

**FOREST CITY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
David Bartlett	President	September, 2017
Cynthia Carter	Vice President	September, 2017
Keila Buffington	Board Member	September, 2015
Eric Kingland	Board Member	September, 2017
Gary Ludwig	Board Member	September, 2015
Bruce Mielke	Board Member	September, 2015
Pat Hobbs	Board Member	September, 2017
School Officials		
Darwin Lehmann	Superintendent	Indefinite
Steven Rollefson	District Secretary/Treasurer and Business Manager	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Forest City Community School District
Forest City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Forest City Community School District, Forest City, 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, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Forest City Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Forest City Community School District adopted new accounting guidance related to Governmental 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forest City 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 of Forest City Community School District for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 49 through 55, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2016 on our consideration of Forest City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forest City Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forest City Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue decreased from \$13,477,729 in fiscal year 2014 to \$13,140,175 in fiscal year 2015 and General Fund expenditures decreased from \$13,323,122 in fiscal year 2014 to \$13,305,603 in fiscal year 2015. The District's General Fund balance decreased from \$2,238,810 at the end of fiscal year 2014 to \$2,041,513 at the end of fiscal year 2015, an 8.8% decrease from the prior year.
- The fiscal year 2015 General Fund revenue decrease was primarily attributable to decreases in local property taxes. The fiscal year 2015 decrease in expenditures was primarily related to an effort made by the District to cut instruction expenditures.
- Local option sales tax collected for each county is pooled statewide and distributed to the District primarily based on enrollment. The District anticipates collections from statewide sales, services and use tax will be approximately \$994,000 for the 2015-2016 school year.

USING THIS ANNUAL REPORT

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

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Forest City 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 Forest City 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 Forest City Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 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. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

FIGURE A-1
FOREST CITY COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

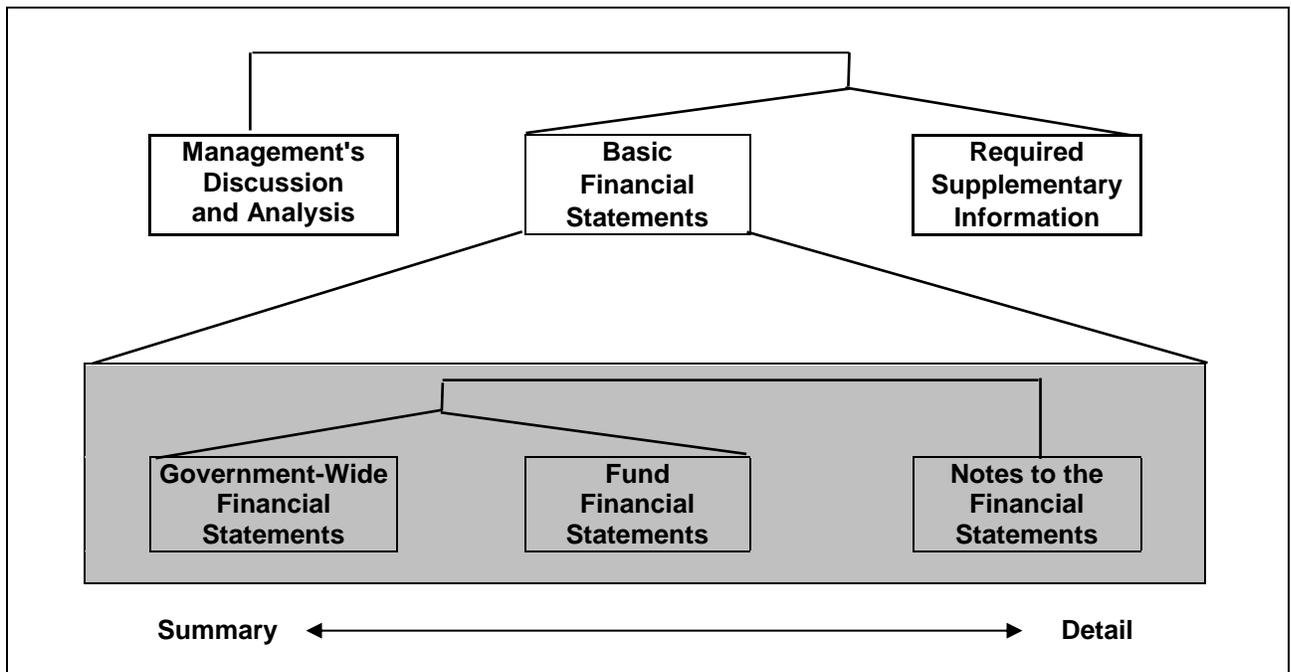


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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: food services	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 revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in 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, 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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue 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 financial 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 nonfinancial 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 or 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 it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's Fiduciary Fund is the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds 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 as of June 30, 2015 compared to June 30, 2014.

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and other assets	\$ 11,920,191	\$ 11,754,473	\$ 105,550	\$ 113,690	\$ 12,025,741	\$ 11,868,163	1.3%
Capital assets	11,147,847	10,551,173	65,173	59,608	11,213,020	10,610,781	5.7
Total Assets	<u>23,068,038</u>	<u>22,305,646</u>	<u>170,723</u>	<u>173,298</u>	<u>23,238,761</u>	<u>22,478,944</u>	3.4
Deferred Outflows of Resources	<u>1,042,512</u>	<u>—</u>	<u>24,262</u>	<u>—</u>	<u>1,066,774</u>	<u>—</u>	100.0
Total Assets and Deferred Outflows of Resources	<u>\$ 24,110,550</u>	<u>\$ 22,305,646</u>	<u>\$ 194,985</u>	<u>\$ 173,298</u>	<u>\$ 24,305,535</u>	<u>\$ 22,478,944</u>	8.1
Other liabilities	\$ 1,819,632	\$ 1,869,487	\$ 51,268	\$ 12,782	\$ 1,870,900	\$ 1,882,269	(0.6)
Long-term liabilities	6,302,742	2,016,740	122,525	46,799	6,425,267	2,063,539	211.4
Total Liabilities	<u>8,122,374</u>	<u>3,886,227</u>	<u>173,793</u>	<u>59,581</u>	<u>8,296,167</u>	<u>3,945,808</u>	110.3
Deferred Inflows of Resources	<u>6,982,470</u>	<u>5,005,035</u>	<u>41,060</u>	<u>—</u>	<u>7,023,530</u>	<u>5,005,035</u>	40.3
Net Position							
Net investment in capital assets	10,312,847	9,451,173	65,173	59,608	10,378,020	9,510,781	9.1
Restricted	2,431,241	1,882,413	—	—	2,431,241	1,882,413	29.2
Unrestricted	(3,738,382)	2,080,798	(85,041)	54,109	(3,823,423)	2,134,907	(279.1)
Total Net Position	<u>9,005,706</u>	<u>13,414,384</u>	<u>(19,868)</u>	<u>113,717</u>	<u>8,985,838</u>	<u>13,528,101</u>	(33.6)
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,110,550</u>	<u>\$ 22,305,646</u>	<u>\$ 194,985</u>	<u>\$ 173,298</u>	<u>\$ 24,305,535</u>	<u>\$ 22,478,944</u>	8.1

The District's total net position decreased 33.6%, or approximately \$4,542,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by approximately \$549,000, or 29.2%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and the Management Fund.

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 approximately \$5,958,000, or 279.1%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

The 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 beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by \$5,818,792 and \$132,110, 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 the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

**FIGURE A-4
CHANGES IN NET POSITION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Revenue							
Program Revenue							
Charges for service	\$ 1,405,952	\$ 1,529,019	\$ 308,691	\$ 290,019	\$ 1,714,643	\$ 1,819,038	(5.7)%
Operating grants and contributions	2,022,996	1,915,017	349,171	372,923	2,372,167	2,287,940	3.7
Capital grants and contributions	708,475	908,748	—	—	708,475	908,748	(22.0)
General Revenue							
Property tax	4,869,909	4,921,572	—	—	4,869,909	4,921,572	(1.0)
Income surtax	627,730	641,008	—	—	627,730	641,008	(2.1)
Statewide sales, services and use tax	1,045,489	972,688	—	—	1,045,489	972,688	7.5
Unrestricted state grants	5,586,149	5,592,168	—	—	5,586,149	5,592,168	(0.1)
Unrestricted investment earnings	2,822	2,646	18	20	2,840	2,666	6.5
Total Revenue	<u>16,269,522</u>	<u>16,482,866</u>	<u>657,880</u>	<u>662,962</u>	<u>16,927,402</u>	<u>17,145,828</u>	<u>(1.3)</u>

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Expenses							
Program Expenses							
Instruction	\$ 9,545,545	\$ 9,904,345	\$ —	\$ —	\$ 9,545,545	\$ 9,904,345	(3.6)%
Support services	4,295,896	4,363,980	—	—	4,295,896	4,363,980	(1.6)
Noninstructional programs	—	—	659,355	659,663	659,355	659,663	0.0
Other expenses	1,017,967	1,050,700	—	—	1,017,967	1,050,700	(3.1)
General Expense							
Loss on disposal of capital assets	—	607,847	—	—	—	607,847	(100.0)
Total Expenses	14,859,408	15,926,872	659,355	659,663	15,518,763	16,586,535	(6.4)
Change in Net Position	1,410,114	555,994	(1,475)	3,299	1,408,639	559,293	151.9
Net Position - Beginning of Year, as restated (Note 16)	7,595,592	12,858,390	(18,393)	110,418	7,577,199	12,968,808	(41.6)
Net Position - End of Year	\$ 9,005,706	\$ 13,414,384	\$ (19,868)	\$ 113,717	\$ 8,985,838	\$ 13,528,101	(33.6)%

In fiscal year 2015, property tax and unrestricted state grants accounted for 64.3% of the governmental activities revenue while charges for service and operating grants and contributions accounted for almost 100% of business-type activities revenue. The District's total revenue was approximately \$17.0 million, of which approximately \$16.3 million was for governmental activities and \$0.7 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.3% decrease in revenue and a 6.4% decrease in expenses. The decrease in revenue is primarily related to decreased capital grants due to the completion of projects.

Governmental Activities

Revenue for governmental activities was \$16,269,522 and expenses were \$14,859,408 for the year ended June 30, 2015.

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

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Percentage Change 2014-2015	2015	2014 (Not Restated)	Percentage Change 2014-2015
Instruction	\$ 9,545,545	\$ 9,904,345	(3.6)%	\$ 6,751,469	\$ 7,073,309	(4.6)%
Support services	4,295,896	4,363,980	(1.6)	3,473,963	3,360,750	3.4
Other expenses	1,017,967	1,050,700	(3.1)	496,553	532,182	(6.7)
Total	14,859,408	15,319,025	(3.0)%	10,721,985	10,966,241	(2.2)%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,405,952.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$2,731,471.
- The net cost of governmental activities was financed with \$6,543,128 in property and other taxes, \$5,586,149 in unrestricted state grants and \$2,822 of unrestricted investment earnings.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$657,880, representing a 0.7% decrease over the prior year, while expenses totaled \$659,355, a slight decrease from the prior year. The District's business-type activities includes the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenue was primarily related to a decrease charges for services. The slight decrease in expenses was primarily related to decreased costs of supplies.

INDIVIDUAL FUND ANALYSIS

As previously noted, Forest City 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 \$4,440,160 above last year's ending fund balances of \$4,231,916. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due to an increase in revenue slightly above expenditures.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,238,810 to \$2,041,513 primarily due to a decrease in local source revenue.
- The Capital Project Fund balance increased from \$1,361,997 at the end of fiscal year 2014 to \$1,568,010 at the end of fiscal year 2015. The increase is primarily due to a decrease in facilities acquisition and construction expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$113,717 as of June 30, 2014 to (\$19,868) as of June 30, 2015, representing a decrease of approximately 117.5%. Revenue increased from the prior year due to an increase in rates charged for meals served. However, the District also reflected the related pension obligation for the District's proportionate share of pension expense which caused an overall reduction of net position. See Note 16 for the restatement of net assets due to the implementation of GASB 68.

BUDGETARY HIGHLIGHTS

Over the course of the year, Forest City Community School District amended its budget one time to reflect additional operating costs.

The District's total revenue was \$197,771 less than total budgeted revenue, a variance of 1.2%. Revenue from intermediary sources was significantly less than anticipated.

Total expenditures were less than budgeted, due primarily to the District overbudgeting for instruction and other expenditures.

The District's certified budget was not exceeded in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$11,213,020, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$841,327.

The original cost of the District's capital assets was approximately \$25.4 million. Governmental funds account for approximately \$25.1 million, with the remainder of approximately \$0.33 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and improvement category. The District's building and improvement totaled \$21,112,287 as of June 30, 2015 compared to \$19,145,621 reported as of June 30, 2014. The significant increase resulted from the completion of construction of an athletic facility and updates to the high school and middle school started in the current year, offset by a decrease in construction in progress.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014	2015	2014	2015	2014	
Land	\$ 235,000	\$ 235,000	\$ —	\$ —	\$ 235,000	\$ 235,000	0.0%
Construction in progress	441,016	1,120,319	—	—	441,016	1,120,319	(60.6)
Buildings and improvements	9,623,096	8,342,901	—	—	9,623,096	8,342,901	15.3
Furniture and equipment	848,735	852,953	65,173	59,609	913,908	912,562	0.1
Total	<u>\$ 11,147,847</u>	<u>\$ 10,551,173</u>	<u>\$ 65,173</u>	<u>\$ 59,609</u>	<u>\$ 11,213,020</u>	<u>\$ 10,610,782</u>	<u>5.7%</u>

Long-Term Debt

As of June 30, 2015, the District had \$835,000 in general obligation bonds outstanding. This represents a decrease of approximately 24.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$36.5 million.

**FIGURE A-7
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Percentage Change June 30, 2014-2015
	2015	2014	
Governmental Activities			
Refunding General Obligation Bonds	<u>\$ 835,000</u>	<u>\$ 1,100,000</u>	<u>(24.1)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The City of Forest City has been working on a main street revitalization project to attract new business and families. In addition, three apartment complexes will be under construction within the District which are designed to attract families with children to the area. Both of these projects are anticipated to maintain or increase current enrollment.
- The District, Waldorf College and the City of Forest City are planning to begin construction of a Fine Arts Center in the Spring of 2017. The Center will be designed to serve the needs of these organizations, as well as add to the appeal of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Rollefson, Board Secretary/Business Manager, Forest City Community School District, 145 South Clark Street, Forest City, Iowa 50436.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and investments	\$ 5,699,853	\$ 74,897	\$ 5,774,750
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	48,156	—	48,156
Succeeding year	5,173,959	—	5,173,959
Due from other governments	985,380	10,506	995,886
Inventories	12,843	20,147	32,990
Capital assets, net of accumulated depreciation	<u>11,147,847</u>	<u>65,173</u>	<u>11,213,020</u>
Total Assets	<u>23,068,038</u>	<u>170,723</u>	<u>23,238,761</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>1,042,512</u>	<u>24,262</u>	<u>1,066,774</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 24,110,550</u>	<u>\$ 194,985</u>	<u>\$ 24,305,535</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 353,865	\$ 6,066	\$ 359,931
Salaries and benefits payable	1,364,973	43,646	1,408,619
Due to other governments	100,236	—	100,236
Accrued interest payable	558	—	558
Unearned revenue	—	1,556	1,556
Long-Term Liabilities			
Portion Due Within One Year			
General obligation refunding bonds	275,000	—	275,000
Early retirement	121,442	—	121,442
Portion Due After One Year			
General obligation refunding bonds	560,000	—	560,000
Early retirement	163,924	—	163,924
Net pension liability	4,742,125	107,666	4,849,791
Net OPEB liability	<u>440,251</u>	<u>14,859</u>	<u>455,110</u>
Total Liabilities	<u>8,122,374</u>	<u>173,793</u>	<u>8,296,167</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	5,173,959	—	5,173,959
Pension-related deferred inflows	<u>1,808,511</u>	<u>41,060</u>	<u>1,849,571</u>
Total Deferred Inflows of Resources	<u>6,982,470</u>	<u>41,060</u>	<u>7,023,530</u>
Net Position			
Net investment in capital assets	10,312,847	65,173	10,378,020
Restricted for			
Categorical funding	335,834	—	335,834
School infrastructure	1,155,368	—	1,155,368
Physical plant and equipment	412,642	—	412,642
Management levy purposes	423,000	—	423,000
Student activities	104,397	—	104,397
Unrestricted	<u>(3,738,382)</u>	<u>(85,041)</u>	<u>(3,823,423)</u>
Total Net Position	<u>9,005,706</u>	<u>(19,868)</u>	<u>8,985,838</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,110,550</u>	<u>\$ 194,985</u>	<u>\$ 24,305,535</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 4,726,025	\$ 467,186	\$ 1,329,771	\$ —	\$ (2,929,068)	\$ —	\$ (2,929,068)
Special	2,686,792	403,496	61,476	—	(2,221,820)	—	(2,221,820)
Other	<u>2,132,728</u>	<u>444,211</u>	<u>87,936</u>	<u>—</u>	<u>(1,600,581)</u>	<u>—</u>	<u>(1,600,581)</u>
Total Instruction.....	<u>9,545,545</u>	<u>1,314,893</u>	<u>1,479,183</u>	<u>—</u>	<u>(6,751,469)</u>	<u>—</u>	<u>(6,751,469)</u>
Support Services							
Student	341,039	—	—	—	(341,039)	—	(341,039)
Instructional staff	471,661	—	22,399	—	(449,262)	—	(449,262)
Administration	1,475,188	—	—	—	(1,475,188)	—	(1,475,188)
Operation and maintenance of plant	1,431,892	86,959	—	708,475	(636,458)	—	(636,458)
Transportation.....	<u>576,116</u>	<u>4,100</u>	<u>—</u>	<u>—</u>	<u>(572,016)</u>	<u>—</u>	<u>(572,016)</u>
Total Support Services.....	<u>4,295,896</u>	<u>91,059</u>	<u>22,399</u>	<u>708,475</u>	<u>(3,473,963)</u>	<u>—</u>	<u>(3,473,963)</u>
Other Expenditures							
Long-term debt interest and fiscal charges.....	8,774	—	—	—	(8,774)	—	(8,774)
AEA flowthrough	521,414	—	521,414	—	—	—	—
Depreciation - unallocated*	<u>487,779</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(487,779)</u>	<u>—</u>	<u>(487,779)</u>
Total Other Expenditures	<u>1,017,967</u>	<u>—</u>	<u>521,414</u>	<u>—</u>	<u>(496,553)</u>	<u>—</u>	<u>(496,553)</u>
Total Governmental Activities	<u>14,859,408</u>	<u>1,405,952</u>	<u>2,022,996</u>	<u>708,475</u>	<u>(10,721,985)</u>	<u>—</u>	<u>(10,721,985)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations.....	<u>659,355</u>	<u>308,691</u>	<u>349,171</u>	<u>—</u>	<u>—</u>	<u>(1,493)</u>	<u>(1,493)</u>
Total	<u>\$ 15,518,763</u>	<u>\$ 1,714,643</u>	<u>\$ 2,372,167</u>	<u>\$ 708,475</u>	<u>(10,721,985)</u>	<u>(1,493)</u>	<u>(10,723,478)</u>
General Revenue							
Property Tax Levied for							
General purposes.....					3,966,534	—	3,966,534
Management levy.....					492,971	—	492,971
Capital outlay					137,296	—	137,296
Debt service					273,108	—	273,108
Income surtax.....					627,730	—	627,730
Statewide sales, services and use tax					1,045,489	—	1,045,489
Unrestricted state grants					5,586,149	—	5,586,149
Unrestricted investment earnings					<u>2,822</u>	<u>18</u>	<u>2,840</u>
Total General Revenue					<u>12,132,099</u>	<u>18</u>	<u>12,132,117</u>
Change in Net Position					1,410,114	(1,475)	1,408,639
Net Position - Beginning of Year, as restated (Note 16).....					<u>7,595,592</u>	<u>(18,393)</u>	<u>7,577,199</u>
Net Position - End of Year.....					<u>\$ 9,005,706</u>	<u>\$ (19,868)</u>	<u>\$ 8,985,838</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and investments.....	\$ 3,286,769	\$ 1,691,564	\$ 721,520	\$ 5,699,853
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	39,736	1,254	7,166	48,156
Succeeding year.....	4,440,852	144,708	588,399	5,173,959
Due from other funds.....	—	22,425	104,295	126,720
Due from other governments	822,782	162,598	—	985,380
Inventories.....	12,843	—	—	12,843
Total Assets	\$ 8,602,982	\$ 2,022,549	\$ 1,421,380	\$ 12,046,911
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 41,690	\$ 309,831	\$ 2,344	\$ 353,865
Salaries and benefits payable.....	1,364,973	—	—	1,364,973
Due to other funds.....	126,720	—	—	126,720
Due to other governments	100,236	—	—	100,236
Total Liabilities.....	1,633,619	309,831	2,344	1,945,794
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	4,440,852	144,708	588,399	5,173,959
Income surtax	486,998	—	—	486,998
Total Deferred Inflows of Resources.....	4,927,850	144,708	588,399	5,660,957
Fund Balances				
Nonspendable				
Inventories	12,843	—	—	12,843
Restricted for				
Categorical funding	335,834	—	—	335,834
Debt service.....	—	—	17,874	17,874
School infrastructure	—	1,155,368	—	1,155,368
Physical plant and equipment	—	412,642	—	412,642
Management levy purposes	—	—	708,366	708,366
Student activities.....	—	—	104,397	104,397
Unassigned	1,692,836	—	—	1,692,836
Total Fund Balances	2,041,513	1,568,010	830,637	4,440,160
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,602,982	\$ 2,022,549	\$ 1,421,380	\$ 12,046,911

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 16).... **\$ 4,440,160**

***Amounts reported for governmental activities in the
statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 11,147,847

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (558)

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds..... 486,998

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

Deferred outflows of resources	\$ 1,042,512	
Deferred inflows of resources	<u>(1,808,511)</u>	(765,999)

Long-term liabilities, including general obligation refunding bonds, early retirement, net pension liability and other post-employment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

General obligation refunding bonds.....	\$ (835,000)	
Early retirement.....	(285,366)	
Net pension liability	(4,742,125)	
Other post-employment benefits.....	<u>(440,251)</u>	<u>(6,302,742)</u>

Net Position of Governmental Activities (Page 14)..... **\$ 9,005,706**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 4,608,717	\$ 137,296	\$ 766,076	\$ 5,512,089
Tuition.....	824,213	—	—	824,213
Other.....	219,479	709,001	459,126	1,387,606
State sources	7,224,685	1,049,608	22,693	8,296,986
Federal sources.....	263,081	—	—	263,081
Total Revenue	<u>13,140,175</u>	<u>1,895,905</u>	<u>1,247,895</u>	<u>16,283,975</u>
Expenditures				
Current				
Instruction				
Regular.....	4,719,841	—	133,294	4,853,135
Special	2,764,041	—	—	2,764,041
Other	<u>1,501,256</u>	<u>—</u>	<u>439,473</u>	<u>1,940,729</u>
Total Instruction	<u>8,985,138</u>	<u>—</u>	<u>572,767</u>	<u>9,557,905</u>
Support Services				
Student.....	352,140	—	—	352,140
Instructional staff	486,481	—	—	486,481
Administration.....	1,512,000	—	—	1,512,000
Operation and maintenance of plant.....	943,694	15,240	227,946	1,186,880
Transportation	<u>504,736</u>	<u>34,600</u>	<u>—</u>	<u>539,336</u>
Total Support Services	<u>3,799,051</u>	<u>49,840</u>	<u>227,946</u>	<u>4,076,837</u>
Other Expenditures				
Facilities acquisition.....	—	1,645,690	—	1,645,690
Long-Term Debt				
Principal	—	—	265,000	265,000
Interest and fiscal charges	—	360	8,525	8,885
AEA flowthrough.....	<u>521,414</u>	<u>—</u>	<u>—</u>	<u>521,414</u>
Total Other Expenditures	<u>521,414</u>	<u>1,646,050</u>	<u>273,525</u>	<u>2,440,989</u>
Total Expenditures	<u>13,305,603</u>	<u>1,695,890</u>	<u>1,074,238</u>	<u>16,075,731</u>
Revenue Over (Under) Expenditures	<u>(165,428)</u>	<u>200,015</u>	<u>173,657</u>	<u>208,244</u>
Other Financing Sources (Uses)				
Transfers in	—	5,998	25,871	31,869
Transfers out	<u>(31,869)</u>	<u>—</u>	<u>—</u>	<u>(31,869)</u>
Total Other Financing Sources (Uses)	<u>(31,869)</u>	<u>5,998</u>	<u>25,871</u>	<u>—</u>
Change in Fund Balances	<u>(197,297)</u>	<u>206,013</u>	<u>199,528</u>	<u>208,244</u>
Fund Balances - Beginning of Year ..	<u>2,238,810</u>	<u>1,361,997</u>	<u>631,109</u>	<u>4,231,916</u>
Fund Balances - End of Year	<u>\$ 2,041,513</u>	<u>\$ 1,568,010</u>	<u>\$ 830,637</u>	<u>\$ 4,440,160</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 18) \$ 208,244

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

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

Capital outlays.....	\$ 1,426,988	
Depreciation expense.....	<u>(830,314)</u>	596,674

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 governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due 111

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (14,453)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... 265,000

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position. 687,598

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

Early retirement.....	\$ 133,294	
Pension expense.....	(376,930)	
Other post-employment benefits.....	<u>(89,424)</u>	<u>(333,060)</u>

Change in Net Position of Governmental Activities (Page 15) \$ 1,410,114

Statement of Net Position - Proprietary Fund

Year Ended June 30, 2015

	Nonmajor Enterprise School Nutrition
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents.....	\$ 74,897
Due from other governments.....	10,506
Inventories.....	<u>20,147</u>
Total Current Assets	<u>105,550</u>
Capital Assets	
Capital assets, net of accumulated depreciation.....	<u>65,173</u>
Total Assets	<u>170,723</u>
Deferred Outflows of Resources	
Pension-related deferred outflows.....	<u>24,262</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 194,985</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accounts payable.....	\$ 6,066
Salaries and benefits payable.....	43,646
Unearned revenue.....	<u>1,556</u>
Total Current Liabilities	<u>51,268</u>
Noncurrent Liabilities	
Net pension liability.....	107,666
Net OPEB liability.....	<u>14,859</u>
Total Noncurrent Liabilities	<u>122,525</u>
Total Liabilities	<u>173,793</u>
Deferred Inflows of Resources	
Pension-related deferred inflows.....	<u>41,060</u>
Net Position	
Investment in capital assets.....	65,173
Unrestricted.....	<u>(85,041)</u>
Total Net Position	<u>(19,868)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 194,985</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund

Year Ended June 30, 2015

	Nonmajor Enterprise School Nutrition
Operating Revenue	
Local Sources	
Charges for service	<u>\$ 308,691</u>
Operating Expenses	
Noninstructional Programs	
Food Service Operations	
Salaries	181,534
Benefits	93,647
Purchased services	13,414
Supplies	359,747
Depreciation	<u>11,013</u>
Total Operating Expenses	<u>659,355</u>
Loss From Operations	<u>(350,664)</u>
Nonoperating Revenue	
State sources	5,357
Federal sources	343,814
Interest on investments	<u>18</u>
Total Nonoperating Revenue	<u>349,189</u>
Change in Net Position	(1,475)
Net Position - Beginning of Year, as restated (Note 16)	<u>(18,393)</u>
Net Position - End of Year	<u>\$ (19,868)</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2015

	Nonmajor Enterprise School Nutrition
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts.....	\$ 309,410
Cash payments to employees for services	(276,092)
Cash payments to suppliers for goods or services.....	(316,719)
Net Cash Used in Operating Activities	<u>(283,401)</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	5,357
Federal grants received.....	291,847
Net Cash Provided by Noncapital Financing Activities	<u>297,204</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets.....	<u>(16,578)</u>
Cash Flows From Investing Activities	
Interest on investments	<u>18</u>
Net Decrease in Cash and Cash Equivalents	(2,757)
Cash and Cash Equivalents - Beginning of Year	<u>77,654</u>
Cash and Cash Equivalents - End of Year	<u>\$ 74,897</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations.....	\$ (350,664)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used.....	58,364
Depreciation	11,013
Changes in Assets and Liabilities	
Increase in inventories.....	(1,014)
Decrease in accounts payable.....	(908)
Increase in salaries and benefits payable	4,658
Increase in unearned revenue	719
Decrease in net pension liability	(40,308)
Increase in deferred outflows of resources	(8,398)
Increase in deferred inflows of resources	41,060
Increase in net OPEB liability	<u>2,077</u>
Net Cash Used in Operating Activities.....	<u>\$ (283,401)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$54,127 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position

Year Ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and Cash Equivalents	<u>\$ 200,100</u>
Net Position	
Reserved for Scholarships.....	<u>\$ 200,100</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 200,000
Interest income	<u>100</u>
Total Additions	<u>200,100</u>
Deductions	<u>—</u>
Change in Net Position	200,100
Net Position - Beginning of Year.....	<u>—</u>
Net Position - End of Year	<u>\$ 200,100</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Forest City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve along with special education pre-kindergarten. The geographic area served includes the Cities of Forest City, Woden and Crystal Lake, Iowa, and the predominately agricultural territory in portions of Winnebago, Hancock, Worth and Cerro Gordo counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

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

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

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

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax revenue and other revenue 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 expenditures, 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 reports the following nonmajor proprietary fund:

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

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's reports the following fiduciary fund:

The *Private Purpose Trust Fund* is used to account for assets held by the District which are to be used to benefit individuals through scholarship awards.

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. Revenue is 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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 revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

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

Cash, Cash Equivalents and Investments

The cash balances of most District funds are invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property Tax Receivable

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% 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 revenue, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories of the Proprietary and General Fund are recorded as expenses when consumed rather than when purchased or received.

Capital Assets

Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. 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.

Land.....	\$	—
Buildings and improvements		25,000
Intangibles.....		100,000
Furniture and Equipment		
School Nutrition Fund equipment		500
Other furniture and equipment.....		3,000

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Buildings and improvements	15 - 50 Years
Intangibles.....	3 - 10 Years
Furniture and equipment	8 - 30 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 are payable in July and August, have been accrued as liabilities.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation or sick leave benefits when employment with the District ends.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Fund Equity

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

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

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

Unassigned - All amounts not included in the preceding classifications.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Investments

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

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

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Investments

As of June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio which are valued at an amortized cost of \$5,560 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue Management Levy	General	\$ 104,295
Capital Projects Statewide Sales, Services and Use Tax	General	<u>22,425</u>
		<u>\$ 126,720</u>

The outstanding balances are related to prior year expenditures paid from the incorrect fund and current year property and statewide sales, services and use tax deposited to the incorrect fund. The balances are to be repaid by June 30, 2016.

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service Capital Projects	General	\$ 25,871
Physical Plant and Equipment Levy	General	<u>5,998</u>
		<u>\$ 31,869</u>

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

Notes to the Financial Statements

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 235,000	\$ —	\$ —	\$ 235,000
Construction in progress	<u>1,120,319</u>	<u>1,392,389</u>	<u>2,071,692</u>	<u>441,016</u>
Total Capital Assets Not Being Depreciated.....	<u>1,355,319</u>	<u>1,392,389</u>	<u>2,071,692</u>	<u>676,016</u>
Capital Assets Being Depreciated				
Buildings and improvements	19,145,621	1,966,666	—	21,112,287
Furniture and equipment	<u>3,245,378</u>	<u>139,625</u>	<u>37,442</u>	<u>3,347,561</u>
Total Capital Assets Being Depreciated.....	<u>22,390,999</u>	<u>2,106,291</u>	<u>37,442</u>	<u>24,459,848</u>
Less Accumulated Depreciation for				
Buildings and improvements	10,802,720	686,471	—	11,489,191
Furniture and equipment	<u>2,392,425</u>	<u>143,843</u>	<u>37,442</u>	<u>2,498,826</u>
Total Accumulated Depreciation...	<u>13,195,145</u>	<u>830,314</u>	<u>37,442</u>	<u>13,988,017</u>
Total Capital Assets Being Depreciated, Net	<u>9,195,854</u>	<u>1,275,977</u>	<u>—</u>	<u>10,471,831</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,551,173</u>	<u>\$ 2,668,366</u>	<u>\$ 2,071,692</u>	<u>\$ 11,147,847</u>
Business-Type Activities				
Furniture and equipment	\$ 244,888	\$ 16,578	\$ —	\$ 261,466
Less accumulated depreciation	<u>185,280</u>	<u>11,013</u>	<u>—</u>	<u>196,293</u>
Business-Type Activities Capital Assets, Net.....	<u>\$ 59,608</u>	<u>\$ 5,565</u>	<u>\$ —</u>	<u>\$ 65,173</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction	
Other.....	\$ 241,173
Support Services	
Administration	4,280
Operation and maintenance of plant	11,172
Transportation.....	85,910
Unallocated	487,779
Total Depreciation Expense - Governmental Activities	<u>\$ 830,314</u>

Business-Type Activities

Food service operations	<u>\$ 11,013</u>
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(6) Long-Term Liabilities

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

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Due Within One Year
Government Activities					
General obligation					
refunding bonds	\$ 1,100,000	\$ —	\$ 265,000	\$ 835,000	\$ 275,000
Early retirement	418,660	—	133,294	285,366	121,442
Net pension liability....	6,517,501	—	1,775,376	4,742,125	—
Net OPEB liability	350,827	89,424	—	440,251	—
Total	<u>\$ 8,386,988</u>	<u>\$ 89,424</u>	<u>\$ 2,173,670</u>	<u>\$ 6,302,742</u>	<u>\$ 396,442</u>
Business-Type Activities					
Net pension liability....	\$ 147,974	\$ —	\$ 40,308	\$ 107,666	\$ —
Net OPEB liability	12,782	2,077	—	14,859	—
Total	<u>\$ 160,756</u>	<u>\$ 2,077</u>	<u>\$ 40,308</u>	<u>\$ 122,525</u>	<u>\$ —</u>

General Obligation Refunding Bonds

Details of the District's June 30, 2015 general obligation refunding bond indebtedness are as follows:

Year Ending June 30,	Bonds Issued January 1, 2013			
	Interest Rates	Principal	Interest	Total
2016	0.60%	\$ 275,000	\$ 6,700	\$ 281,700
2017	0.80	275,000	5,050	280,050
2018	1.00	285,000	2,850	287,850
Total		<u>\$ 835,000</u>	<u>\$ 14,600</u>	<u>\$ 849,600</u>

(7) Pension and Retirement Benefits

Plan Description

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

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

Pension Benefits

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

A vested member who is awarded 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.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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 one 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% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$703,802.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported a liability of \$4,849,791 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. As of June 30, 2014, the District's proportion was 0.119834% which was an increase of 0.002111 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$385,488. As of 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	\$ 52,708	\$ —
Changes of assumptions	214,032	—
Net difference between projected and actual earnings on pension plan investments.....	—	1,849,571
Changes in proportion and differences between District contributions and proportionate share of contributions	96,232	—
District contributions subsequent to the measurement date.....	<u>703,802</u>	<u>—</u>
Total	<u>\$ 1,066,774</u>	<u>\$ 1,849,571</u>

\$703,802 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 ending 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:

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Year Ending June 30,	
2016	\$ (377,586)
2017	(377,586)
2018	(377,586)
2019	(377,585)
2020	<u>23,744</u>
Total	<u>\$ (1,486,599)</u>

There were no nonemployer 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%
Salary increases (effective June 30, 2014)	4% to 17% average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	<u>1</u>	(0.69)
Total	<u>100%</u>	

(7) Pension and Retirement Benefits

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$9,163,544	\$4,849,791	\$1,208,537

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

As of June 30, 2015, the District reported no material payables to the defined benefit pension plan for legally required employer contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) 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 136 active and 15 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. 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.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 137,195
Interest on net OPEB obligation.....	9,090
Adjustment to annual required contribution.....	<u>(28,925)</u>
Annual OPEB Cost	117,360
Contributions made	<u>(25,859)</u>
Increase in Net OPEB Obligation	91,501
Net OPEB Obligation - Beginning of Year.....	<u>363,609</u>
Net OPEB Obligation - End of Year	<u>\$ 455,110</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$25,859 to the medical plan. Plan members eligible for benefits contributed \$2,133, or 7.62% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011*	\$ 88,207	21.3%	\$ 218,265
June 30, 2012*	170,837	46.4	170,837
June 30, 2013*	165,185	44.2	263,014
June 30, 2014	102,147	32.0	363,609
June 30, 2015	117,360	22.0	455,110

* Data of Forest City Community School District prior to the July 1, 2013 merger with Woden-Crystal Lake Community School District.

(8) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$930,749 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of 930,749. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,987,000, and the ratio of the UAAL to the covered payroll was 11.6%. 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 financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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

(9) Early Retirement Plan

Forest City Community School District offered a voluntary early retirement plan to its employees during fiscal years 2006, 2009, 2010 and 2014. Eligible employees must have completed at least ten years of continuous service to the District and must have reached the age of 55 on or before June 30 in the calendar year in which early retirement commenced. The application for early retirement was subject to approval by the Board of Education and the board reserved the right to limit the number of retirements.

Notes to the Financial Statements

(9) Early Retirement Plan

Early retirement benefits for certified staff consisted of \$35,000 of future health insurance premiums for the plans offered in fiscal years, 2006, 2009 and 2010 and \$25,000 of future health insurance premiums for the plan offered in fiscal year 2014.

As of June 30, 2015, the District has obligations to 20 participants with a total liability of \$285,366. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$133,294.

(10) Risk Management

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

(11) Area Education Agency Support

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 \$521,414 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.

(12) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2015 is comprised of the following programs:

Program	Amount
Statewide voluntary four-year-old preschool program.....	\$ 242,087
Teacher salary supplement	71,775
Early literacy.....	13,372
Teacher leadership grant.....	8,600
	<u>\$ 335,834</u>

(13) Construction Commitment

The District has entered into various contracts totaling approximately \$1,730,000 for improvements to the bus garage, construction of a concession building and various equipment purchases. As of June 30, 2015, costs of approximately \$410,000 had been incurred against the contracts. The balance of approximately \$1,320,000 remaining as of June 30, 2015 will be paid as work on the projects progress and the equipment is received.

Notes to the Financial Statements

(14) Deficit Balance

The Enterprise, School Nutrition Fund had a deficit balance of \$19,868 as of June 30, 2015. The deficit balance was a result of reporting the District's proportionate share of net pension liability, as discussed in Note 16.

(15) Subsequent Events

Management has evaluated events through February 5, 2016, the date which the financial statements were available to be issued.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for 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	\$ 13,414,384	\$ 113,717
Net pension liability as of June 30, 2014.....	(6,517,501)	(147,974)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>698,709</u>	<u>15,864</u>
Net Position - July 1, 2014, as Restated.....	<u>\$ 7,595,592</u>	<u>\$ (18,393)</u>

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2015

	Actual			Budget Amount		Over (Under) Budget
	Govern- mental Fund Types	Proprietary Fund Type	Total	Original	Final	
Revenue						
Local sources	\$ 7,723,908	\$ 308,709	\$ 8,032,617	\$ 8,923,246	\$ 8,923,246	\$ (890,629)
Intermediary sources.....	—	—	—	351,000	351,000	(351,000)
State sources	8,296,986	5,357	8,302,343	7,259,707	7,259,707	1,042,636
Federal sources	263,081	343,814	606,895	605,673	605,673	1,222
Total Revenue.....	<u>16,283,975</u>	<u>657,880</u>	<u>16,941,855</u>	<u>17,139,626</u>	<u>17,139,626</u>	<u>(197,771)</u>
Expenditures/Expenses						
Instruction.....	9,557,905	—	9,557,905	9,804,111	12,000,000	(2,442,095)
Support services	4,076,837	—	4,076,837	3,873,098	4,200,000	(123,163)
Noninstructional programs ..	—	659,355	659,355	711,150	800,000	(140,645)
Other expenditures.....	2,440,989	—	2,440,989	2,561,644	3,000,000	(559,011)
Total Expenditures/ Expenses	<u>16,075,731</u>	<u>659,355</u>	<u>16,735,086</u>	<u>16,950,003</u>	<u>20,000,000</u>	<u>(3,264,914)</u>
Revenue Over (Under) Expenditures/Expenses	208,244	(1,475)	206,769	189,623	(2,860,374)	3,067,143
Balance - Beginning of Year, as restated (Note 16)	4,231,916	(18,393)	4,213,523	5,308,805	4,111,875	101,648
Balance - End of Year	<u>\$ 4,440,160</u>	<u>\$ (19,868)</u>	<u>\$ 4,420,292</u>	<u>\$ 5,498,428</u>	<u>\$ 1,251,501</u>	<u>\$ 3,168,791</u>

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 the Private-Purpose Trust Fund. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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 adopted one budget amendment, increasing budgeted expenditures by \$3,049,997.

During the year ended June 30, 2015, expenditures did not exceed the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
District's proportion of the net pension liability	0.119834%
District's proportionate share of the net pension liability	\$4,849,791
District's covered-employee payroll	\$8,002,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Statorily required contribution	\$ 703,802	\$ 714,539	\$ 660,126	\$ 603,286	\$ 507,595	\$ 504,589	\$ 483,431	\$ 446,206	\$ 415,660	\$ 403,479
Contributions in relation to the statorily required contributions.....	<u>(703,802)</u>	<u>(714,539)</u>	<u>(660,126)</u>	<u>(603,286)</u>	<u>(507,595)</u>	<u>(504,589)</u>	<u>(483,431)</u>	<u>(446,206)</u>	<u>(415,660)</u>	<u>(403,479)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>									
District's covered-employee payroll	\$ 7,881,000	\$ 8,002,000	\$ 7,614,000	\$ 7,476,000	\$ 7,304,000	\$ 7,588,000	\$ 7,613,000	\$ 7,375,000	\$ 7,229,000	\$ 7,017,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

* Data of Forest City Community School District prior to the July 1, 2013 merger with Woden-Crystal Lake 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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- 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.

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009*	7-1-08	\$ —	\$ 827,960	\$ 827,960	0%	\$ 6,525,000	12.7%
2010*	7-1-08	—	819,518	819,518	0	7,153,000	11.5
2011*	7-1-08	—	819,518	819,518	0	7,161,000	11.4
2012*	7-1-11	—	1,187,204	1,187,204	0	6,994,000	17.0
2013*	7-1-11	—	1,072,980	1,072,980	0	7,701,000	13.9
2014	7-1-11	—	999,982	999,982	0	8,044,000	12.4
2015	7-1-14	—	930,749	930,749	0	7,987,000	11.6

* Data of Forest City Community School District prior to the July 1, 2013 merger with Woden-Crystal Lake Community School District.

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		Debt Service	Total
	Management Levy	Student Activity		
Assets				
Cash, cash equivalents and investments.....	\$ 599,201	\$ 106,741	\$ 15,578	\$ 721,520
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	4,870	—	2,296	7,166
Succeeding year	299,999	—	288,400	588,399
Due from other funds.....	<u>104,295</u>	<u>—</u>	<u>—</u>	<u>104,295</u>
Total Assets	<u>\$ 1,008,365</u>	<u>\$ 106,741</u>	<u>\$ 306,274</u>	<u>\$ 1,421,380</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ —</u>	<u>\$ 2,344</u>	<u>\$ —</u>	<u>\$ 2,344</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	<u>299,999</u>	<u>—</u>	<u>288,400</u>	<u>588,399</u>
Fund Balances				
Restricted for				
Management levy purposes	708,366	—	—	708,366
Student activities.....	—	104,397	—	104,397
Debt service	—	—	17,874	17,874
Total Fund Balances	<u>708,366</u>	<u>104,397</u>	<u>17,874</u>	<u>830,637</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances....	<u>\$ 1,008,365</u>	<u>\$ 106,741</u>	<u>\$ 306,274</u>	<u>\$ 1,421,380</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenue				
Local Sources				
Local tax	\$ 492,971	\$ —	\$ 273,105	\$ 766,076
Other.....	14,789	444,264	73	459,126
State sources	13,947	—	8,746	22,693
Total Revenue.....	<u>521,707</u>	<u>444,264</u>	<u>281,924</u>	<u>1,247,895</u>
Expenditures				
Current				
Instruction				
Regular	133,294	—	—	133,294
Other.....	—	439,473	—	439,473
Total Instruction.....	<u>133,294</u>	<u>439,473</u>	<u>—</u>	<u>572,767</u>
Support Services				
Operation and maintenance of plant	227,946	—	—	227,946
Other Expenditures				
Long-Term Debt				
Principal	—	—	265,000	265,000
Interest and fiscal charges.....	—	—	8,525	8,525
Total Other Expenditures.....	<u>—</u>	<u>—</u>	<u>273,525</u>	<u>273,525</u>
Total Expenditures	<u>361,240</u>	<u>439,473</u>	<u>273,525</u>	<u>1,074,238</u>
Revenue Under Expenditures.....	<u>160,467</u>	<u>4,791</u>	<u>8,399</u>	<u>173,657</u>
Other Financing Sources				
Transfers in	<u>—</u>	<u>—</u>	<u>25,871</u>	<u>25,871</u>
Net Change in Fund Balances	160,467	4,791	34,270	199,528
Fund Balances - Beginning of Year	<u>547,899</u>	<u>99,606</u>	<u>(16,396)</u>	<u>631,109</u>
Fund Balances - End of Year	<u>\$ 708,366</u>	<u>\$ 104,397</u>	<u>\$ 17,874</u>	<u>\$ 830,637</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

Account	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Athletics and cheerleading.....	\$ —	\$ 136,079	\$ 166,402	\$ 52,467	\$ 22,144
Cross country	—	1,673	1,707	34	—
Golf	—	1,425	2,238	813	—
Boys athletics	1,564	13,362	14,926	—	—
Boys basketball	2,374	30,440	14,230	(14,164)	4,420
Football	6,789	32,899	20,956	(15,098)	3,634
Baseball field improvement.....	1,585	15,181	13,953	—	2,813
Boys track	1,884	9,771	3,010	(5,351)	3,294
Wrestling	264	16,898	12,618	—	4,544
Girls basketball.....	3,431	5,401	3,518	—	5,314
Volleyball.....	5,376	10,485	12,601	—	3,260
Softball	—	—	1,364	1,364	—
Girls track	1,174	5,280	5,623	—	831
Cheer fundraising	—	8,236	7,273	—	963
Special education wind suit	116	—	—	—	116
Elementary activities.....	21,840	4,119	2,614	(20,065)	3,280
FFA	9,105	41,260	39,529	—	10,836
HS activities.....	921	9,013	8,255	—	1,679
HS band	563	8,473	9,036	—	—
HS home economics awards ...	1	—	—	—	1
HS color guard	2,423	229	1,256	—	1,396
HS music.....	557	2,981	2,571	—	967
HS marketing.....	1,386	5,631	6,095	—	922
HS student council.....	3,476	4,523	4,170	—	3,829
Student insurance	—	365	365	—	—
Student athletic facility	100	1,267	1,267	—	100
MS activities	9,019	11,574	13,728	—	6,865
MS band and vocal.....	4,257	597	1,871	—	2,983
MS fund raiser	—	1,128	1,128	—	—
MS history club.....	517	18,867	19,314	—	70
MS art club	28	—	—	—	28
MS industrial arts.....	82	—	—	—	82
MS spin program	2,775	—	—	—	2,775
MS memory book	101	1,405	1,444	—	62
MS student council	1,041	1,285	1,853	—	473
MS musical.....	304	393	387	—	310
Class of 2014	3,380	—	—	(3,380)	—
Prom tickets.....	—	2,781	3,423	3,380	2,738
Spanish club.....	599	—	—	—	599
Special needs.....	1,645	—	—	—	1,645
Speech and drama	723	5,390	5,238	—	875
Rotary corner funds	1,205	5,780	4,781	—	2,204
Yearbook.....	724	10,005	9,086	—	1,643
Fall musical	2,837	4,527	5,699	—	1,665
Spring play	2,203	1,360	702	—	2,861
Student activity tickets	—	10,515	10,515	—	—
WCL booster club.....	1,121	—	1,121	—	—
Coaches vs. cancer	6	3,612	3,606	—	12
Chicago trip	634	—	—	—	634
Interest	1,476	54	—	—	1,530
Total	\$ 99,606	\$ 444,264	\$ 439,473	\$ —	\$ 104,397

Combining Balance Sheet - Capital Project Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash, cash equivalents and investments.....	\$ 1,275,579	\$ 415,985	\$ 1,691,564
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	—	1,254	1,254
Succeeding year	—	144,708	144,708
Due from other funds.....	22,425	—	22,425
Due from other governments	<u>162,598</u>	<u>—</u>	<u>162,598</u>
Total Assets	<u>\$ 1,460,602</u>	<u>\$ 561,947</u>	<u>\$ 2,022,549</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 305,234</u>	<u>\$ 4,597</u>	<u>\$ 309,831</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>144,708</u>	<u>144,708</u>
Fund Balances			
Restricted for			
School infrastructure.....	1,155,368	—	1,155,368
Physical plant and equipment.....	<u>—</u>	<u>412,642</u>	<u>412,642</u>
Total Fund Balances.....	<u>1,155,368</u>	<u>412,642</u>	<u>1,568,010</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 1,460,602</u>	<u>\$ 561,947</u>	<u>\$ 2,022,549</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Project Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Revenue			
Local Sources			
Local tax.....	\$ —	\$ 137,296	\$ 137,296
Other	708,828	173	709,001
State sources	1,045,489	4,119	1,049,608
Total Revenue	<u>1,754,317</u>	<u>141,588</u>	<u>1,895,905</u>
Expenditures			
Current			
Support Services			
Operation and maintenance of plant	—	15,240	15,240
Transportation	—	34,600	34,600
Total Support Services.....	<u>—</u>	<u>49,840</u>	<u>49,840</u>
Other Expenditures			
Facilities acquisition.....	1,631,902	13,788	1,645,690
Long-Term Debt			
Interest and fiscal charges	360	—	360
Total Other Expenditures	<u>1,632,262</u>	<u>13,788</u>	<u>1,646,050</u>
Total Expenditures.....	<u>1,632,262</u>	<u>63,628</u>	<u>1,695,890</u>
Revenue Over Expenditures	<u>122,055</u>	<u>77,960</u>	<u>200,015</u>
Other Financing Sources			
Transfers in	—	5,998	5,998
Change in Fund Balances	122,055	83,958	206,013
Fund Balances - Beginning of Year	1,033,313	328,684	1,361,997
Fund Balances - End of Year	<u>\$ 1,155,368</u>	<u>\$ 412,642</u>	<u>\$ 1,568,010</u>

Schedule of Revenue by Source and Expenditures by Function - All Governmental Fund Types (Modified Accrual Basis)

For the Last Three Years

	2015	2014	2013
Revenue			
Local Sources			
Local tax	\$ 5,512,089	\$ 5,560,137	\$ 5,618,020
Tuition.....	824,213	841,017	1,347,451
Other.....	1,387,606	1,599,396	1,271,997
State sources	8,296,986	8,235,179	6,433,620
Federal sources.....	<u>263,081</u>	<u>244,694</u>	<u>242,394</u>
Total	<u>\$ 16,283,975</u>	<u>\$ 16,480,423</u>	<u>\$ 14,913,482</u>
Expenditures			
Instruction			
Regular	\$ 4,853,135	\$ 5,000,009	\$ 4,832,665
Special.....	2,764,041	2,677,352	3,134,070
Other.....	1,940,729	1,871,162	1,213,561
Support Services			
Student	352,140	343,190	310,024
Instructional staff.....	486,481	424,764	408,839
Administration	1,512,000	1,430,355	1,265,331
Operations and maintenance of plant.....	1,186,880	1,337,122	1,199,548
Transportation.....	539,336	609,629	507,427
Other Expenditures			
Facilities acquisition	1,645,690	2,354,474	394,876
Long-Term Debt			
Principal	265,000	379,464	1,987,753
Interest and fiscal charges.....	8,885	14,203	69,287
AEA flowthrough	<u>521,414</u>	<u>518,518</u>	<u>456,855</u>
Total	<u>\$ 16,075,731</u>	<u>\$ 16,960,242</u>	<u>\$ 15,780,236</u>

Note - Activity reflected in this schedule for fiscal year 2013 includes activity of the former Forest City Community School District prior to the merger with Woden-Crystal Lake Community School District.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 15	\$ 48,818
National School Lunch Program	10.555	FY 15	271,536*
Summer Food Service Program for Children	10.559	FY 15	<u>23,459</u>
Total U.S. Department of Agriculture.....			<u>343,813</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 15	<u>52,194</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>149,009</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>40,383</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>5,675</u>
Total Pass-Through From Iowa Department of Education			<u>247,261</u>
Pass-Through from Mason City Community School District			
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>15,820</u>
Total U.S. Department of Education			<u>263,081</u>
Total			<u>\$ 606,894</u>

* Includes \$54,127 of noncash awards.

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Forest City Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Forest City Community School District provided no federal awards to subrecipients.

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

Board of Education
Forest City Community School District
Forest City, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Forest City Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 5, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 II of the accompanying schedule of findings and questioned costs as items 15-II-R-1, 15-II-R-2, 15-II-R-3, 15-II-R-4, 15-II-R-5, 15-II-R-6 and 15-II-R-7 to be material weaknesses.

Compliance and Other Matters

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

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

Forest City Community School District's Responses to Findings

Forest City Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Forest City Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



HOGAN - HANSEN

Mason City, Iowa
February 5, 2016

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

Board of Education
Forest City Community School District
Forest City, Iowa

Report on Compliance for Each Major Federal Program

We have audited Forest City Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Forest City Community School District's major federal programs for the year ended June 30, 2015. Forest City Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Forest City Community School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Forest City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Forest City Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Forest City Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-III-R-1 and 15-III-R-3 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-2 to be a significant deficiency.

Forest City Community School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Forest City Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 5, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Child Nutrition Cluster
10.553
10.555
10.559

School Breakfast Program
National School Lunch Program
Summer Food Service Program
for Children

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect of this material weakness is an error or fraud occurring and not being detected in a timely manner.

We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. Management should review procedures to ensure receipt, disbursement and reconciliation functions are as separate as possible.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will review procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

15-II-R-2 Journal Entries

Prior Year Finding and Recommendation - District staff make adjusting journal entries as needed to the general ledger. These journal entries are not reviewed by a second person and supporting documentation is not consistently maintained. The potential effect of this material weakness is an error or fraud occurring and not being detected in a timely manner.

We recommend the District implement procedures to require supporting documentation be maintained for all journal entries. We also recommend a qualified person different from the person who made the journal entry review it to ensure it is properly supported and appropriate.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

District's Response - We will review our procedures related to journal entries and implement procedures for review and supporting documentation maintenance as deemed possible with available staff.

Auditor's Conclusion - Response accepted.

15-II-R-3 Financial Statement Preparation

Prior Year Finding and Recommendation - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

15-II-R-4 Purchase Orders

Finding - The District has a purchase order policy that requires that all procurement of supplies, equipment and services shall begin with the issuance of an official purchase order signed by a designated staff. We noted that smaller purchases for maintenance and transportation did not include approved purchase orders. The potential effect of this material weakness is possible misappropriation of funds.

Auditor's Recommendation - We recommend that the District either comply with their policy or update the policy requirements.

District's Response - We will review our purchase order policy and the procedures and implement appropriate changes to provide compliance with policies and to improve time required for this documentation in the maintenance and transportation areas.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2015

15-II-R-5 Reconciliations

Finding - The District has procedures to reconcile all accounts from bank statements to the financial records. However, when we confirmed bank accounts, we noted that one small account had not been properly closed and funds transferred by the financial institution. The potential effect of this material weakness is an error occurring in one of the bank accounts and not being timely corrected.

Auditor's Recommendation - We recommend that the District reconcile all accounts timely to verify that all transactions are properly recorded by the financial institutions.

District's Response - We will review procedures and make any required changes.

Auditor's Conclusion - Response accepted.

15-II-R-6 Credit Card Receipts

Finding - We noted numerous credit card charges that were not supported with a receipt or other supporting documentation. Several of these charges were with vendors where personal charges could occur. Credit card usage should be closely monitored and all charges should be supported with a receipt or other supporting documentation. The potential effect of this material weakness is the possibility of personal or inappropriate charges on the District's credit card not being detected.

Auditor's Recommendation - We recommend that the District immediately begin enforcing the Board credit card policy and require all employees using a credit card to submit a credit card receipt indicating the date, purpose and nature of the expense for each claim.

District's Response - The Board will review the current policies and will determine more effective accountability procedures on all credit card charges.

Auditor's Conclusion - Response accepted.

15-II-R-7 Early Retirement Benefits Paid

Finding - We noted that the District overpaid the approved early retirement benefits for four retirees. The District agreed to pay each retiree's health insurance premiums until the aggregate premiums paid totaled \$35,000 per retiree. Due to calculation errors, health insurance payments made by the District exceeded the approved early retirement benefit by a total of \$18,709 for the four retirees.

Auditor's Recommendation - The District should review its procedures and formulas for calculating early retirement benefit payments. These calculations should be reviewed and approved by another employee.

District's Response - We will review our procedures for calculating and approving early retirement benefit payments.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

15-III-R-1 Segregation of Duties - Adequate control procedures through the segregation of employee (2015-001) duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 15-II-R-1 for additional information.

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed Through the Iowa Department of Education

15-III-R-2 Free and Reduced Meal Applications (2015-002)

Finding - We were unable to locate the actual application for one student's free and reduced meal application. The potential effect of this control deficiency is the lack of required documentation of meal reimbursement status and improper meal status.

Auditor's Recommendation - The District should maintain all free and reduced meal applications.

District's Response - We will review procedures and make any required changes.

Auditor's Conclusion - Response accepted.

15-III-R-3 Meal Reimbursement Claim Forms (2015-003)

Finding - We noted that the incorrect number of meals were entered in the School Breakfast Program Severe Need section of one claim form we tested. This error resulted in an overpayment of federal funds of \$4,573 and an overpayment of state funds of \$153. The potential effect of this error is incorrect reimbursement claims of federal and state funds.

Auditor's Recommendation - The District should implement procedures to have someone other than the employee preparing the meal reimbursement claim forms review each form prior to submission.

District's Response - We will implement the recommended procedures to make sure meal reimbursement claim forms are accurate

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.

15-IV-B Questionable Expenditures

Prior Year Finding and Recommendation - We were unable to verify whether several credit card disbursements met the requirements of public purpose, as defined in an Attorney General's opinion dated April 25, 1979, because there was insufficient supporting documentation. The District should ensure supporting documentation is provided prior to approval of credit card disbursements as set out in the District's credit card policy and document public purpose for disbursements as necessary.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will ensure supporting documentation is provided for credit card disbursements prior to approval and document public purpose for disbursements as necessary. We will also review our internal controls over cash disbursements to determine if changes are needed.

Auditor's Conclusion - Response accepted.

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

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

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

15-IV-F Board Minutes

Prior Year Finding and Recommendation - No transactions were found that we believe should have been approved in the Board minutes but were not; however, we did note several instances of Board minutes and schedules of bills allowed that were not published as required by Chapter 279.35 of the Code of Iowa. The Board Secretary should furnish a copy of the Board proceedings within two weeks of each meeting and a schedule of bills allowed at least monthly to be published in accordance with the Code of Iowa.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

District's Response - Procedures will be revised to ensure the Board minutes and schedules of bills allowed are published as required.

Auditor's Conclusion - Response accepted.

15-IV-G Certified Enrollment

Finding - We were unable to verify certified enrollment data to original supporting documentation as supporting reports were not maintain by the District. Additionally, the following variances in the basic enrollment data certified to the Iowa Department of Education were noted:

- The District counted one student who had left the district prior to October 15, 2014.
- The District counted one student who did not complete the appropriate documentation to be included as open enrolled.

The errors resulted in the District over reporting by 2.0 students.

Auditor's Recommendation - Adequate supporting documentation should be maintained by the District to support enrollment data certified to the Iowa Department of Education. Additionally, the District should review procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

District's Response - We will maintain supporting documentation for enrollment data certified to the Iowa Department of Education. We will contact the Iowa Department of Education and Iowa Department of Management to notify them of the above changes. The District will continue to monitor reconciliations of District information with information certified to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

15-IV-H Supplementary Weighting

Prior Year Finding and Recommendation - We were unable to verify supplementary weighting data as supporting documentation was not provided to us by the District. No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted from the information available. Adequate supporting documentation should be maintained by the District to support supplementary weighting data certified to the Iowa Department of Education.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will maintain supporting documentation for supplementary weighting data certified to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-IV-I Deposits and Investments

Prior Year Finding and Recommendation - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted except that the District exceeded its approved depository limit at one bank as of June 30, 2015. We also noted that no depository limit has been approved for the District's ISJIT accounts. The District should review depository limits regularly and approve changes as necessary. A depository limit should be established for the District's ISJIT accounts.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will review our procedures regarding depository limits and establish a depository limit for the District's ISJIT accounts.

Auditor's Conclusion - Response accepted.

15-IV-J Certified Annual Report

Prior Year Finding and Recommendation - The Certified Annual Report (CAR) was certified timely with the Iowa Department of Education, but we noted numerous differences between the amounts reported and the District's general ledger due to adjustments discovered after the CAR was filed. Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will establish procedures to reconcile the report with accounting records.

Auditor's Conclusion - Response accepted.

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

15-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance.....		\$ 1,033,313
Revenue		
Sales tax revenue	\$ 1,045,489	
Other local revenue	<u>708,828</u>	1,754,317
Expenditures		
School infrastructure construction	\$ 1,631,902	
Other	<u>360</u>	<u>1,632,262</u>
Ending Balance		<u>\$ 1,155,368</u>

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

15-IV-M Student Activity Fund

Prior Year Finding and Recommendation - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. There are some miscellaneous building accounts and an interest account reported in the Special Revenue, Student Activity Fund that do not appear to be extracurricular or co-curricular in nature. The District should review and reclassify these accounts to the appropriate fund.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We have reviewed the activity in the accounts and will reclassify the accounts to the General Fund as necessary.

Auditor's Conclusion - Response accepted.

15-IV-N Deficit Fund Balance

Finding - The District reported a \$19,868 deficit in the Enterprise, School Nutrition Fund as of June 30, 2015.

Auditor's Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

District's Response - We are working on ways to eliminate this deficit.

Auditor's Conclusion - Response accepted.