75,918
Debt Service	Capital Projects: Physical Plant and Equipment Levy	25,099
Total		<u>\$ 101,017</u>

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

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's bus lease indebtedness.

Note 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The series 2014-2015 ONE included taxable warrants only. The interest rates on the Series 2014-2015 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2015 was 0.1859%.

The District paid \$6,000 to participate in the ISCAP program but had no borrowings or repayments during the year.

Note 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 17,569	-	-	17,569
Less accumulated depreciation	16,648	92	-	16,740
Business type activities capital assets, net	<u>\$ 921</u>	<u>(92)</u>	<u>-</u>	<u>829</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,020	-	-	15,020
Construction in progress	-	58,194	-	58,194
Total capital assets not being depreciated	<u>15,020</u>	<u>58,194</u>	<u>-</u>	<u>73,214</u>
Capital assets being depreciated:				
Buildings	2,881,757	-	-	2,881,757
Land improvements	366,318	-	-	366,318
Machinery and equipment	1,588,793	3,003	76,839	1,514,957
Total capital assets being depreciated	<u>4,836,868</u>	<u>3,003</u>	<u>76,839</u>	<u>4,763,032</u>
Less accumulated depreciation for:				
Buildings	1,590,470	63,789	-	1,654,259
Land improvements	314,441	4,231	-	318,672
Machinery and equipment	1,317,127	77,919	76,839	1,318,207
Total accumulated depreciation	<u>3,222,038</u>	<u>145,939</u>	<u>76,839</u>	<u>3,291,138</u>
Total capital assets being depreciated, net	<u>1,614,830</u>	<u>(142,936)</u>	<u>-</u>	<u>1,471,894</u>
Governmental activities capital assets, net	<u>\$ 1,629,850</u>	<u>(84,742)</u>	<u>-</u>	<u>1,545,108</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,137
Other	4,752
Support services:	
Instructional staff	4,507
Administration	5,150
Operation and maintenance of plant	6,586
Transportation	53,787
	<hr/> 77,919
Unallocated depreciation	<hr/> 68,020
	<hr/>
Total governmental activities depreciation expense	<u>\$ 145,939</u>
Business type activities:	
Food service operations	<u>\$ 92</u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 645,000	-	55,000	590,000	55,000
Compensated absences	-	27,893	-	27,893	27,893
Bus lease	150,625	-	21,348	129,277	21,880
Termination benefits	49,320	73,583	13,847	109,056	40,321
Net pension liability	1,449,421	-	544,897	904,524	-
Net OPEB liability	74,009	17,305	-	91,314	-
Total	<u>\$ 2,368,375</u>	<u>118,781</u>	<u>635,092</u>	<u>1,852,064</u>	<u>145,094</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net pension liability	\$ 36,250	-	13,628	22,622	-

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2011				
	Interest Rates		Principal	Interest	Total
2016	2.50	% \$	55,000	19,550	74,550
2014	2.50		60,000	18,175	78,175
2018	3.00		60,000	16,375	76,375
2019	3.00		65,000	14,575	79,575
2020	3.25		65,000	12,463	77,463
2021-2024	3.25-3.75		285,000	26,862	311,862
Total			\$ 590,000	108,000	698,000

The District has pledged future statewide sales, services and use tax revenues to repay the \$770,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing an HVAC project for the District. 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 2024. 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 39% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$698,000. For the current year principal of \$55,000 and interest of \$20,925 was paid on the bonds and total statewide sales, services and use tax revenues were \$189,396.

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

- a) \$77,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose

Bus Lease

During the year ended June 30, 2014 the District entered into a capital lease for two buses with De Lage Landen Public Finance LLC for 3 years at 2.49% interest. This lease is payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the Districts June 30, 2015 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease Dated November 15, 2013				
	Interest Rates		Principal	Interest	Total
2016	2.49	% \$	21,880	3,219	25,099
2017	2.49		107,397	2,674	110,071
			\$ 129,277	5,893	135,170

Termination Benefits

The District offered a voluntary early retirement plan to its full-time licensed non-administrator employees and classified employees during fiscal year 2015. Eligible employees were required to submit an application to the District Administrative Office before April 15th, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits included 50% of the employee's 2014-2015 contracted base salary which shall be held by the District applied to health insurance premiums for the retiree until the amount is exhausted or the retiree reaches age of 65.

At June 30, 2015, the District has obligations to six participants with a total liability of \$109,056. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$13,847.

Note 8. 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 \$126,438.

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 \$927,146 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 0.022909 percent, which was a decrease of 0.003330 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$33,652. 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	\$ 10,076	\$ -
Changes of assumptions	40,917	-
Net difference between projected and actual earnings on pension plan investments	-	353,587
Changes in proportion and differences between District contributions and proportionate share of contributions	-	152,976
District contributions subsequent to the measurement date	126,538	-
Total	\$ 177,531	\$ 506,563

\$126,538 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	\$ (112,225)
2017	(112,225)
2018	(112,225)
2019	(112,225)
2020	(6,672)
	<u>\$ (455,572)</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 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 1,751,817	\$ 927,146	\$ 231,039

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 \$13,970 for legally required employer contributions and \$9,308 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 9. 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. There are 24 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark of Iowa. 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 of the District (ARC), 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 June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 21,200
Interest on net OPEB obligation	1,850
Adjustment to annual required contribution	(4,425)
Annual OPEB cost	<u>18,625</u>
Contributions made	<u>(1,320)</u>
Increase in net OPEB obligation	17,305
Net OPEB obligation - beginning of year	<u>74,009</u>
Net OPEB obligation - end of year	<u><u>\$ 91,314</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans 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 as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 18,237	14.4%	\$ 58,208
2014	17,087	7.5	74,009
2015	18,625	7.1	91,314

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 \$140,142, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$140,142. The covered payroll (annual payroll of active employees covered by the plan) was \$1,060,573, and the ratio of the UAAL to the covered payroll was 13.2%. 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 healthcare 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 the 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 that are 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 health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. 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. District contributions to ISEBA for the year ended June 30, 2015 were \$180,382.

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 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$88,439 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 12. Deficit Net Position/Fund Balance

At June 30, 2015, the Nutrition Fund had deficit unrestricted net position of \$70,595 and deficit total net position of \$69,766. The District had two negative accounts in the Student Activity Fund with a total deficit unassigned fund balance of \$1,598. The District had a deficit unrestricted net position of \$295,609 in the governmental activities.

Note 13. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget.

Note 14. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited english proficiency	\$ 2,707
Talented and gifted	439
Beginning administrator mentoring and induction program	766
Beginning teacher mentoring and induction program	282
Professional development for model core curriculum	9,016
Four-year old preschool	3,159
Professional development	8,511
State decategorization grant	2,084
Returning dropouts and dropout prevention programs	38,784
Successful progression for early readers	26,610
Teacher leadership grant	5,783
Total	<u>\$ 98,141</u>

Note 15. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	77,004	35,212	1,010,673
Capital assets, net of accumulated depreciation	1,545,108	-	-	-
Revenue bond capitalized indebtedness	(590,000)	-	-	-
Bus lease capitalized indebtedness	(129,277)	-	-	-
Income surtax	-	-	-	111,667
Accrued interest payable	-	(2,012)	-	-
Termination benefits payable	-	-	(35,212)	(73,844)
Blending of the internal service fund	-	-	-	2,340
Unassigned fund balance for student activities	-	-	-	(1,598)
Compensated absences	-	-	-	(27,893)
Pension related deferred outflows	-	-	-	173,086
Net pension liability	-	-	-	(904,524)
Pension related deferred inflows	-	-	-	(494,202)
Net OPEB liability	-	-	-	(91,314)
Net position (Exhibit A)	\$ 825,831	74,992	-	(295,609)

Note 16. Accounting Change/Restatement Note

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:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 1,924,284	\$ (39,972)
Net pension liability at June 30, 2014	(1,449,421)	(36,250)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	133,274	3,333
Net position July 1, 2014, as restated	\$ 608,137	\$ (72,889)

Note 17. Construction Commitment

The District entered into a contract totaling \$159,000 for construction of an addition to the school building. As of June 30, 2015, costs of \$58,194 had been incurred against the contract. The balance of \$100,806 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 18. School District Accreditation

On November 18, 2015 the Iowa State Board of Education voted to revoke the Farragut Community School District's accreditation effective June 30, 2016 and to place the school district into receivership with the Green Hills Area Education Agency to handle the day-to-day operations and make final financial and program arrangements for the District. The Iowa Department of Education will determine new district boundaries in the area and the Farragut Community School District will be dissolved and reorganized between the remaining districts.

FARRAGUT COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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 Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,826,989	33,094	2,860,083	3,412,641	3,412,641	(552,558)
Intermediate sources	860	-	860	2,400	2,400	(1,540)
State sources	1,104,001	730	1,104,731	1,016,287	1,016,287	88,444
Federal sources	64,435	46,550	110,985	207,579	207,579	(96,594)
Total revenues	<u>3,996,285</u>	<u>80,374</u>	<u>4,076,659</u>	<u>4,638,907</u>	<u>4,638,907</u>	<u>(562,248)</u>
Expenditures/Expenses:						
Instruction	2,034,376	-	2,034,376	2,570,000	2,570,000	535,624
Support services	965,919	-	965,919	1,471,000	1,471,000	505,081
Non-instructional programs	-	77,251	77,251	105,000	105,000	27,749
Other expenditures	266,167	-	266,167	338,066	338,066	71,899
Total expenditures/expenses	<u>3,266,462</u>	<u>77,251</u>	<u>3,343,713</u>	<u>4,484,066</u>	<u>4,484,066</u>	<u>1,140,353</u>
Excess of revenues over expenditures/expenses	729,823	3,123	732,946	154,841	154,841	578,105
Other financing sources, net	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures/expenses	729,823	3,123	732,946	154,841	154,841	578,105
Balances beginning of year	<u>1,107,731</u>	<u>(72,889)</u>	<u>1,034,842</u>	<u>539,330</u>	<u>539,330</u>	<u>495,512</u>
Balances end of year	<u>\$ 1,837,554</u>	<u>(69,766)</u>	<u>1,767,788</u>	<u>694,171</u>	<u>694,171</u>	<u>1,073,617</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT 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 Governmental Accounting Standard 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget.

FARRAGUT 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

	<u>2015</u>
District's proportion of the net pension liability	0.022909%
District's proportionate share of the net pension liability	\$ 927,146
District's covered-employee payroll	\$ 1,416,999
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.43%
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.

See accompanying independent auditor's report.

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.

FARRAGUT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 128	137	147	119	117	107	108	100	96	93
Contributions in relation to the statutorily required contribution	<u>\$ (128)</u>	<u>(137)</u>	<u>(147)</u>	<u>(119)</u>	<u>(117)</u>	<u>(107)</u>	<u>(108)</u>	<u>(100)</u>	<u>(96)</u>	<u>(93)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,433	1,534	1,696	1,475	1,683	1,540	1,701	1,653	1,670	1,617
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.

FARRAGUT 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.

FARRAGUT 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 139,709	\$ 139,709	0.0%	\$ 1,611,000	8.7%
2011	July 1, 2009	-	137,329	137,329	0.0	1,372,311	10.0
2012	July 1, 2009	-	137,329	137,329	0.0	1,301,630	10.6
2013	July 1, 2012	-	147,964	147,964	0.0	1,226,792	12.1
2014	July 1, 2012	-	144,142	144,142	0.0	1,099,060	13.1
2015	July 1, 2012	-	140,142	140,142	0.0	1,060,573	13.2

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 34,186	130,415	164,601	142,467	307,068
Receivables:					
Property tax					
Delinquent	1,026	-	1,026	-	1,026
Succeeding year	120,000	-	120,000	-	120,000
TOTAL ASSETS	\$ 155,212	130,415	285,627	142,467	428,094
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	5,706	5,706	65,463	71,169
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	120,000	-	120,000	-	120,000
Fund balances:					
Restricted for:					
Management levy purposes	35,212	-	35,212	-	35,212
Student activities	-	126,307	126,307	-	126,307
Debt service	-	-	-	77,004	77,004
Unassigned	-	(1,598)	(1,598)	-	(1,598)
Total fund balances	35,212	124,709	159,921	77,004	236,925
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 155,212	130,415	285,627	142,467	428,094

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 50,235	-	50,235	-	50,235
Other	3,849	131,843	135,692	7	135,699
State sources	17	-	17	-	17
TOTAL REVENUES	54,101	131,843	185,944	7	185,951
EXPENDITURES:					
Current:					
Instruction:					
Regular	13,848	-	13,848	-	13,848
Other	-	132,746	132,746	-	132,746
Support services:					
Administration	25,778	-	25,778	-	25,778
Operation and maintenance of plant	27,832	-	27,832	-	27,832
Transportation	10,258	-	10,258	-	10,258
Long-term debt:					
Principal	-	-	-	76,348	76,348
Interest and fiscal charges	-	-	-	23,926	23,926
TOTAL EXPENDITURES	77,716	132,746	210,462	100,274	310,736
Deficiency of revenues under expenditures	(23,615)	(903)	(24,518)	(100,267)	(124,785)
Other financing sources:					
Transfer in	-	-	-	101,017	101,017
Change in fund balances	(23,615)	(903)	(24,518)	750	(23,768)
Fund balances beginning of year	58,827	125,612	184,439	76,254	260,693
Fund balances end of year	\$ 35,212	124,709	159,921	77,004	236,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 198,382	107,882	306,264
Receivables:			
Property tax			
Delinquent	-	827	827
Succeeding year	-	41,555	41,555
Due from other funds	172,039	-	172,039
Due from other governments	29,007	-	29,007
TOTAL ASSETS	\$ 399,428	150,264	549,692
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,627	1,695	16,322
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	41,555	41,555
Fund balances:			
Restricted for:			
School infrastructure	384,801	-	384,801
Physical plant and equipment	-	107,014	107,014
Total fund balances	384,801	107,014	491,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 399,428	150,264	549,692

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ -	40,481	40,481
Other	183	104	287
State sources	189,396	14	189,410
TOTAL REVENUES	189,579	40,599	230,178
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	6,221	1,580	7,801
Administration	1,500	-	1,500
Operation and maintenance of plant	3,367	-	3,367
Capital outlay	75,759	1,695	77,454
TOTAL EXPENDITURES	86,847	3,275	90,122
Excess of revenues over expenditures	102,732	37,324	140,056
Other financing uses:			
Transfer out	(75,918)	(25,099)	(101,017)
Change in fund balances	26,814	12,225	39,039
Fund balances beginning of year	357,987	94,789	452,776
Fund balances end of year	\$ 384,801	107,014	491,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 23,882	43,757	39,249	28,390
Track	12	-	-	12
Pep Club	1,363	2,871	1,341	2,893
Cheerleaders	1,056	144	-	1,200
HS Cheerleaders	2,536	-	-	2,536
Danz Team	939	-	-	939
Drama	5,367	1,725	757	6,335
French	17	2	-	19
FFA	7,915	13,323	13,663	7,575
FCCLA	1,610	1,780	379	3,011
Yearbook	1,107	7,819	6,540	2,386
Miscellaneous Activities	1,054	1,963	1,982	1,035
Vocal Music	1,881	335	-	2,216
Resale	22,524	2,149	6,720	17,953
Art Resale	273	2,523	1,201	1,595
Student Council	2,244	1,414	749	2,909
Concessions	10	22,013	22,023	-
Instrumental Music	119	5,340	5,324	135
Tournament Fund	7,893	8,216	7,427	8,682
Vending	4,612	627	-	5,239
Pictures	84	11	-	95
Class of 2013	1,813	-	1,813	-
Class of 2014	1,499	-	1,499	-
Class of 2015	4,659	1,761	5,307	1,113
Class of 2016	3,436	7,010	3,149	7,297
Class of 2017	110	4,291	1,164	3,237
Class of 2018	473	2,516	536	2,453
Investments	26,835	-	11,897	14,938
Get Well/Memorial Donations	(1,548)	-	-	(1,548)
Honor Society	1,877	252	26	2,103
CPR	10	1	-	11
Playground	(50)	-	-	(50)
Total	\$ 125,612	131,843	132,746	124,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2015

		Private Purpose Trust - Scholarship Fund									
		Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Total
ASSETS											
Cash and pooled investments	\$	2,662	20,343	2,132	202	2,395	25	2,500	500	1,186	31,945
LIABILITIES											
		-	-	-	-	-	-	-	-	-	-
NET POSITION											
Held in trust for scholarships	\$	2,662	20,343	2,132	202	2,395	25	2,500	500	1,186	31,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund										
	Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Miscellaneous	Total
ADDITIONS:											
Local sources:											
Interest	\$ 7	46	5	-	7	-	-	-	3	196	264
Contributions	400	-	-	-	-	-	1,000	-	-	-	1,400
TOTAL ADDITIONS	407	46	5	-	7	-	1,000	-	3	196	1,664
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	200	300	-	-	125	-	1,000	-	-	1,085	2,710
Change in net position	207	(254)	5	-	(118)	-	-	-	3	(889)	(1,046)
Net position beginning of year	2,455	20,597	2,127	202	2,513	25	2,500	500	1,183	889	32,991
Net position end of year	\$ 2,662	20,343	2,132	202	2,395	25	2,500	500	1,186	-	31,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT 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	\$ 2,210,319	2,090,790	1,911,961	1,849,665	1,595,369	1,504,397	1,483,012	1,270,110	1,158,628	1,157,033
Tuition	261,583	406,789	420,652	515,338	144,609	294,016	236,566	236,834	152,738	147,971
Other	355,087	437,914	462,108	796,975	337,143	161,352	172,695	171,622	186,833	187,644
Intermediate sources	860	4,620	2,108	600	-	-	-	-	-	-
State sources	1,104,001	1,088,134	1,017,911	966,492	1,146,805	1,044,757	1,171,283	1,371,746	1,329,290	1,212,495
Federal sources	64,435	65,899	115,069	91,262	166,510	286,231	62,135	113,815	118,282	172,347
Total	\$ 3,996,285	4,094,146	3,929,809	4,220,332	3,390,436	3,290,753	3,125,691	3,164,127	2,945,771	2,877,490
Expenditures:										
Instruction	\$ 2,034,376	2,192,949	2,515,570	2,739,882	2,076,103	2,064,542	1,899,115	1,973,650	1,854,019	1,752,966
Support services:										
Student	77,740	72,499	58,822	61,614	56,234	64,406	50,376	41,456	45,467	42,975
Instructional staff	65,243	104,853	152,859	117,017	116,665	126,603	84,670	83,512	82,493	95,038
Administration	437,742	538,137	523,267	603,111	654,177	524,899	460,691	435,581	465,806	443,897
Operation and maintenance of plant	234,110	228,574	267,947	234,696	228,559	245,558	221,408	248,816	239,083	321,961
Transportation	151,084	412,309	203,820	205,422	159,752	179,431	133,534	127,690	186,688	172,451
Capital outlay	77,454	239,534	71,558	378,741	330,696	35,123	43,458	202,662	111,370	53,506
Long-term debt:										
Principal	76,348	50,000	40,000	35,000	-	-	-	80,000	75,000	75,000
Interest and fiscal charges	23,926	24,185	25,065	23,075	-	-	-	2,920	3,989	6,932
Other expenditures:										
AEA flow-through	88,439	89,362	86,959	86,834	101,997	102,458	94,294	92,952	91,571	88,117
Total	\$ 3,266,462	3,952,402	3,945,867	4,485,392	3,724,183	3,343,020	2,987,546	3,289,239	3,155,486	3,052,843

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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(a professional corporation)
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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 Chief Administrator of the Green Hills Area Education Agency:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental 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 Farragut Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Farragut Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Farragut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Farragut Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 through I-D-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-E-15 to be a significant deficiency.

Compliance and Other Matters

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

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

Farragut Community School District's Responses to Findings

Farragut Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Farragut Community School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

January 25, 2016
Newton, Iowa

FARRAGUT 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 reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted individuals performing incompatible duties in the following areas.

- 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, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution, entering contracts into the system and approval.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Journal entries - writing, posting and approving
- 10) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - Since the audit we have implemented multiple procedures including: Tammie opens all mail and records all deposits coming in through the mail, Pam prepares all general fund and activity fund deposits, Becky prepares all hot lunch deposits, Kris balances the general fund account, Tammie balances the activity fund and hot lunch accounts, two people review and sign off on all balancing, Pam codes activity fund bills, Becky codes hot lunch bills and Tammie now inputs all bills for the general fund, hot lunch and activity fund.

Conclusion - Response accepted.

I-B-15 Bank Reconciliations - We noted during our audit that bank reconciliations were not completed or reconciled to the general ledger in a timely manner.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - Balancing of the activity fund and hot lunch have been moved to Tammie, which has helped with the time constraints. In addition, two people sign off on the balancing helping to ensure timely reconciliation.

Conclusion - Response accepted.

I-C-15 Grant Coding - We noted that numerous adjustments were required at year end to code and clear expenses in various grant accounts. The reclassifying of expenses gives the appearance that the grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - The business manager continues to educate herself on appropriate uses of the grant monies and has become more proactive in the planning stages of the uses of the grants. In addition, the business office has become more proactive in keeping the individuals in charge of the grants active in the grant process throughout the year.

Conclusion - Response accepted.

I-D-15 Subsidiary Record Keeping - We noted during our audit that the District's Student Activity Fund is currently using a "one write system" for record keeping. The system originally provided an option to write the check which had a carbon strip that would simultaneously record the check to the check register and onto a ledger card.

However, the District is currently not using the "one write system" to maximize efficiency. The District is currently writing checks, typing a check listing in the disbursement ledger and then writing the same transaction on the ledger card. The transactions are entered again since the "one write system" does not integrate into the District's Uniform Financial Accounting system.

It appeared that the District was not reconciling the Student Activity Fund subsidiary records to the District's Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund on the District's Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - With the help of the auditors, the Activity Fund has been loaded in the financial software and is being tracked on a second subsidiary system as well. Both are being balanced on a timely monthly basis.

Conclusion - Response accepted.

- I-E-15 Supporting Documentation - We noted instances of checks being written for payments with only a check request form and no supporting documentation in the form of invoices or receipts.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The business office has become more strict on receiving documentation to support all expenditures.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - The District exceeded its General Fund unspent authorized budget for the year ended June 30, 2015 by approximately \$93,177.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget.

Response - The District will continue to work to reduce expenditures to ensure the District stays within its spending authority.

Conclusion - Response accepted.

- II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for 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; however, we noted that the District reimbursed employees for travel within the District at a rate higher than the reimbursement rate established by Board policy 401.7.

Recommendation - The District should review procedures to ensure compliance with the rates established by board policy.

Response - Board Policy has been revised so it supports the current mileage rate.

Conclusion - Response accepted.

II-D-15 Business Transactions - No business transactions between the District and District officials were noted.

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. However, we noted that the board minutes did not specify the maximum amount to be kept at each approved depository as required by Iowa Code Chapter 12C.2.

Recommendation - The District should review its procedures to ensure compliance with the Code of Iowa.

Response - The Board has now approved depository limits for both First Heritage Bank and ISJIT.

Conclusion - Response accepted.

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

II-H-15 Supplementary Weighting - We noted no variances in supplementary weighting data certified to the Department of Education.

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-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		\$ 357,987
Sales tax revenue	\$ 189,396	
Other local revenue	183	189,579
		<u>547,566</u>
Expenditures/Transfers out:		
School infrastructure	75,759	
Other	11,088	
Transfers to Other Funds:		
Debt service fund	75,918	162,765
		<u>384,801</u>
Ending balance		<u>\$ 384,801</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 - We noted at June 30, 2015, the Nutrition Fund had a deficit unrestricted net position of \$70,595 and a total deficit net position of \$69,766. The District had two accounts in the Student Activity Fund with a deficit balance of \$1,598. The District had a deficit unrestricted net position of \$295,609 in the governmental activities of the District.

Recommendation - The District should investigate alternatives to eliminate the deficit balances.

Response - The District raised milk / meal prices in an effort to reduce the deficit in the nutrition fund. In addition, the negative balance in the activity fund were in the unreconciled software. Now that the software has been updated to match the subsidiary tracking system, no negative balances exist.

Conclusion - Response accepted.

II-N-15 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2015, the District has loans between the General Fund and Nutrition Fund and Capital Projects: Statewide Sales, Services and Use Tax to the General Fund that have not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District raised milk / meal prices in an effort to reduce the deficit in the nutrition fund. The District has contacted the Department of Education for guidance regarding the interfund loan from the Capital Projects Fund to the General Fund.

Conclusion - Response accepted.

II-O-15 Teacher Salary Supplement - We noted during our audit that the TSS (Teacher Salary Supplement) portion of wages appears to be included in the employee contract, however, it is not specifically identified as such. We also noted that the District subsequently journal entries expenses from regular salaries and benefits to the corresponding TSS account. This gives the appearance that the TSS money is not monitored throughout the year.

Recommendation - The District should code TSS expenses as they are incurred throughout the year as part of its regular payroll process. The District should also keep supporting documentation of how the TSS amounts are allocated to each teacher is calculated as support for the appropriate amounts paid.

Response - Beginning in FY16 TSS expenses have been coded into the payroll system. The District will look into alternative wording in the contracts to identify the TSS dollars.

Conclusion - Response accepted.

II-P-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Beginning in FY16, ALL coaches / sponsors (certified and classified staff) are required to keep track of the hours worked for extra duty contracts to comply with the Department of Labor requirements.

Conclusion -

II-Q-15 Payroll Authorization - We noted during our audit instances of the District mailing employee payroll checks through the US postal service without a written request as required by chapter 91A.3 of the Code of Iowa authorizing the District to mail the payroll checks.

Recommendation - The District should evaluate its procedures to ensure compliance with the Code of Iowa.

Response - The District is in the process of obtaining the final signatures from employees allowing the District to mail their paychecks.

Conclusion - Response accepted.

II-R-15 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). More specific examples of these instances of questioned items and recommendation are as follows:

Pictures Account - This account appears to be used to account for commission revenues received from school pictures.

Recommendation - Commissions are not an allowable activity fund revenue source per Iowa Code Chapter 98.70(1). Commission revenues should be received into the General Fund.

Response - Although the commissions account still existed in the student activity fund, no additional deposits were made in FY15. The money has been combined with an active activity account. In the FY14 audit, the District was advised to utilize the funds in the commissions account and close it.

Conclusion - Response accepted.

Investment Account - We noted that the District is maintaining an investment account in the Student Activity Fund. This account is used to account for accumulated interest from Student Activity Fund bank accounts.

Recommendation - The Student Activity Fund is to be used for cocurricular and extracurricular activities. The interest accumulated should be allocated to the various accounts within the Student Activity Fund.

Response - The District will reallocate the interest to the various active activity accounts.

Conclusion - Response accepted.

Resale - We noted a "Resale" account within the Student Activity Fund. The Resale account does not appear to be a bona fide student run organization. It appears that the District utilizes this account to record the resale fundraising activities of several individual Student Activity Fund accounts.

Recommendation - The District should record each individual club's fundraising activities in their respective Student Activity Fund accounts.

Response - The "Resale" accounts will be closed and moved to the respective active accounts.

Conclusion - Response accepted.

II-S-15 Officiating Payment - We noted during our audit that the District paid athletic officials the night of the event regardless of whether or not the official had a valid contract with the District. Chapter 279.30 of the Code of Iowa states that the board of directors can authorize the secretary upon approval of the superintendent to issue payments when the board of directors is not in session payment of expenses, but only for verified bills filed with the secretary or administrator and for the payment of salaries pursuant to the terms of a written contract. Paying athletic officials without a properly approved contract does not appear to meet the allowable criteria under Chapter 279.30 of the Code of Iowa.

Recommendation - The District should evaluate its procedures for the payment of services to ensure compliance with Chapter 279.30. When procedures are evaluated the District should establish a policy and then the athletic officials should be informed of the manner in which payment will be made.

Response - The District has implemented new procedures to ensure compliance with Chapter 279.3. Officials checks are now presented to the Board / Greenhills AEA prior to payments.

Conclusion - Response accepted.