

FORT MADISON 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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Fort Madison Community School District

Officials

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

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

School Officials

Dr. Kenneth Marang	Superintendent	2015
Janice Burch	Director of Student Services	2015
Sandra K. Elmore	Board Secretary/Treasurer and Business Manager	2015
Lynch Dallas	Attorney	2015

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District, Fort Madison, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Fort Madison Community School District at June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Fort Madison Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Madison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2016, on our consideration of the Fort Madison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fort Madison Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$13,406,953 as of June 30, 2015 compared to \$13,698,254 restated at July 1, 2014, a decrease of 2.13%.
- General Fund revenues increased from \$20,874,143 in fiscal 2014 to \$21,425,070 in fiscal 2015, while General Fund expenditures increased from \$22,315,105 in fiscal 2014 to \$22,698,199 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$2,255,727 at June 30, 2014 to \$982,598 at June 30, 2015.
- The increase in General Fund expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Fort Madison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fort Madison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fort Madison Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

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

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

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

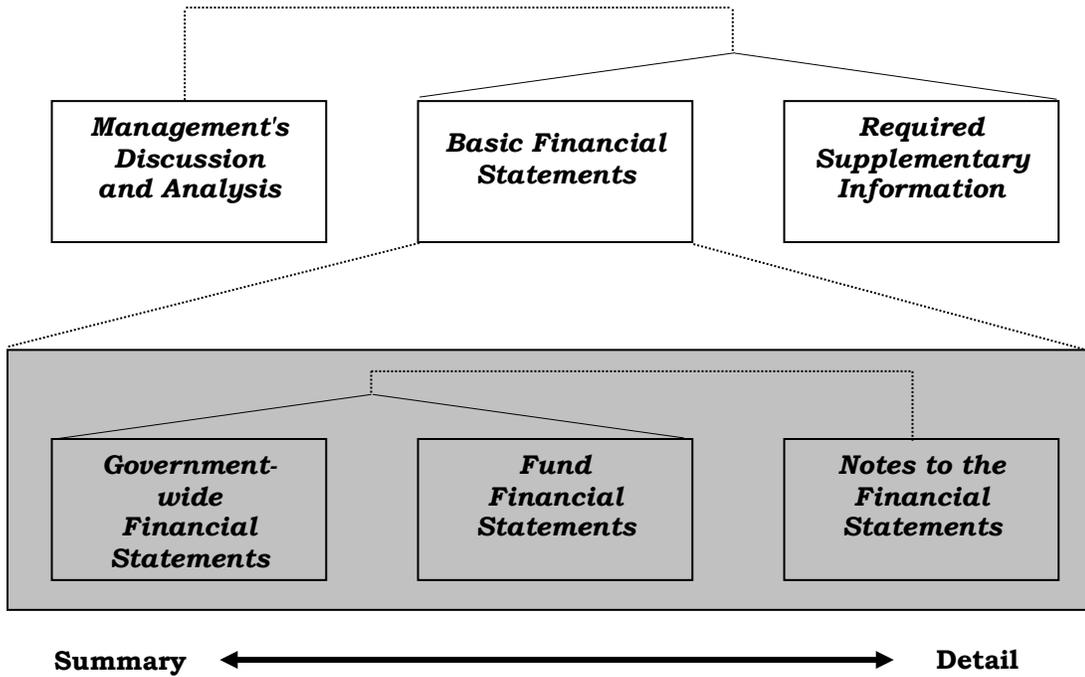


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 20,569,903	20,046,592	244,939	145,515	20,814,842	20,192,107	3.08%
Capital assets	26,049,759	27,158,798	53,060	65,408	26,102,819	27,224,206	-4.12%
Total assets	46,619,662	47,205,390	297,999	210,923	46,917,661	47,416,313	-1.05%
Deferred outflows of resources	1,648,496	0	30,592	0	1,679,088	0	100.00%
Long-term liabilities	21,024,815	13,661,264	163,724	0	21,188,539	13,661,264	55.10%
Other liabilities	3,017,960	2,817,696	44,231	40,668	3,062,191	2,858,364	7.13%
Total liabilities	24,042,775	16,478,960	207,955	40,668	24,250,730	16,519,628	46.80%
Deferred inflows of resources	10,876,074	6,867,508	62,992	0	10,939,066	6,867,508	59.29%
Net position:							
Net investment in capital assets	13,169,759	13,568,798	53,060	65,408	13,222,819	13,634,206	-3.02%
Restricted	8,846,798	8,220,976	0	0	8,846,798	8,220,976	7.61%
Unrestricted	(8,667,248)	2,069,148	4,584	104,847	(8,662,664)	2,173,995	-498.47%
Total net position	\$ 13,349,309	23,858,922	57,644	170,255	13,406,953	24,029,177	-44.21%

The District's combined net position decreased by 44.21%, or \$10,622,224, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$625,822, or 7.61% from the prior year. This increase was primarily a result of the increase in the Capital Projects account balances.

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 \$10,836,659 or 498.47%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$10,125,337 and \$205,586, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,133,391	950,286	356,138	340,396	1,489,529	1,290,682	15.41%
Operating grants, contributions and restricted interest	2,104,915	2,352,796	723,068	687,153	2,827,983	3,039,949	-6.97%
Capital grants, contributions and restricted interest	60,223	1,278	0	0	60,223	1,278	4612.28%
General revenues:							
Property tax	6,967,237	6,553,667	0	0	6,967,237	6,553,667	6.31%
Statewide sales, services and use tax	2,097,909	1,929,697	0	0	2,097,909	1,929,697	8.72%
Unrestricted state grants	12,259,927	11,968,843	0	0	12,259,927	11,968,843	2.43%
Unrestricted investment earnings	600	635	11	7	611	642	-4.83%
Other	40,645	66,119	442	7,378	41,087	73,497	-44.10%
Total revenues	24,664,847	23,823,321	1,079,659	1,034,934	25,744,506	24,858,255	3.57%
Program expenses:							
Instructional	16,439,778	16,261,404	0	0	16,439,778	16,261,404	1.10%
Support services	5,813,404	6,513,755	10,903	8,057	5,824,307	6,521,812	-10.69%
Non-instructional programs	0	0	975,781	1,023,985	975,781	1,023,985	-4.71%
Other expenses	2,795,941	2,803,341	0	0	2,795,941	2,803,341	-0.26%
Total expenses	25,049,123	25,578,500	986,684	1,032,042	26,035,807	26,610,542	-2.16%
Change in net position before special item	(384,276)	(1,755,179)	92,975	2,892	(291,301)	(1,752,287)	-83.38%
Special item:							
Loss on the sale of capital assets(Note 13)	0	(423,022)	0	0	0	(423,022)	-100.00%
Change in net position	(384,276)	(2,178,201)	92,975	2,892	(291,301)	(2,175,309)	-86.61%
Net position beginning of year, as restated	13,733,585	26,037,123	(35,331)	167,363	13,698,254	26,204,486	-47.73%
Net position end of year	\$ 13,349,309	23,858,922	57,644	170,255	13,406,953	24,029,177	-44.21%

In fiscal 2015, property tax, statewide sales and services tax, and unrestricted state grants account for 86.46% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$25.74 million of which approximately \$24.66 million was for governmental activities and approximately \$1.08 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.57% in revenues and a 2.16% decrease in expenses. The decrease in expenses was primarily due to a decrease in support services expenses incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$24,664,847 and expenses were \$25,049,123 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.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 16,439,778	16,261,404	1.10%	14,241,697	13,967,721	1.96%
Support services	5,813,404	6,513,755	-10.75%	5,652,742	6,433,468	-12.14%
Other expenses	2,795,941	2,803,341	-0.26%	1,856,155	1,872,951	-0.90%
Totals	<u>\$ 25,049,123</u>	<u>25,578,500</u>	<u>-2.07%</u>	<u>21,750,594</u>	<u>22,274,140</u>	<u>-2.35%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,133,391.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,165,138.
- The net cost of governmental activities was financed with \$6,967,237 in property tax, \$2,097,909 in statewide sales, service and use tax, \$12,259,927 in unrestricted state grants, \$600 in interest income and \$40,645 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,079,659 and expenses were \$986,684. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment and other income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,887,788, below last year's ending fund balances of \$10,470,570. The primary reason for the decrease in combined fund balances in fiscal 2015 is due to a decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. While revenues increased during the year, expenditures increased by a larger amount. This resulted in a decrease in the District's General fund balance of 56.44%.

-
- The Capital Projects Fund balance increased from a balance of \$4,649,008 at June 30, 2014 to \$5,222,171 at June 30, 2015. The increase was primarily the result of completing renovations at the High School and Middle School buildings.
 - The Debt Service Fund balance decreased from a balance of \$2,321,991 at June 30, 2014 to \$2,306,439 at June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position increased from deficit \$35,331 restated at July 1, 2014 to \$57,644 at June 30, 2015, representing an increase of 263.15%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$692,577 more than budgeted revenues, a variance of 2.76%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$26,102,819, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.12% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,448,122.

The original cost of the District's capital assets was \$39,910,011. Governmental funds account for \$39,682,235 with the remainder of \$227,776 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$75,008 at June 30, 2015 compared to \$1,507,943 at June 30, 2014. This decrease was the result of the completion of work on the FEMA project which were then capitalized as part of the District's fixed asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 899,760	899,760	0	0	899,760	899,760	0.00%
Construction in progress	75,008	1,507,943	0	0	75,008	1,507,943	-95.03%
Buildings	23,899,235	23,396,206	0	0	23,899,235	23,396,206	2.15%
Improvements other than buildings	736,055	796,766	0	0	736,055	796,766	-7.62%
Machinery and equipment	439,701	558,123	53,060	65,408	492,761	623,531	-20.97%
Total	\$ 26,049,759	27,158,798	53,060	65,408	26,102,819	27,224,206	-4.12%

Long-Term Debt

At June 30, 2015, the District had \$21,188,539 in long-term debt outstanding. This represents an increase of 55.10% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$12,880,000 at June 30, 2015.

The District had compensated absences payable from the General Fund of \$81,213 at June 30, 2015.

The District had net pension liability of \$8,227,326 at June 30, 2015, of which \$8,063,602 is attributable to the governmental activities while the remaining \$163,724 is attributable to the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
Revenue bonds	\$ 12,880,000	13,590,000	0	0	12,880,000	13,590,000	-5.22%
Compensated absences	81,213	71,264	0	0	81,213	71,264	13.96%
Net pension liability	8,063,602	0	163,724	0	8,227,326	0	100.00%
Total	\$ 21,024,815	13,661,264	163,724	0	21,188,539	13,661,264	55.10%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced several years of declining enrollment and the trend is projected to continue for the near future.
- The condition of the national, state, and local economies directly affects the future economics of the school. Actions taken by the president, congress, and the governor and state legislators to balance the federal and state budgets affect education funding.

The allowable growth for education set by the state legislature has a large effect on the programs and services the District can offer to students.

- Expenses for health insurance both in the current period and for future periods are a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 11,711,700	157,715	11,869,415
Receivables:			
Property tax:			
Delinquent	91,166	0	91,166
Succeeding year	7,773,653	0	7,773,653
Accounts	42,619	56,874	99,493
Due from other governments	772,697	4,903	777,600
Inventories	0	24,365	24,365
Net OPEB asset	178,068	1,082	179,150
Capital assets, net of accumulated depreciation	26,049,759	53,060	26,102,819
Total assets	46,619,662	297,999	46,917,661
Deferred Outflows of Resources			
Pension related deferred outflows	1,648,496	30,592	1,679,088
Liabilities			
Accounts payable	718,939	7,824	726,763
Salaries and benefits payable	1,982,505	19,894	2,002,399
Unearned revenue	0	16,513	16,513
Advances from grantors	28,950	0	28,950
Accrued interest payable	287,566	0	287,566
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	705,000	0	705,000
Compensated absences	81,213	0	81,213
Portion due after one year:			
Revenue bonds	12,175,000	0	12,175,000
Net pension liability	8,063,602	163,724	8,227,326
Total liabilities	24,042,775	207,955	24,250,730
Deferred Inflows of Resources			
Pension related deferred inflows	3,102,421	62,992	3,165,413
Unavailable property tax revenue	7,773,653	0	7,773,653
Total deferred inflows of resources	10,876,074	62,992	10,939,066
Net Position			
Net investment in capital assets	13,169,759	53,060	13,222,819
Restricted for:			
Categorical funding	229,174	0	229,174
School infrastructure	4,846,575	0	4,846,575
Debt service	2,018,873	0	2,018,873
Physical plant and equipment	375,596	0	375,596
Management levy purposes	1,060,578	0	1,060,578
Student activities	316,002	0	316,002
Unrestricted	(8,667,248)	4,584	(8,662,664)
Total Net Position	\$ 13,349,309	57,644	13,406,953

SEE NOTES TO FINANCIAL STATEMENTS.

**FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 9,881,111	346,886	151,678	0	(9,382,547)	0	(9,382,547)
Special	3,669,365	130,152	436,347	0	(3,102,866)	0	(3,102,866)
Other	2,889,302	656,353	476,665	0	(1,756,284)	0	(1,756,284)
	<u>16,439,778</u>	<u>1,133,391</u>	<u>1,064,690</u>	<u>0</u>	<u>(14,241,697)</u>	<u>0</u>	<u>(14,241,697)</u>
Support services:							
Student	530,433	0	0	0	(530,433)	0	(530,433)
Instructional staff	609,455	0	0	0	(609,455)	0	(609,455)
Administration	1,943,849	0	0	0	(1,943,849)	0	(1,943,849)
Operation and maintenance of plant	1,737,765	0	0	60,223	(1,677,542)	0	(1,677,542)
Transportation	991,902	0	100,439	0	(891,463)	0	(891,463)
	<u>5,813,404</u>	<u>0</u>	<u>100,439</u>	<u>60,223</u>	<u>(5,652,742)</u>	<u>0</u>	<u>(5,652,742)</u>
Long-term debt interest	577,636	0	0	0	(577,636)	0	(577,636)
Other expenses:							
AEA flowthrough	939,786	0	939,786	0	0	0	0
Depreciation(unallocated)*	1,278,519	0	0	0	(1,278,519)	0	(1,278,519)
	<u>2,218,305</u>	<u>0</u>	<u>939,786</u>	<u>0</u>	<u>(1,278,519)</u>	<u>0</u>	<u>(1,278,519)</u>
Total governmental activities	<u>25,049,123</u>	<u>1,133,391</u>	<u>2,104,915</u>	<u>60,223</u>	<u>(21,750,594)</u>	<u>0</u>	<u>(21,750,594)</u>
Business Type activities:							
Support services:							
Instructional staff	231	0	0	0	0	(231)	(231)
Operation and maintenance of plant	10,672	0	0	0	0	(10,672)	(10,672)
Non-instructional programs:							
Food service operations	975,781	356,138	723,068	0	0	103,425	103,425
Total business type activities	<u>986,684</u>	<u>356,138</u>	<u>723,068</u>	<u>0</u>	<u>0</u>	<u>92,522</u>	<u>92,522</u>
Total	<u>\$ 26,035,807</u>	<u>1,489,529</u>	<u>2,827,983</u>	<u>60,223</u>	<u>(21,750,594)</u>	<u>92,522</u>	<u>(21,658,072)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 6,779,043	0		6,779,043
Capital outlay				188,194	0		188,194
Statewide sales, services and use tax				2,097,909	0		2,097,909
Unrestricted state grants				12,259,927	0		12,259,927
Unrestricted investment earnings				600	11		611
Other				40,645	442		41,087
Total general revenues				<u>21,366,318</u>	<u>453</u>		<u>21,366,771</u>
Change in net position				(384,276)	92,975		(291,301)
Net position beginning of year, as restated				<u>13,733,585</u>	<u>(35,331)</u>		<u>13,698,254</u>
Net position end of year				<u>\$ 13,349,309</u>	<u>57,644</u>		<u>13,406,953</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments:	\$ 2,985,163	5,030,420	2,307,439	1,388,678	11,711,700
Receivables:					
Property tax:					
Delinquent	85,294	2,429	0	3,443	91,166
Succeeding year	7,351,188	196,965	0	225,500	7,773,653
Accounts	42,214	0	0	405	42,619
Due from other governments	445,222	327,475	0	0	772,697
Total Assets	\$ 10,909,081	5,557,289	2,307,439	1,618,026	20,391,835
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 563,840	138,153	1,000	15,946	718,939
Salaries and benefits payable	1,982,505	0	0	0	1,982,505
Advances from grantors	28,950	0	0	0	28,950
Total liabilities	2,575,295	138,153	1,000	15,946	2,730,394
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	7,351,188	196,965	0	225,500	7,773,653
Fund balances:					
Restricted for:					
Categorical funding	229,174	0	0	0	229,174
School infrastructure	0	4,846,575	0	0	4,846,575
Debt service	0	0	2,306,439	0	2,306,439
Physical plant and equipment	0	375,596	0	0	375,596
Management levy purposes	0	0	0	1,060,578	1,060,578
Student activities	0	0	0	316,002	316,002
Unassigned	753,424	0	0	0	753,424
Total fund balances	982,598	5,222,171	2,306,439	1,376,580	9,887,788
Total liabilities, deferred inflows of resources and fund balances	\$ 10,909,081	5,557,289	2,307,439	1,618,026	20,391,835

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds (page 20)	\$	9,887,788
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		26,049,759
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(287,566)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		178,068
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	\$ 1,648,496	
Deferred inflows of resources	<u>(3,102,421)</u>	(1,453,925)
Long-term liabilities, including revenue bonds payable, net pension liability, and compensated absences payable are not due and not payable in the current period and, therefore, are not reported in the governmental funds.		<u>(21,024,815)</u>
Net position of governmental activities (page 18)	\$	<u><u>13,349,309</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,515,999	188,194	0	263,044	6,967,237
Tuition	323,461	0	0	0	323,461
Other	253,194	256	101	630,050	883,601
State sources	13,329,839	2,104,994	0	0	15,434,833
Federal sources	1,002,577	53,138	0	0	1,055,715
Total revenues	<u>21,425,070</u>	<u>2,346,582</u>	<u>101</u>	<u>893,094</u>	<u>24,664,847</u>
Expenditures:					
Current:					
Instruction:					
Regular	9,801,761	144,900	0	148,030	10,094,691
Special	3,806,232	0	0	0	3,806,232
Other	2,530,666	0	0	455,497	2,986,163
	<u>16,138,659</u>	<u>144,900</u>	<u>0</u>	<u>603,527</u>	<u>16,887,086</u>
Support services:					
Student	552,046	0	0	0	552,046
Instructional staff	547,081	61,475	0	0	608,556
Administration	1,992,392	0	0	10,082	2,002,474
Operation and maintenance of plant	1,658,310	0	0	112,463	1,770,773
Transportation	869,925	0	0	34,286	904,211
	<u>5,619,754</u>	<u>61,475</u>	<u>0</u>	<u>156,831</u>	<u>5,838,060</u>
Capital outlay	0	311,898	0	0	311,898
Long-term debt:					
Principal	0	0	710,000	0	710,000
Interest and fiscal charges	0	0	588,286	0	588,286
	<u>0</u>	<u>0</u>	<u>1,298,286</u>	<u>0</u>	<u>1,298,286</u>
Other expenditures:					
AEA flowthrough	939,786	0	0	0	939,786
Total expenditures	<u>22,698,199</u>	<u>518,273</u>	<u>1,298,286</u>	<u>760,358</u>	<u>25,275,116</u>
Excess(deficiency) of revenues over(under) expenditures	(1,273,129)	1,828,309	(1,298,185)	132,736	(610,269)
Other financing sources(uses):					
Transfer in	0	0	1,282,633	0	1,282,633
Transfer out	0	(1,282,633)	0	0	(1,282,633)
Sale of real property	0	27,487	0	0	27,487
Total other financing sources(uses)	<u>0</u>	<u>(1,255,146)</u>	<u>1,282,633</u>	<u>0</u>	<u>27,487</u>
Change in fund balances	(1,273,129)	573,163	(15,552)	132,736	(582,782)
Fund balances beginning of year	<u>2,255,727</u>	<u>4,649,008</u>	<u>2,321,991</u>	<u>1,243,844</u>	<u>10,470,570</u>
Fund balances end of year	<u>\$ 982,598</u>	<u>5,222,171</u>	<u>2,306,439</u>	<u>1,376,580</u>	<u>9,887,788</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds (page 22) \$ (582,782)

*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 in the year are as follows:

Capital outlays	\$ 326,735	
Depreciation expense	<u>(1,435,774)</u>	(1,109,039)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 710,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 10,650

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,204,995

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

Compensated absences	(9,949)	
Pension expense	(597,185)	
Other postemployment benefits	<u>(10,966)</u>	<u>(618,100)</u>

Changes in net position of governmental activities (page 19) \$ (384,276)

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 157,715
Accounts receivable	56,874
Due from other governments	4,903
Inventories	24,365
Total current assets	243,857
Non-current assets:	
Capital assets, net of accumulated depreciation	53,060
Net OPEB asset	1,082
Total non-current assets	54,142
Total Assets	297,999
Deferred Outflows of Resources	
Pension related deferred outflows	30,592
Liabilities	
Accounts payable	7,824
Salaries and benefits payable	19,894
Unearned revenue	16,513
Total current liability	44,231
Non-current liabilities:	
Net pension liability	163,724
Total Liabilities	207,955
Deferred Inflows of Resources	
Pension related deferred inflows	62,992
Net Position	
Net investment in capital assets	53,060
Unrestricted	4,584
Total Net Position	\$ 57,644

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 340,205
Shared contracts	15,933
Miscellaneous	442
TOTAL OPERATING REVENUES	356,580
OPERATING EXPENSES:	
Support services:	
Instructional staff:	
Services	231
Operation and maintenance of plant:	
Services	10,672
Non-instructional programs:	
Food service operations:	
Salaries	281,375
Benefits	35,072
Services	14,228
Supplies	625,764
Other	6,994
Depreciation	12,348
Total non-instructional programs	975,781
TOTAL OPERATING EXPENSES	986,684
OPERATING LOSS	(630,104)
NON-OPERATING REVENUES:	
State sources	9,378
Federal sources	713,690
Interest income	11
TOTAL NON-OPERATING REVENUES	723,079
Change in net position	92,975
Net position beginning of year, as restated	(35,331)
Net position end of year	\$ 57,644

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 341,251
Cash received from miscellaneous operating activities	442
Cash payments to employees for services	(329,728)
Cash payments to suppliers for goods or services	(599,412)
Net cash used in operating activities	(587,447)
Cash flows from non-capital financing activities:	
State grants received	9,378
Federal grants received	656,083
Net cash provided by non-capital financing activities	665,461
Cash flows from investing activities:	
Interest income	11
Net increase in cash and cash equivalents	78,025
Cash and cash equivalents at beginning of year	79,690
Cash and cash equivalents at end of year	\$ 157,715
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (630,104)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	58,961
Depreciation	12,348
Increase in inventories	(6,083)
Increase in accounts receivable	(16,737)
Increase in accounts payable	5,599
Decrease in salaries and benefits payable	(3,886)
Increase in unearned revenue	1,850
Decrease in net pension liability	(65,985)
Increase in deferred outflows of resources	(6,469)
Increase in deferred inflows of resources	62,992
Increase in other postemployment benefits	67
Net cash used in operating activities	\$ (587,447)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$58,961.

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Fort Madison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Fort Madison, Iowa, and the predominate agricultural territory in Lee, Des Moines, and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

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

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

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

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.

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$8,535,926 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 1,282,633</u>

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

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 899,760	0	0	899,760
Construction in progress	1,507,943	156,682	1,589,617	75,008
Total capital assets not being depreciated	<u>2,407,703</u>	<u>156,682</u>	<u>1,589,617</u>	<u>974,768</u>
Capital assets being depreciated:				
Buildings	32,693,678	1,720,837	0	34,414,515
Improvements other than buildings	1,336,482	0	0	1,336,482
Machinery and equipment	2,929,036	38,833	11,399	2,956,470
Total capital assets being depreciated	<u>36,959,196</u>	<u>1,759,670</u>	<u>11,399</u>	<u>38,707,467</u>
Less accumulated depreciation for:				
Buildings	9,297,472	1,217,808	0	10,515,280
Improvements other than buildings	539,716	60,711	0	600,427
Machinery and equipment	2,370,913	157,255	11,399	2,516,769
Total accumulated depreciation	<u>12,208,101</u>	<u>1,435,774</u>	<u>11,399</u>	<u>13,632,476</u>
Total capital assets being depreciated, net	<u>24,751,095</u>	<u>323,896</u>	<u>0</u>	<u>25,074,991</u>
Governmental activities capital assets, net	<u>\$ 27,158,798</u>	<u>480,578</u>	<u>1,589,617</u>	<u>26,049,759</u>
Business type activities:				
Machinery and equipment	\$ 228,605	0	829	227,776
Less accumulated depreciation	163,197	12,348	829	174,716
Business type activities capital assets, net	<u>\$ 65,408</u>	<u>(12,348)</u>	<u>0</u>	<u>53,060</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,238
Special		1,280
Support services:		
Instructional staff		11,232
Operation and maintenance of plant		11,062
Transportation		126,443
		<u>157,255</u>
Unallocated depreciation		<u>1,278,519</u>
Total governmental activities depreciation expense		<u>\$ 1,435,774</u>
Business type activities:		
Food service operations		<u>\$ 12,348</u>

Note 5. Long-Term Debt

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

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<i>Governmental activities:</i>					
Revenue bonds	\$ 13,590,000	0	710,000	12,880,000	705,000
Net pension liability	11,313,437	0	3,249,835	8,063,602	0
Compensated absences	71,264	81,213	71,264	81,213	81,213
Total	<u>\$ 24,974,701</u>	<u>81,213</u>	<u>4,031,099</u>	<u>21,024,815</u>	<u>786,213</u>
<i>Business type activities:</i>					
Net pension liability	\$ 229,709	0	65,985	163,724	0

Revenue Bonds

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

Year Ending June 30,	Bond Issue of December 1, 2009			
	Interest Rate	Principal	Interest	Total
2016	3.50 %	\$ 705,000	562,795	1,267,795
2017	4.00	720,000	536,057	1,256,057
2018	4.00	735,000	506,958	1,241,958
2019	4.00	740,000	477,457	1,217,457
2020	4.00	750,000	447,658	1,197,658
2021-2025	4.20-4.60	4,025,000	1,734,827	5,759,827
2026-2030	4.63-5.00	5,205,000	732,022	5,937,022
Total		<u>\$ 12,880,000</u>	<u>4,997,774</u>	<u>17,877,774</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$16,290,000 of bonds issued on December 1, 2009. The bonds were issued for the purpose of building and furnishing a new middle school building. The bonds are payable solely from the proceeds of the

statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$17,877,774. For the current year \$710,000 in principal and \$585,783 in interest was paid on the bonds and total statewide sales and services tax revenues were \$2,097,909.

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

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

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 146 active and 22 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 72,527
Interest on net OPEB obligation	(3,804)
Adjustment to annual required contribution	8,408
Annual OPEB cost	<u>77,131</u>
Contributions made	<u>(66,098)</u>
Decrease in net OPEB obligation	11,033
Net OPEB obligation beginning of year	<u>(190,183)</u>
Net OPEB obligation end of year	<u><u>\$ (179,150)</u></u>

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

For the year ended June 30, 2015, the District contributed \$66,098 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 116,547	138.33	(203,735)
2014	77,460	82.50	(190,183)
2015	77,131	85.70	(179,150)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$757,852 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$757,852. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,579,617 and the ratio of the UAAL to covered payroll was 8.83%. As of June 30, 2015, there were no trust fund assets.

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

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

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

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

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

Note 7. Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,226,583.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$8,227,326 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.203290 percent, which was a decrease of 0.000580 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$609,311. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,415	\$ -
Changes of assumptions	363,090	-
Net difference between projected and actual earnings on pension plan investments	-	3,137,665
Changes in proportion and differences between District contributions and proportionate share of contributions	-	27,748
District contributions subsequent to the measurement date	1,226,583	-
Total	\$ 1,679,088	\$ 3,165,413

\$1,226,583 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (685,174)
2017	(685,174)
2018	(685,174)
2019	(685,174)
2020	27,788
	<u>\$ (2,712,908)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 15,545,302	\$ 8,227,326	\$ 2,050,197

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$139,053 for legally required employer contributions and \$92,650 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Risk Management

Fort Madison Community School District is a member in the Southeast Iowa School Employees Benefits Health Plan, an Iowa Code Chapter 28E Organization. The Southeast Iowa School Employees Benefits Health Plan (SEISHP) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. SEISHP was for the purpose of managing and funding employee benefits. SEISHP provides coverage and protection in the following categories: medical, dental, vision, basic life, and disability.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEISHP for the year ended June 30, 2015 were \$1,793,414.

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

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

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$939,786 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitment

The District is has entered into various contracts for construction projects as of June 30, 2015. These projects include the remodel of the Richardson school and senior high school upgrades. As of June 30, 2015, costs of \$75,008 have been incurred against these contracts. Upon completion of the projects the work will be capitalized in the District's fixed asset listing.

Note 11. Prospective Accounting Change

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 23,858,922	\$ 170,255
Net pension liability at June 30, 2014	(11,313,437)	(229,709)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	1,188,100	24,123
Net position July 1, 2014, as restated	<u>\$ 13,733,585</u>	<u>\$ (35,331)</u>

Note 12. Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$8,667,248 in the governmental activities.

Note 13. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 8,406
Nonpublic textbook services	5,657
Beginning teacher mentoring and induction	11,943
Teacher salary supplement	95,604
Successful progression for early readers	12,950
Professional development for model core curriculum	49,092
Professional development	38,107
Teacher leadership grants	7,415
Total	<u>\$ 229,174</u>

Note 14. Budget Overexpenditure

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

Fort Madison Community School District

Required Supplementary Information

FORT MADISON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,174,299	356,591	8,530,890	9,965,970	9,965,970	(1,435,080)
State sources	15,434,833	9,378	15,444,211	13,585,959	13,585,959	1,858,252
Federal sources	1,055,715	713,690	1,769,405	1,500,000	1,500,000	269,405
Total revenues	<u>24,664,847</u>	<u>1,079,659</u>	<u>25,744,506</u>	<u>25,051,929</u>	<u>25,051,929</u>	<u>692,577</u>
Expenditures/expenses:						
Instruction	16,887,086	0	16,887,086	16,244,459	16,244,459	(642,627)
Support services	5,838,060	10,903	5,848,963	6,163,096	6,163,096	314,133
Non-instructional programs	0	975,781	975,781	1,050,000	1,050,000	74,219
Other expenditures	2,549,970	0	2,549,970	3,081,412	3,081,412	531,442
Total expenditures/expenses	<u>25,275,116</u>	<u>986,684</u>	<u>26,261,800</u>	<u>26,538,967</u>	<u>26,538,967</u>	<u>277,167</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(610,269)	92,975	(517,294)	(1,487,038)	(1,487,038)	969,744
Other financing sources, net	<u>27,487</u>	<u>0</u>	<u>27,487</u>	<u>0</u>	<u>0</u>	<u>27,487</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(582,782)	92,975	(489,807)	(1,487,038)	(1,487,038)	997,231
Balance beginning of year, as restated	<u>10,470,570</u>	<u>(35,331)</u>	<u>10,435,239</u>	<u>9,647,992</u>	<u>9,647,992</u>	<u>787,247</u>
Balance end of year	<u>\$ 9,887,788</u>	<u>57,644</u>	<u>9,945,432</u>	<u>8,160,954</u>	<u>8,160,954</u>	<u>1,784,478</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	2,341,703	2,341,703	0.00%	14,051,407	16.67%
2010	July 1, 2008	-	2,341,703	2,341,703	0.00%	13,798,426	16.97%
2011	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,227,535	17.11%
2012	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,263,284	17.04%
2013	July 1, 2010	-	1,408,033	1,408,033	0.00%	8,448,434	16.67%
2014	July 1, 2013	-	757,852	757,852	0.00%	8,579,771	8.83%
2015	July 1, 2013	-	757,852	757,852	0.00%	8,579,617	8.83%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015
District's proportion of the net pension liability	0.203290%
District's proportionate share of the net pension liability	\$ 8,227,326
District's covered-employee payroll	\$ 13,735,532
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.90%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,226,583	1,212,827	1,145,339	1,061,549	903,052	883,916	859,160	771,558	712,372	682,479
Contributions in relation to the statutorily required contribution	<u>(1,226,583)</u>	<u>(1,212,827)</u>	<u>(1,145,339)</u>	<u>(1,061,549)</u>	<u>(903,052)</u>	<u>(883,916)</u>	<u>(859,160)</u>	<u>(771,558)</u>	<u>(712,372)</u>	<u>(682,479)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 13,735,532	13,581,489	13,210,369	13,154,263	12,993,554	12,718,216	13,530,079	12,753,025	12,389,078	11,869,200
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

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

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

Supplementary Information

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

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,057,135	331,543	1,388,678
Receivables:			
Property tax:			
Delinquent	3,443	0	3,443
Succeeding year	225,500	0	225,500
Accounts	0	405	405
Total assets	\$ 1,286,078	331,948	1,618,026
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	15,946	15,946
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	225,500	0	225,500
Fund balances:			
Restricted for:			
Management levy purposes	1,060,578	0	1,060,578
Student activities	0	316,002	316,002
Total fund balances	1,060,578	316,002	1,376,580
Total liabilities, deferred inflows of resources and fund balances	\$ 1,286,078	331,948	1,618,026

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 263,044	0	263,044
Other	9,382	620,668	630,050
Total revenues	<u>272,426</u>	<u>620,668</u>	<u>893,094</u>
Expenditures:			
Current:			
Instruction:			
Regular	148,030	0	148,030
Other	0	455,497	455,497
Support services:			
Administration	10,082	0	10,082
Operation and maintenance of plant	112,463	0	112,463
Transportation	34,286	0	34,286
Total expenditures	<u>304,861</u>	<u>455,497</u>	<u>760,358</u>
Excess(deficiency) of revenues over (under) expenditures	(32,435)	165,171	132,736
Fund balance beginning of year	<u>1,093,013</u>	<u>150,831</u>	<u>1,243,844</u>
Fund balance end of year	<u>\$ 1,060,578</u>	<u>316,002</u>	<u>1,376,580</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,654,750	375,670	5,030,420
Receivables:			
Delinquent	0	2,429	2,429
Succeeding year	0	196,965	196,965
Due from other governments	327,475	0	327,475
Total assets	\$ 4,982,225	575,064	5,557,289
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 135,650	2,503	138,153
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	0	196,965	196,965
Fund balances:			
Restricted for:			
School infrastructure	4,846,575	0	4,846,575
Physical plant and equipment	0	375,596	375,596
Total fund balances	4,846,575	375,596	5,222,171
Total liabilities, deferred inflows of resources and fund balances	\$ 4,982,225	575,064	5,557,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 0	188,194	188,194
Other	236	20	256
State sources	2,104,994	0	2,104,994
Federal sources	53,138	0	53,138
Total revenues	<u>2,158,368</u>	<u>188,214</u>	<u>2,346,582</u>
Expenditures:			
Current:			
Instruction:			
Regular	144,900	0	144,900
Support services:			
Instructional staff	54,403	7,072	61,475
Operation and maintenance of plant	0	0	0
Capital outlay	311,898	0	311,898
Total expenditures	<u>511,201</u>	<u>7,072</u>	<u>518,273</u>
Excess of revenues over expenditures	1,647,167	181,142	1,828,309
Other financing sources(uses):			
Sale of real property	0	27,487	27,487
Transfer out	(1,282,633)	0	(1,282,633)
Total other financing sources(uses)	<u>(1,282,633)</u>	<u>27,487</u>	<u>(1,255,146)</u>
Change in fund balances	364,534	208,629	573,163
Fund balances beginning of year	<u>4,482,041</u>	<u>166,967</u>	<u>4,649,008</u>
Fund balances end of year	<u>\$ 4,846,575</u>	<u>375,596</u>	<u>5,222,171</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance End of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Child Health Fund	\$ 5,914	2,000	2,704	0	5,210
Activity Account	1,890	222	153	0	1,959
Undistributed Funds	13	16	0	0	29
Vocal Music	36	1,718	1,541	0	213
Instrumental Music	8,644	21,103	27,406	0	2,341
Industrial Tech	3,039	612	300	0	3,351
Environmental Club	776	0	0	0	776
Family and Consumer	1,195	654	749	0	1,100
Soccer Coed	0	0	363	363	0
Boys Basketball	0	45	1,438	1,393	0
Football	0	0	1,235	1,235	0
Boys track	0	280	734	454	0
Wrestling	0	0	424	424	0
Girls basketball	0	0	1,438	1,438	0
Volleyball	0	0	524	524	0
Girls Track	0	140	816	676	0
Student Activity	4,961	11,653	10,428	0	6,186
Employee Activity Account - Middle School	807	1,789	2,053	0	543
Library Club	1,803	8,332	10,098	0	37
Prairie fire	23	0	0	0	23
Just eliminate	634	0	0	0	634
Science Activity - M.S.	1,169	15,155	14,611	701	2,414
Speech - Large Group	0	0	778	778	0
Vocal Music	50	2,713	202	0	2,561
Instrumental Music	3,931	40,850	17,095	0	27,686
Co-Curricular Act - H.S.	1,118	16,378	20,602	3,106	0
Gate Receipts	0	94,746	7,558	(79,606)	7,582
Soccer Coed	0	455	5,517	5,062	0
Soccer - Fund Raiser	8,156	10,522	6,194	7,030	19,514
Cross Country	0	1,155	2,634	1,479	0
Boys Basketball	0	250	6,681	6,431	0
Boys Basketball - Fund Raiser	3,120	15,328	14,620	0	3,828
Football	0	0	16,988	16,988	0
Football - Fund Raiser	543	11,961	11,119	0	1,385
Baseball	0	0	3,316	3,316	0
Baseball - Fund Raiser	5,526	15,115	13,176	0	7,465
Boys Track	0	160	3,468	3,308	0
Boys Tennis	0	0	189	189	0
Boys Golf	0	0	931	931	0
Wrestling	0	1,040	4,528	3,488	0
Wrestling - Fund Raiser	14,432	16,392	23,910	0	6,914
Girls Basketball	0	0	4,165	4,165	0
Girls Basketball-Fund Raiser	1,836	7,560	7,973	0	1,423
Girls Soccer	0	0	1,484	1,484	0
Girls Soccer-Fund Raiser	1,133	6,184	5,882	0	1,435
Volleyball	0	0	3,722	3,722	0
Volleyball - Fund Raiser	10,283	18,330	13,058	0	15,555
Softball	0	0	4,486	4,486	0
Softball - Fund Raiser	0	13,584	10,131	(23)	3,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Girls Track	0	4,110	7,453	3,343	0
GTR/BTR/CC Fund Raiser	641	7,565	9,041	835	0
Girls Tennis	0	150	176	26	0
Girls Tennis Fundraiser	754	2,907	2,631	0	1,030
Bloodhound Productions	871	210	334	0	747
Art Club	853	0	0	0	853
Student Activity Account	0	540	1,938	1,398	0
Foreign Language Club	4	0	0	(4)	0
FFA	798	4,947	3,762	0	1,983
Employee Activity Account - High School	431	0	158	0	273
Leo Club	97	0	97	0	0
Post Prom	701	0	0	(701)	0
HS Student Government	471	1,311	1,240	0	542
Key Club	2,845	1,025	708	0	3,162
Madisonian	10,785	16,181	16,754	0	10,212
Dist. Educ. Club	73	8,329	8,402	0	0
Building Trades Vica	2,801	182	1,238	0	1,745
Machine Shop Vica	0	5,000	198	0	4,802
Auto Shop Vica	3,249	20	0	0	3,269
National Honor Society	256	519	672	0	103
Science Club	228	500	524	0	204
Student Concessions	1,476	40,690	39,543	0	2,623
Dance & Drill Team	0	0	521	521	0
Dance & Drill team fundraising	0	1,238	1,101	(92)	45
Class of 2014	1	0	0	(1)	0
Class of 2015	2,611	520	1,721	0	1,410
Class of 2016	3,945	8,745	7,121	0	5,569
Class of 2017	2,445	4,164	1,232	0	5,377
Class of 2018	0	2,514	520	0	1,994
Future Tech Challenge Team	0	155	0	0	155
Fort Madison Shooting Sports	0	53,174	29,422	0	23,752
Cheerleaders - Varsity	0	0	922	922	0
Cheerleaders - Fundraiser	3,018	8,750	11,173	0	595
HS E-reader book club	1,199	0	231	0	968
CLC	442	108	0	0	550
Special Education Club	760	5,988	6,748	0	0
Student Activity Account	11,493	2,399	1,241	0	12,651
Employee Activity Account - Lincoln	1,882	600	148	0	2,334
Richardson PTO	68	73	0	0	141
Student Activity Account	10,379	6,328	3,763	0	12,944
Vocal Music	0	0	179	179	0
Band	0	0	32	32	0
Band Trip Account	0	54,920	0	0	54,920
Band/Choir Fundraising Account	0	34,648	917	0	33,731
Social Studies Club	31	0	0	0	31
Richardson Employee	227	934	487	0	674
Richardson Bookstore	3,964	4,782	5,727	0	3,019
Total	\$ 150,831	620,668	455,497	0	316,002

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,967,237	6,553,667	9,198,982	9,331,997	9,471,555	8,900,029	8,400,107	8,280,598	8,211,007	7,281,321
Tuition	323,461	382,043	344,570	328,861	256,169	258,118	341,210	234,422	202,458	161,163
Other	883,601	649,329	608,174	677,649	606,582	692,970	810,139	987,790	1,028,627	923,719
State sources	15,434,833	15,266,607	12,822,162	13,094,062	12,768,847	11,871,380	13,241,057	12,541,859	12,102,102	11,358,669
Federal sources	1,055,715	971,675	1,852,860	1,414,028	1,838,699	2,548,358	1,275,077	1,081,517	1,190,701	1,088,627
Total	\$ 24,664,847	23,823,321	24,826,748	24,846,597	24,941,852	24,271,055	24,067,590	23,126,186	22,734,895	20,813,499
Expenditures:										
Current:										
Instruction:										
Regular	\$ 10,094,691	9,354,262	9,318,295	8,535,366	8,583,331	8,850,173	9,514,098	9,111,831	11,523,634	8,364,811
Special	3,806,232	3,975,924	3,934,298	3,998,469	3,951,481	3,956,482	3,736,493	3,449,199	2,259,659	3,161,927
Other	2,986,163	2,943,440	2,644,397	2,716,959	2,759,360	2,790,953	2,558,234	2,486,387	686,155	2,311,775
Support services:										
Student	552,046	551,613	489,653	462,312	418,488	391,154	386,911	384,748	417,238	429,221
Instructional staff	608,556	851,324	602,681	713,150	674,125	494,751	546,549	577,171	652,694	925,657
Administration	2,002,474	1,968,063	1,893,365	1,782,364	1,856,438	1,911,327	2,070,548	2,077,442	1,776,244	1,548,184
Operation and maintenance										
of plant	1,770,773	1,942,715	1,705,966	1,548,358	1,598,903	1,653,567	1,661,348	1,626,188	1,716,868	1,666,626
Transportation	904,211	1,025,671	1,064,141	970,325	935,644	793,403	1,014,609	860,144	829,556	725,492
Capital outlay	311,898	951,035	4,367,136	11,163,707	3,897,907	1,519,285	1,033,217	1,330,881	486,018	372,502
Long-term debt:										
Principal	710,000	600,000	595,000	590,000	915,000	0	0	0	0	0
Interest	588,286	608,683	623,358	642,882	722,410	500	0	0	0	0
Other expenditures:										
AEA flow-through	939,786	930,390	894,217	897,030	1,000,871	1,003,331	887,992	830,020	809,284	755,127
Total	\$ 25,275,116	25,703,120	28,132,507	34,020,922	27,313,958	23,364,926	23,409,999	22,734,011	21,157,350	20,261,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
CHILD BREAKFAST PROGRAM	10.553	FY 15	\$ 131,007
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	572,590 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 15	<u>10,093</u>
			<u>713,690</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>410,231</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>107,320</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	5,215
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>9,876</u>
			<u>15,091</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>117,983</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>33,588</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 15	<u>53,138</u>
TOTAL			<u>\$ 1,451,041</u>

* Includes \$58,961 in non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Fort Madison Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Fort Madison Community School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Members American Institute & Iowa Society of Certified Public Accountants

Report on Internal Control Over Compliance

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
Newton, Iowa

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

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

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

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

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

Conclusion - Response accepted.

II-B-15 Supporting Documentation - During our audit we noted an instance of purchases that lacked an invoice or detailed receipt to be used as supporting documentation.

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

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

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the certified budgeted amounts in the instruction functional area.

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

Response - The District will monitor expenditures and amend when necessary.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund to be given to students as prizes. Gift cards do not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979. Additionally, gift cards do not provide an opportunity for the Board to "audit and allow" the final purchase as required by Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

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

Conclusion - Response accepted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timm Lamb, Board Member Official	Services	\$75
Sarah Kohl, Guidance Counselor Independent consult for Gold Canyon	Supplies	\$576
Sebastian Seifert, Technology Coordinator Owner of Cadre Learning	Services	\$2,000

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

In accordance with Chapter 301.28 of the Code of Iowa the above transactions with the guidance counselor and technology coordinator do not appear to represent a conflict of interest.

- IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was understated by 2.0 students.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 1.449 students.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Conclusion - Response accepted.
- IV-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.
- Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,482,041
Revenues:		
Sales tax revenues	\$ 2,097,909	
Other local revenues	236	
Other state revenues	7,085	
Federal sources	<u>53,138</u>	<u>2,158,368</u>
		6,640,409
Expenditures/transfers out:		
School infrastructure construction	\$ 311,898	
Other	199,303	
Transfers to other funds:		
Debt service fund	<u>1,282,633</u>	<u>1,793,834</u>
Ending balance		<u>\$ 4,846,575</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.

IV-M-15 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Questioned Accounts: We noted during our audit that the District's Library Club, Environmental Club, the Student Activity, and Employee Activity Account, within the Student Activity Fund do not appear to be extracurricular in nature.

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

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

Conclusion - Response accepted.

IV-N-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$8,667,248 in the governmental activities. The primary reason for this deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.