

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Fremont-Mills Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Elizabeth Alexander	President	2017
Keith Barber	Vice President	2015
Darrin Mitchell	Board Member (Resigned April 2015)	2017
Todd Morgan	Board Member (Appointed April 2015)	2015
Samantha Wilson	Board Member	2015
Eli Forney	Board Member	2015
School Officials		
Christopher Herrick	Superintendent	2015
Susan Sheperd	District Secretary	2015
Kirsten Heard	Business Manager	2015
Gruhn Law Firm	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Fremont-Mills Community School District:**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 51 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 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 Fremont-Mills 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 year ended June 30, 2014 (which are not presented herein). Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2016 on our consideration of Fremont-Mills Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that 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 Fremont-Mills Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,080,036 in fiscal year 2014 to \$4,900,316 in fiscal year 2015, while General Fund expenditures increased from \$4,907,931 in fiscal year 2014 to \$5,044,522 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$1,975,428 at June 30, 2014 to \$1,831,222 at June 30, 2015, a 7.30% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in tuition and state sources in fiscal year 2015. The increase in expenditures was primarily in the support services functional area.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Fremont-Mills Community School District Annual Financial Report

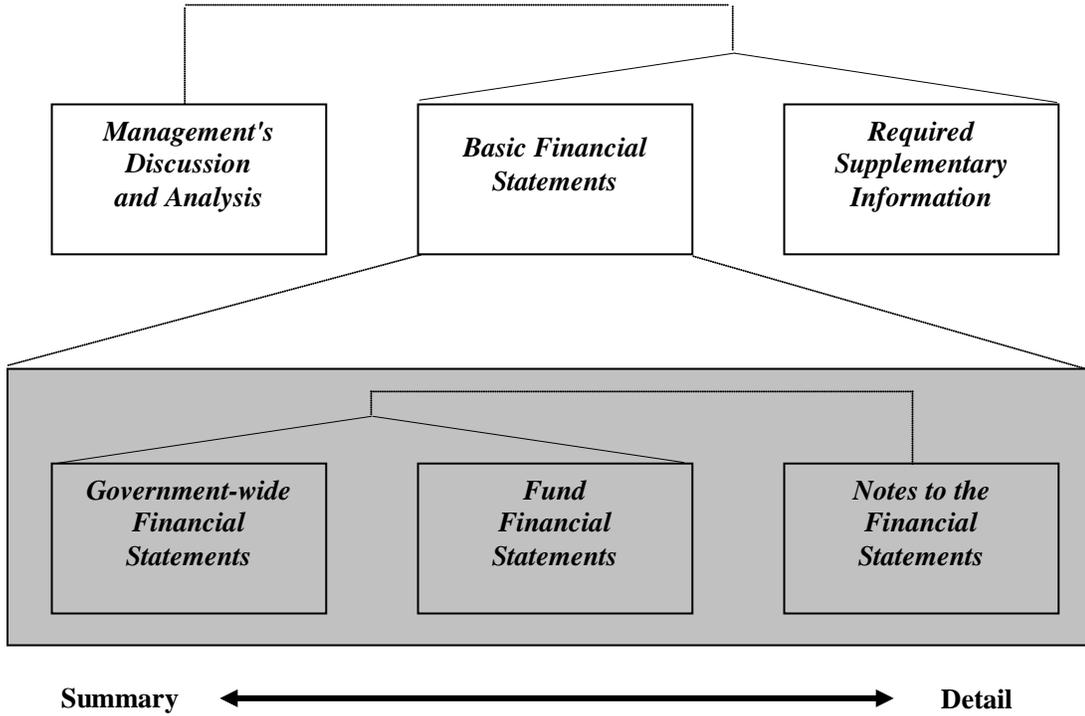


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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 District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund.

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

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

- Agency Fund - These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 5,435,895	5,300,006	27,874	4,342	5,463,769	5,304,348	3.01%
Capital assets	7,647,026	7,791,518	24,922	3,696	7,671,948	7,795,214	-1.58%
Total assets	13,082,921	13,091,524	52,796	8,038	13,135,717	13,099,562	0.28%
Deferred outflows of resources	349,253	-	10,258	-	359,511	-	100.00%
Long-term liabilities	4,214,795	2,884,954	52,552	-	4,267,347	2,884,954	47.92%
Other liabilities	500,204	481,149	38,124	12,284	538,328	493,433	9.10%
Total liabilities	4,714,999	3,366,103	90,676	12,284	4,805,675	3,378,387	42.25%
Deferred inflows of resources	2,413,260	1,813,420	20,042	-	2,433,302	1,813,420	34.18%
Net position:							
Net investment in capital assets	4,957,026	4,941,518	24,922	3,696	4,981,948	4,945,214	0.74%
Restricted	1,356,322	1,081,968	-	-	1,356,322	1,081,968	25.36%
Unrestricted	(9,433)	1,888,515	(72,586)	(7,942)	(82,019)	1,880,573	-104.36%
Total net position	\$ 6,303,915	7,912,001	(47,664)	(4,246)	6,256,251	7,907,755	-20.88%

The District's combined net position decreased by 20.88%, or \$1,651,504, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$274,354, or 25.36% over the prior year. The increase in restricted net position was a result of the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$1,962,592, or 104.36%. 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 \$1,834,785 and \$64,382, 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	\$ 652,208	572,078	114,703	108,469	766,911	680,547	12.69%
Operating grants, contributions and restricted interest	435,228	453,997	113,530	128,680	548,758	582,677	-5.82%
Capital grants, contributions and restricted interest	-	3,000	-	-	-	3,000	-100.00%
General revenues:							
Property tax	1,751,368	1,655,580	-	-	1,751,368	1,655,580	5.79%
Income surtax	366,923	290,589	-	-	366,923	290,589	26.27%
Statewide sales, services and use tax	427,047	389,145	-	-	427,047	389,145	9.74%
Unrestricted state grants	2,336,378	2,464,823	-	-	2,336,378	2,464,823	-5.21%
Unrestricted investment earnings	628	562	54	49	682	611	11.62%
Other	30,930	201,909	506	320	31,436	202,229	-84.46%
Total revenues	6,000,710	6,031,683	228,793	237,518	6,229,503	6,269,201	-0.63%
Program expenses:							
Instructional	3,440,961	3,518,872	-	-	3,440,961	3,518,872	-2.21%
Support services	1,791,581	1,644,332	2,913	849	1,794,494	1,645,181	9.08%
Non-instructional programs	5,962	87	226,690	237,718	232,652	237,805	-2.17%
Other expenses	513,733	507,801	-	-	513,733	507,801	1.17%
Total expenses	5,752,237	5,671,092	229,603	238,567	5,981,840	5,909,659	1.22%
Change in net position before transfers	248,473	360,591	(810)	(1,049)	247,663	359,542	-31.12%
Transfers	(21,774)	-	21,774	-	-	-	0.00%
Change in net position	226,699	360,591	20,964	(1,049)	247,663	359,542	-31.12%
Net position beginning of year, as restated	6,077,216	7,551,410	(68,628)	(3,197)	6,008,588	7,548,213	-20.40%
Net position end of year	\$ 6,303,915	7,912,001	(47,664)	(4,246)	6,256,251	7,907,755	-20.88%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 81.35% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.76% of the revenue from business type activities.

The District's total revenues were approximately \$6.23 million, of which approximately \$6.00 million was for governmental activities and approximately \$0.23 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.63% decrease in revenues and a 1.22% increase in expenses. Other general revenues decreased \$170,793 compared to the prior year. The increase in expenses was related to an increase in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$6,000,710 and expenses were \$5,752,237.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,440,961	3,518,872	-2.21%	2,652,990	2,670,219	-0.65%
Support services	1,791,581	1,644,332	8.95%	1,676,240	1,641,332	2.13%
Non-instructional programs	5,962	87	100.00%	5,962	87	6752.87%
Other expenses	513,733	507,801	1.17%	329,609	330,379	-0.23%
Totals	\$ 5,752,237	5,671,092	1.43%	4,664,801	4,642,017	0.49%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$652,208.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$435,228.
- The net cost of governmental activities was financed with \$1,751,368 in property tax, \$366,923 in income surtax, \$427,047 in statewide sales, services and use tax, \$2,336,378 in unrestricted state grants, \$628 in unrestricted investment earnings, and \$30,930 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$228,793 and expenses were \$229,603. 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, transfers and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fremont-Mills 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 \$2,765,596, above last year's ending fund balances of \$2,718,604. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in the fund balance for the Capital Projects Fund.

Governmental Fund Highlights

- Overall, revenues in the General Fund for fiscal year 2015 decreased 3.54% or \$179,720, to \$4,900,316 compared to \$5,080,036 in fiscal year 2014. General Fund expenses increased by 2.78% or \$136,591, to \$5,044,522 compared to \$4,907,931 in fiscal year 2014. The General Fund balance decreased by \$144,206.
- The Capital Projects Accounts balance increased from \$622,459 at June 30, 2014 to \$826,927 at June 30, 2015. The increase in fund balance was due primarily to an increase in local tax revenues and state source revenues.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated deficit \$68,628 at July 1, 2014 to a deficit \$47,664 at June 30, 2015, representing an increase of 30.55%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$19,547 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$7,671,948, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$296,199.

The original cost of the District’s capital assets was \$11,207,000. Governmental funds accounted for \$11,093,396 with the remainder of \$113,604 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District’s machinery and equipment totaled \$445,955 at June 30, 2015, compared to \$426,970 at June 30, 2014. This increase resulted from the District purchasing a new school bus.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 40,000	40,000	-	-	40,000	40,000	0.00%
Buildings and improvements	6,777,708	6,935,488	-	-	6,777,708	6,935,488	-2.27%
Land improvements	408,285	392,756	-	-	408,285	392,756	3.95%
Machinery and equipment	421,033	423,274	24,922	3,696	445,955	426,970	4.45%
Total	\$ 7,647,026	7,791,518	24,922	3,696	7,671,948	7,795,214	-1.58%

Long-Term Debt

At June 30, 2015, the District had \$4,267,347 in long-term debt outstanding. This represents an increase of 47.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation indebtedness of \$2,690,000 at June 30, 2015.

The District had total net pension liability of \$1,550,210 at June 30, 2015. Of this amount, \$1,497,658 was attributable to the governmental activities of the District with the remaining \$52,552 attributable to the business type activities.

The District had total net OPEB liability of \$27,137 at June 30, 2015.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 2,690,000	2,850,000	-	-	2,690,000	2,850,000	-5.61%
Termination benefits	-	7,817	-	-	-	7,817	-100.00%
Net pension liability	1,497,658	-	52,552	-	1,550,210	-	100.00%
Net OPEB liability	27,137	27,137	-	-	27,137	27,137	0.00%
Totals	\$ 4,214,795	2,884,954	52,552	-	4,267,347	2,884,954	47.92%

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:

- A bridge was constructed and opened to make the commute between Tabor and Plattsburgh, NE shorter and easier.
- The questioning of stability of the Nishnabotna High School by the State of Iowa could cause an increase in enrollment for Fremont-Mills.
- A plant in Shenandoah, Iowa laid off approximately 90 employees in 2015, which could impact Fremont-Mills students' parent employment.

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 Kirsten Heard, Business Manager, Fremont-Mills Community School District, 1114 US Hwy 275, Tabor, Iowa, 51653.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,941,628	-	2,941,628
Receivables:			
Property tax:			
Delinquent	18,003	-	18,003
Succeeding year	1,842,097	-	1,842,097
Income surtax	338,431	-	338,431
Accounts	675	5,610	6,285
Due from other funds	36,019	-	36,019
Due from other governments	259,042	20,926	279,968
Inventories	-	1,338	1,338
Capital assets, net of accumulated depreciation	7,647,026	24,922	7,671,948
TOTAL ASSETS	13,082,921	52,796	13,135,717
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	349,253	10,258	359,511
LIABILITIES			
Due to other funds	-	36,019	36,019
Accounts payable	75,466	-	75,466
Salaries and benefits payable	396,446	-	396,446
Advances from grantors	10,409	-	10,409
Interest payable	17,883	-	17,883
Unearned revenue	-	2,105	2,105
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	160,000	-	160,000
Portion due after one year:			
General obligation bonds	2,530,000	-	2,530,000
Net pension liability	1,497,658	52,552	1,550,210
Net OPEB liability	27,137	-	27,137
TOTAL LIABILITIES	4,714,999	90,676	4,805,675
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,842,097	-	1,842,097
Pension related deferred inflows	571,163	20,042	591,205
TOTAL DEFERRED INFLOWS OF RESOURCES	2,413,260	20,042	2,433,302
NET POSITION			
Net investment in capital assets	4,957,026	24,922	4,981,948
Restricted for:			
Categorical funding	419,947	-	419,947
Management levy purposes	84,781	-	84,781
Student activities	24,667	-	24,667
School infrastructure	761,701	-	761,701
Physical plant and equipment	65,226	-	65,226
Unrestricted	(9,433)	(72,586)	(82,019)
TOTAL NET POSITION	\$ 6,303,915	(47,664)	6,256,251

SEE NOTES TO FINANCIAL STATEMENTS.

**FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,102,371	301,938	30,997	(1,769,436)	-	(1,769,436)
Special	556,755	12,006	22,606	(522,143)	-	(522,143)
Other	781,835	225,133	195,291	(361,411)	-	(361,411)
	<u>3,440,961</u>	<u>539,077</u>	<u>248,894</u>	<u>(2,652,990)</u>	<u>-</u>	<u>(2,652,990)</u>
Support services:						
Student	82,215	10,110	-	(72,105)	-	(72,105)
Instructional staff	185,812	7,000	2,210	(176,602)	-	(176,602)
Administration	746,342	89,021	-	(657,321)	-	(657,321)
Operation and maintenance of plant	471,557	7,000	-	(464,557)	-	(464,557)
Transportation	305,655	-	-	(305,655)	-	(305,655)
	<u>1,791,581</u>	<u>113,131</u>	<u>2,210</u>	<u>(1,676,240)</u>	<u>-</u>	<u>(1,676,240)</u>
Non-instructional programs:						
Food service operations	5,962	-	-	(5,962)	-	(5,962)
Long-term debt interest	110,462	-	-	(110,462)	-	(110,462)
Other expenses:						
AEA flowthrough	184,124	-	184,124	-	-	-
Depreciation(unallocated)*	219,147	-	-	(219,147)	-	(219,147)
	<u>403,271</u>	<u>-</u>	<u>184,124</u>	<u>(219,147)</u>	<u>-</u>	<u>(219,147)</u>
Total governmental activities	<u>5,752,237</u>	<u>652,208</u>	<u>435,228</u>	<u>(4,664,801)</u>	<u>-</u>	<u>(4,664,801)</u>
Business type activities:						
Support services:						
Instructional staff	650	-	-	-	(650)	(650)
Administration	1,005	-	-	-	(1,005)	(1,005)
Operation and maintenance of plant	1,258	-	-	-	(1,258)	(1,258)
	<u>2,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,913)</u>	<u>(2,913)</u>
Non-instructional programs:						
Food service operations	226,690	114,703	113,530	-	1,543	1,543
Total business type activities	<u>229,603</u>	<u>114,703</u>	<u>113,530</u>	<u>-</u>	<u>(1,370)</u>	<u>(1,370)</u>
Total	<u>\$ 5,981,840</u>	<u>766,911</u>	<u>548,758</u>	<u>(4,664,801)</u>	<u>(1,370)</u>	<u>(4,666,171)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 1,466,037	-	1,466,037
Debt service				146,772	-	146,772
Capital outlay				138,559	-	138,559
Income surtax				366,923	-	366,923
Statewide sales, services and use tax				427,047	-	427,047
Unrestricted state grants				2,336,378	-	2,336,378
Unrestricted investment earnings				628	54	682
Other general revenues				30,930	506	31,436
Transfers				(21,774)	21,774	-
Total general revenues and transfers				<u>4,891,500</u>	<u>22,334</u>	<u>4,913,834</u>
Change in net position				226,699	20,964	247,663
Net position beginning of year, as restated				<u>6,077,216</u>	<u>(68,628)</u>	<u>6,008,588</u>
Net position end of year				<u>\$ 6,303,915</u>	<u>(47,664)</u>	<u>6,256,251</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,053,622	775,494	105,062	2,934,178
Receivables:				
Property tax:				
Delinquent	14,399	1,424	2,180	18,003
Succeeding year	1,454,024	149,778	238,295	1,842,097
Income surtax	211,519	126,912	-	338,431
Accounts	470	-	205	675
Due from other funds	33,248	16,986	-	50,234
Due from other governments	226,019	33,023	-	259,042
TOTAL ASSETS	\$ 3,993,301	1,103,617	345,742	5,442,660
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 14,215	-	-	14,215
Accounts payable	75,466	-	-	75,466
Salaries and benefits payable	396,446	-	-	396,446
Advances from grantors	10,409	-	-	10,409
Total liabilities	496,536	-	-	496,536
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,454,024	149,778	238,295	1,842,097
Income surtax	211,519	126,912	-	338,431
Total deferred inflows of resources	1,665,543	276,690	238,295	2,180,528
Fund balances:				
Restricted for:				
Categorical funding	419,947	-	-	419,947
Debt service	-	-	2,706	2,706
Management levy purposes	-	-	84,781	84,781
Student activities	-	-	24,667	24,667
School infrastructure	-	761,701	-	761,701
Physical plant and equipment	-	65,226	-	65,226
Unassigned:				
General	1,411,275	-	-	1,411,275
Student activities	-	-	(4,707)	(4,707)
Total fund balances	1,831,222	826,927	107,447	2,765,596
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,993,301	1,103,617	345,742	5,442,660

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS 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)		\$ 2,765,596
<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 report as assets in the governmental funds.		7,647,026
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.		(17,883)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		338,431
Blending of the Internal Service Funds to be reflected on an entity-wide basis		7,450
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	\$ 349,253	
Deferred inflows of resources	<u>(571,163)</u>	(221,910)
Long-term liabilities, including bonds payable, net pension liability and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,214,795)</u>
Net position of governmental activities (page 18)		<u><u>\$ 6,303,915</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,605,840	261,592	212,025	2,079,457
Tuition	250,517	-	-	250,517
Other	290,726	38	162,954	453,718
State sources	2,628,746	427,047	78	3,055,871
Federal sources	122,313	-	-	122,313
Total revenues	<u>4,898,142</u>	<u>688,677</u>	<u>375,057</u>	<u>5,961,876</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,157,637	-	1,386	2,159,023
Special	587,690	-	-	587,690
Other	604,242	11,362	162,460	778,064
	<u>3,349,569</u>	<u>11,362</u>	<u>163,846</u>	<u>3,524,777</u>
Support services:				
Student	82,171	-	-	82,171
Instructional staff	190,709	-	-	190,709
Administration	657,720	43,998	50,305	752,023
Operation and maintenance of plant	313,904	67,637	23,313	404,854
Transportation	253,036	88,742	12,838	354,616
	<u>1,497,540</u>	<u>200,377</u>	<u>86,456</u>	<u>1,784,373</u>
Non-instructional programs:				
Food service operations	-	-	5,962	5,962
Capital outlay	-	146,572	-	146,572
Long-term debt:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	111,095	111,095
	<u>-</u>	<u>-</u>	<u>271,095</u>	<u>271,095</u>
Other expenditures:				
AEA flowthrough	184,124	-	-	184,124
Total expenditures	<u>5,031,233</u>	<u>358,311</u>	<u>527,359</u>	<u>5,916,903</u>
Excess(Deficiency) of revenues over(under) expenditures	(133,091)	330,366	(152,302)	44,973
Other financing sources(uses):				
Transfer in	155	-	139,187	139,342
Transfer out	(13,289)	(125,898)	(155)	(139,342)
Sale of equipment	2,019	-	-	2,019
Total other financing sources(uses)	<u>(11,115)</u>	<u>(125,898)</u>	<u>139,032</u>	<u>2,019</u>
Change in fund balances	(144,206)	204,468	(13,270)	46,992
Fund balances beginning of year	<u>1,975,428</u>	<u>622,459</u>	<u>120,717</u>	<u>2,718,604</u>
Fund balances end of year	<u>\$ 1,831,222</u>	<u>826,927</u>	<u>107,447</u>	<u>2,765,596</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 46,992

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

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

Capital outlay	\$ 168,827	
Depreciation expense	(292,579)	
Loss on disposal	(20,740)	(144,492)

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 1,698

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 38,834

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 160,000

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. 633

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. 234,807

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

Termination benefits	\$ 7,817	
Net pension expense	(119,590)	(111,773)

Change in net position of governmental activities (page 19) \$ 226,699

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	School	Internal
	Nutrition	Service
ASSETS		
Current assets:		
Cash and pooled investments	\$ -	7,450
Accounts receivable	5,610	-
Due from other governments	20,926	-
Inventories	1,338	-
Total current assets	<u>27,874</u>	<u>7,450</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	24,922	-
TOTAL ASSETS	<u>52,796</u>	<u>7,450</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>10,258</u>	-
LIABILITIES		
Current liabilities:		
Due to other funds	36,019	-
Unearned revenue	2,105	-
Total current liabilities	<u>38,124</u>	-
Noncurrent liabilities:		
Net pension liability	<u>52,552</u>	-
TOTAL LIABILITIES	<u>90,676</u>	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>20,042</u>	-
NET POSITION		
Net investment in capital assets	24,922	-
Unrestricted	<u>(72,586)</u>	<u>7,450</u>
TOTAL NET POSITION	<u>\$ (47,664)</u>	<u>7,450</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise School Nutrition	Governmental Activities: Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 114,703	-
Miscellaneous	506	12,300
TOTAL OPERATING REVENUES	115,209	12,300
OPERATING EXPENSES:		
Support services:		
Instructional staff:		
Services	650	-
Administration:		
Other	1,005	-
Operation and maintenance of plant:		
Services	1,258	-
Total support services	2,913	-
Non-instructional programs:		
Food service operations:		
Salaries	73,011	-
Benefits	9,814	-
Supplies	140,245	-
Depreciation	3,620	-
	226,690	-
Other enterprise operations:		
Benefits	-	10,602
Total non-instructional programs	226,690	10,602
TOTAL OPERATING EXPENSES	229,603	10,602
OPERATING INCOME(LOSS)	(114,394)	1,698
NON-OPERATING REVENUES:		
State sources	2,064	-
Federal sources	111,466	-
Interest income	54	-
TOTAL NON-OPERATING REVENUES	113,584	-
Change in net position before other financing sources	(810)	1,698
OTHER FINANCING SOURCES:		
Contributed capital	21,774	-
Change in net position	20,964	1,698
Net position beginning of year, as restated	(68,628)	5,752
Net position end of year	\$ (47,664)	7,450

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type	
	Enterprise School Nutrition	Governmental Activities: Internal Service
Cash flows from operating activities:		
Cash received from operating activities	\$ 109,695	-
Cash received from miscellaneous	506	12,300
Cash payments to employees for services	(84,871)	(10,602)
Cash payments to suppliers for goods or services	(131,494)	-
Net cash provided by(used in) operating activities	<u>(106,164)</u>	<u>1,698</u>
Cash flows from non-capital financing activities:		
Borrowings from General Fund	26,878	-
State grants received	2,064	-
Federal grants received	79,090	-
Net cash provided by non-capital financing activities	<u>108,032</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(3,072)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	<u>54</u>	<u>-</u>
Net increase(decrease) in cash and pooled investments	(1,150)	1,698
Cash and pooled investments at beginning of year	<u>1,150</u>	<u>5,752</u>
Cash and pooled investments at end of year	<u>\$ -</u>	<u>7,450</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (114,394)	1,698
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	11,450	-
Depreciation	3,620	-
Decrease in inventories	214	-
Increase in accounts receivable	(3,970)	-
Decrease in net pension liability	(19,573)	-
Increase in deferred outflows of resources	(2,515)	-
Increase in deferred inflows of resources	20,042	-
Decrease in unearned revenue	(1,038)	-
Net cash provided by(used in) operating activities	<u>\$ (106,164)</u>	<u>1,698</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$11,450.

During the year ended June 30, 2015, the Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund valued at \$21,774.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 37,195	5,878
LIABILITIES		
Due to other groups	-	5,878
NET POSITION		
Held in trust for scholarships	<u>\$ 37,195</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 500
Interest income	52
Total additions	<u>552</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>-</u>
Change in net position	552
Net position beginning of year	<u>36,643</u>
Net position end of year	<u>\$ 37,195</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Fremont-Mills 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 cities of Tabor, Thurman and Randolph, Iowa, and the predominantly agricultural territory in Mills and Fremont 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, Fremont-Mills 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 Fremont-Mills Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary funds:

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

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

The District maintains its financial records 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 purpose 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 Taxes - Property tax 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. Current year 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 amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ -
Buildings and improvements	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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 and improvements	50 years
Land improvements	20 years
Intangibles	3-10 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.

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2015, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2015.

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

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.

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

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

Deferred inflow 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.

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 other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts restricted or assigned.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Deposits 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 Obligations Portfolio which are valued at an amortized cost of \$1,153,272 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

Note 3. Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 33,248
Capital Projects: Physical Plant and Equipment Levy	General	14,215
Capital Projects: Physical Plant and Equipment Levy	School Nutrition	2,771
Total		<u>\$ 50,234</u>

The Student Nutrition Fund is repaying the General Fund for salaries and benefits not repaid before year end.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for routine maintenance to District facilities. See comment II-O-15 for additional information.

The Student Nutrition Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for repairs/maintenance to Nutrition Fund equipment. See comment II-O-15 for additional information.

Note 4. Transfers

The detail of 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	\$ 125,898
General	Student Activity	155
Management Levy	General	<u>13,289</u>
Total		<u>\$ 126,053</u>

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

The transfer from the Student Activity Fund to the General Fund was to correct unallowable costs in a prior year.

The transfer from the General Fund to the Management Levy Fund was to correct termination benefits paid from the wrong fund in the prior year.

Note 5. Capital Assets

Capital asset 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	\$ 40,000	-	-	40,000
Total capital assets not being depreciated	40,000	-	-	40,000
Capital assets being depreciated:				
Buildings and improvements	9,275,256	31,699	-	9,306,955
Land improvements	590,115	45,197	-	635,312
Machinery and equipment	1,092,409	91,931	73,211	1,111,129
Total capital assets being depreciated	10,957,780	168,827	73,211	11,053,396
Less accumulated depreciation for:				
Buildings and improvements	2,339,768	189,479	-	2,529,247
Land improvements	197,359	29,668	-	227,027
Machinery and equipment	669,135	73,432	52,471	690,096
Total accumulated depreciation	3,206,262	292,579	52,471	3,446,370
Total capital assets being depreciated, net	7,751,518	(123,752)	20,740	7,607,026
Governmental activities capital assets, net	\$ 7,791,518	(123,752)	20,740	7,647,026
Business type activities:				
Machinery and equipment	\$ 88,758	24,846	-	113,604
Less accumulated depreciation	85,062	3,620	-	88,682
Business type activities capital assets, net	\$ 3,696	21,226	-	24,922

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:		
Regular		\$ 3,143
Other		12,594
Support services:		
Student		212
Instructional staff		3,313
Administration		1,443
Operation and maintenance of plant		6,275
Transportation		46,452
		73,432
Unallocated depreciation		219,147
Total governmental activities depreciation expense		\$ 292,579

Business type activities:

Food service operations		\$ 3,620
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Note 6. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,850,000	-	160,000	2,690,000	160,000
Termination benefits	7,817	-	7,817	-	-
Net pension liability	2,055,452	-	557,794	1,497,658	-
Net OPEB liability	27,137	-	-	27,137	-
Total	\$ 4,940,406	-	725,611	4,214,795	160,000
Business type activities:					
Net pension liability	\$ 72,125	-	19,573	52,552	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of August 2008				Refunding Bond Issue of November 2010				Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total	
2016	5.00 %	\$ 40,000	83,398	1.90 %	\$ 120,000	23,898	160,000	107,296	267,296	
2017	5.00	40,000	81,398	2.15	130,000	21,617	170,000	103,015	273,015	
2018	5.00	40,000	79,398	2.30	130,000	18,823	170,000	98,221	268,221	
2019	5.00	45,000	77,397	2.60	135,000	15,833	180,000	93,230	273,230	
2020	5.00	50,000	75,153	2.75	135,000	12,322	185,000	87,475	272,475	
2021-2025	4.55-5.00	775,000	316,072	3.00-3.15	280,000	13,020	1,055,000	329,092	1,384,092	
2026-2028	4.70-4.80	770,000	74,620		-	-	770,000	74,620	844,620	
Total		\$ 1,760,000	787,436		\$ 930,000	105,513	2,690,000	892,949	3,582,949	

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 33 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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:

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District's health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$27,137. The District is scheduled to need a new valuation dated July 1, 2015 for fiscal year 2016.

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 8,337	409.0 %	\$ 19,089
2014	8,048	-	27,137
2015	-	-	27,137

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$86,311, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$86,311. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,836,887, and the ratio of the UAAL to covered payroll was 4.7%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5%.

Mortality rates are from the *Life Expectancy Table* from the National Center for Health Statistics, updated in 2008. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$241,050.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,550,210 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 0.038304 percent, which was an increase of 0.000728 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$123,787. 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	\$ 16,848	\$ -
Changes of assumptions	68,414	-
Net difference between projected and actual earnings on pension plan investments	-	591,205
Changes in proportion and differences between District contributions and proportionate share of contributions	33,199	-
District contributions subsequent to the measurement date	241,050	-
Total	\$ 359,511	\$ 591,205

\$241,050 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	\$ (120,123)
2017	(120,123)
2018	(120,123)
2019	(120,123)
2020	7,748
	<u>\$ (472,744)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,929,078	\$ 1,550,210	\$ 386,302

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 \$27,115 for legally required employer contributions and \$18,067 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 9. Risk Management

The Fremont-Mills Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, and vision.

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 ISEBA for the year ended June 30, 2015 were \$330,099.

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

Fremont-Mills 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. 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 \$184,124 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 11. Deficit Fund Balance/Net Position

At June 30, 2015, the Enterprise, School Nutrition fund had deficit unrestricted net position of \$72,586 and a deficit total net position of \$47,664. The Student Activity Fund had two accounts with a combined deficit unassigned balance of \$4,707. The governmental activities of the District had a deficit unrestricted net position of \$9,433.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 42,966
Returning dropout and dropout prevention programs	30,633
Beginning teacher mentoring and induction program	402
Teacher salary supplement	73,427
State decategorization grant (D-CAT)	5,859
Innovative at-risk	5,305
Four-year-old preschool state aid	102,835
Early childhood programs grant (empowerment)	26,102
Iowa core curriculum	5,000
Successful progression for early readers	30,880
Professional development for model core curriculum	25,107
Teacher development academies	10,349
Professional development	54,913
Market factor incentives	9
Teacher leadership grants	6,160
Total restricted for categorical funding	<u>\$ 419,947</u>

Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,706	1,411,275
Capital assets, net of accumulated depreciation	7,647,026	-	-
General obligation bond capitalized indebtedness	(2,690,000)	-	-
Termination benefits payable	-	-	-
Income surtax	-	-	338,431
Accrued interest payable	-	(2,706)	(15,177)
Internal service fund	-	-	7,450
Pension related deferred outflows	-	-	349,253
Net pension liability	-	-	(1,497,658)
Pension related deferred inflows	-	-	(571,163)
Unassigned for student activities	-	-	(4,707)
Net OPEB liability	-	-	(27,137)
Net position (Exhibit A)	<u>\$ 4,957,026</u>	<u>-</u>	<u>(9,433)</u>

Note 14. Accounting Change/Restatement Note

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

Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 7,912,001	\$ (4,246)
Net pension liability at June 30, 2014	(2,055,452)	(72,125)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	220,667	7,743
Net position July 1, 2014, as restated	<u>\$ 6,077,216</u>	<u>\$ (68,628)</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,783,692	115,263	2,898,955	3,149,020	3,149,020	(250,065)
State sources	3,055,871	2,064	3,057,935	2,771,196	2,771,196	286,739
Federal sources	122,313	111,466	233,779	290,000	290,000	(56,221)
Total revenues	<u>5,961,876</u>	<u>228,793</u>	<u>6,190,669</u>	<u>6,210,216</u>	<u>6,210,216</u>	<u>(19,547)</u>
Expenditures/expenses:						
Instruction	3,524,777	-	3,524,777	4,260,000	4,260,000	735,223
Support services	1,784,373	2,913	1,787,286	2,285,275	2,285,275	497,989
Non-instructional programs	5,962	226,690	232,652	257,500	257,500	24,848
Other expenditures	601,791	-	601,791	1,153,445	1,153,445	551,654
Total expenditures/expenses	<u>5,916,903</u>	<u>229,603</u>	<u>6,146,506</u>	<u>7,956,220</u>	<u>7,956,220</u>	<u>1,809,714</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	44,973	(810)	44,163	(1,746,004)	(1,746,004)	1,790,167
Other financing sources, net	2,019	21,774	23,793	-	-	23,793
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	46,992	20,964	67,956	(1,746,004)	(1,746,004)	1,813,960
Balances beginning of year, as restated	<u>2,718,604</u>	<u>(68,628)</u>	<u>2,649,976</u>	<u>2,194,060</u>	<u>2,194,060</u>	<u>455,916</u>
Balances end of year	<u>\$ 2,765,596</u>	<u>(47,664)</u>	<u>2,717,932</u>	<u>448,056</u>	<u>448,056</u>	<u>2,269,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS 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 function, 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.038304%
District's proportionate share of the net pension liability	\$ 1,550
District's covered-employee payroll	\$ 2,699
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.43%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 241	228	210	182	151	151	144	138	130	128
Contributions in relation to the statutorily required contribution	<u>(241)</u>	<u>(228)</u>	<u>(210)</u>	<u>(182)</u>	<u>(151)</u>	<u>(151)</u>	<u>(144)</u>	<u>(138)</u>	<u>(130)</u>	<u>(128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 2,699	2,553	2,422	2,255	2,173	2,173	2,268	2,281	2,261	2,226
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.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 346,000	\$ 346,000	0.0%	\$ 1,326,000	26.1%
2011	July 1, 2009	-	346,000	346,000	0.0%	1,390,000	24.9%
2012	July 1, 2009	-	346,000	346,000	0.0%	1,490,000	23.2%
2013	July 1, 2012	-	86,311	86,311	0.0%	1,528,000	5.6%
2014	July 1, 2012	-	86,311	86,311	0.0%	1,720,260	5.0%
2015	July 1, 2012	-	86,311	86,311	0.0%	1,836,887	4.7%

See Note 7 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.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTARY INFORMATION

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
ASSETS					
Cash and pooled investments	\$ 84,110	19,755	103,865	1,197	105,062
Receivables:					
Property tax:					
Delinquent	671	-	671	1,509	2,180
Succeeding year	80,000	-	80,000	158,295	238,295
Accounts	-	205	205	-	205
TOTAL ASSETS	\$ 164,781	19,960	184,741	161,001	345,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities	\$ -	-	-	-	-
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	80,000	-	80,000	158,295	238,295
Fund balances:					
Restricted for:					
Debt service	-	-	-	2,706	2,706
Management levy purposes	84,781	-	84,781	-	84,781
Student activities	-	24,667	24,667	-	24,667
Unassigned	-	(4,707)	(4,707)	-	(4,707)
Total fund balances	84,781	19,960	104,741	2,706	107,447
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 164,781	19,960	184,741	161,001	345,742

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 65,253	-	65,253	146,772	212,025
Other	4,514	158,440	162,954	-	162,954
State sources	24	-	24	54	78
Total revenues	<u>69,791</u>	<u>158,440</u>	<u>228,231</u>	<u>146,826</u>	<u>375,057</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,386	-	1,386	-	1,386
Other	-	162,460	162,460	-	162,460
Support services:					
Administration	48,305	-	48,305	2,000	50,305
Operation and maintenance of plant	23,313	-	23,313	-	23,313
Transportation	12,838	-	12,838	-	12,838
Non-instructional programs:					
Food service operations	5,962	-	5,962	-	5,962
Long-term debt:					
Principal	-	-	-	160,000	160,000
Interest and fiscal charges	-	-	-	111,095	111,095
Total expenditures	<u>91,804</u>	<u>162,460</u>	<u>254,264</u>	<u>273,095</u>	<u>527,359</u>
Deficiency of revenues under expenditures	(22,013)	(4,020)	(26,033)	(126,269)	(152,302)
OTHER FINANCING SOURCES(USES):					
Transfer in	13,289	-	13,289	125,898	139,187
Transfer out	-	(155)	(155)	-	(155)
Total other financing sources(uses)	<u>13,289</u>	<u>(155)</u>	<u>13,134</u>	<u>125,898</u>	<u>139,032</u>
Change in fund balances	(8,724)	(4,175)	(12,899)	(371)	(13,270)
Fund balances beginning of year	<u>93,505</u>	<u>24,135</u>	<u>117,640</u>	<u>3,077</u>	<u>120,717</u>
Fund balances end of year	<u>\$ 84,781</u>	<u>19,960</u>	<u>104,741</u>	<u>2,706</u>	<u>107,447</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 728,678	46,816	775,494
Receivables:			
Property tax:			
Delinquent	-	1,424	1,424
Succeeding year	-	149,778	149,778
Income surtax	-	126,912	126,912
Due from other funds	-	16,986	16,986
Due from other governments	33,023	-	33,023
TOTAL ASSETS	\$ 761,701	341,916	1,103,617
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	149,778	149,778
Income surtax	-	126,912	126,912
Total deferred inflows of resources	-	276,690	276,690
Fund balances:			
Restricted for:			
School infrastructure	761,701	-	761,701
Physical plant and equipment levy	-	65,226	65,226
Total fund balances	761,701	65,226	826,927
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 761,701	341,916	1,103,617

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	261,592	261,592
Other	31	7	38
State sources	427,047	-	427,047
Total revenues	427,078	261,599	688,677
EXPENDITURES:			
Current:			
Instruction:			
Other	-	11,362	11,362
Support services:			
Administration	-	43,998	43,998
Operation and maintenance of plant	18,235	49,402	67,637
Transportation	88,742	-	88,742
Capital outlay	36,030	110,542	146,572
Total expenditures	143,007	215,304	358,311
Excess of revenues over expenditures	284,071	46,295	330,366
OTHER FINANCING USES:			
Transfer out	(125,898)	-	(125,898)
Change in fund balances	158,173	46,295	204,468
Fund balances beginning of year	603,528	18,931	622,459
Fund balances end of year	\$ 761,701	65,226	826,927

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Speech and drama	\$ 410	1,854	2,264	-	-
Band fundraiser	3,768	2,631	3,313	-	3,086
Track	-	6,780	6,780	-	-
Drill/dance team	1,656	1,598	2,037	-	1,217
Football	3,351	36,011	35,433	-	3,929
Baseball	-	1,907	1,891	-	16
Wrestling	-	309	-	-	309
Volleyball	-	8,850	6,274	-	2,576
Softball	-	4,230	5,082	-	(852)
Athletics	3,772	35,750	39,051	-	471
Interest on investments	1,549	40	1,575	-	14
Leadership academy	726	-	-	-	726
Class of 2014	50	-	50	-	-
Class of 2015	2,001	130	2,131	-	-
Class of 2016	26	19,466	18,143	-	1,349
Class of 2018	-	-	-	-	-
Art club	172	2,031	1,197	-	1,006
Annual	-	2,660	6,360	(155)	(3,855)
National honor society	190	-	55	-	135
Cheerleaders	661	4,527	5,013	-	175
Spanish club	814	1,348	1,485	-	677
Thespians	91	-	1	-	90
FFA	1,073	8,927	6,957	-	3,043
High school student council	2,801	4,057	4,716	-	2,142
Audio visual club	924	858	835	-	947
Girls basketball club	100	10,447	7,788	-	2,759
Basketball club	-	4,029	4,029	-	-
TOTAL	<u>\$ 24,135</u>	<u>158,440</u>	<u>162,460</u>	<u>(155)</u>	<u>19,960</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Pythias Scholarship	Linguist Scholarship	Longacre Scholarship	Wolfe Memorial	Total
ASSETS					
Cash and pooled investments	\$ 19,721	16,250	870	354	37,195
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 19,721	16,250	870	354	37,195

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Pythias Scholarship	Linguist Scholarship	Longacre Scholarship	Wolfe Memorial	Total
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	500	-	500
Interest income	18	34	-	-	52
Total additions	18	34	500	-	552
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	-	-	-	-	-
Change in net position	18	34	500	-	552
Net position beginning of year	19,703	16,216	370	354	36,643
Net position end of year	\$ 19,721	16,250	870	354	37,195

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>EMPLOYEE VENDING:</u>				
ASSETS				
Cash and pooled investments	\$ 2,237	3,007	2,514	2,730
LIABILITIES				
Due to other groups	\$ 2,237	3,007	2,514	2,730
<u>BOOSTER CLUB:</u>				
ASSETS				
Cash and pooled investments	\$ 3,332	12	196	3,148
LIABILITIES				
Due to other groups	\$ 3,332	12	196	3,148
<u>TOTALS - ALL AGENCY FUNDS:</u>				
ASSETS				
Cash and pooled investments	\$ 5,569	3,019	2,710	5,878
LIABILITIES				
Due to other groups	\$ 5,569	3,019	2,710	5,878

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,079,457	1,992,821	2,239,946	2,430,684	2,550,108	2,387,966	2,223,934	2,006,636	1,856,979	1,833,037
Tuition	250,517	441,648	269,946	304,958	232,964	219,851	188,907	188,041	164,042	122,109
Other	453,718	356,804	161,844	239,135	728,365	1,488,194	543,588	199,344	107,618	112,525
State sources	3,055,871	3,139,803	2,349,233	2,226,815	2,370,197	2,115,636	2,427,980	2,324,693	2,074,964	2,045,949
Federal sources	122,313	147,259	157,772	127,878	379,013	447,318	161,352	150,546	158,499	161,535
Total	\$ 5,961,876	6,078,335	5,178,741	5,329,470	6,260,647	6,658,965	5,545,761	4,869,260	4,362,102	4,275,155
Expenditures:										
Instruction:										
Regular	\$ 2,159,023	2,290,588	1,871,097	1,850,099	1,703,792	1,660,170	1,785,802	1,824,325	1,820,059	1,737,068
Special	587,690	643,561	555,693	471,945	406,650	476,852	517,949	477,563	410,197	475,025
Other	778,064	619,375	659,565	620,621	662,869	515,936	528,882	444,284	446,314	413,821
Support services:										
Student	82,171	67,987	86,149	72,139	70,752	71,116	47,179	39,456	31,771	40,270
Instructional staff	190,709	179,499	165,104	133,034	84,382	118,237	95,906	57,898	73,725	66,614
Administration	752,023	649,202	697,335	602,138	567,010	543,797	586,257	564,204	561,353	507,897
Operation and maintenance of plant	404,854	369,163	349,534	265,192	255,639	295,224	323,812	301,516	307,586	339,895
Transportation	354,616	323,809	283,816	416,048	272,190	296,985	245,711	230,001	301,912	237,813
Non-instructional programs	5,962	87	-	-	-	-	4,370	1,788	9,322	-
Capital outlay	146,572	170,117	347,682	240,558	1,251,812	2,564,572	1,038,386	39,002	109,520	164,994
Long-term debt:										
Principal	160,000	155,000	150,000	1,420,000	190,000	180,000	160,000	135,000	135,000	125,000
Interest and other charges	111,095	114,220	117,100	189,015	214,996	178,633	162,719	97,865	103,890	109,220
Other expenditures:										
AEA flow-through	184,124	177,422	167,133	166,781	186,662	187,488	168,022	153,365	139,070	135,941
Total	\$ 5,916,903	5,760,030	5,450,208	6,447,570	5,866,754	7,089,010	5,664,995	4,366,267	4,449,719	4,353,558

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 Fremont-Mills Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies in internal control 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 and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 as items I-B-15 through I-F-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont-Mills 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 which are described in Part II of the accompanying Schedule of Findings.

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

Fremont-Mills Community School District's Responses to Findings

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont-Mills 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, CORMAN & JOHNSON, P.C.

February 12, 2016
Newton, Iowa

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - We will continue to review our policies and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept by the District in the fixed asset module as part of the District's Uniform Financial Accounting System, however, we noted these records were not updated by District personnel and required material adjustments. Fixed assets are required to be maintained for financial statement presentation and updated with appropriate additions, deletions, and depreciation expense annually in accordance with the District's capital asset policy.

Recommendation - The District should maintain a complete list of additions, deletions, and current assets for reporting purposes.

Response - District personnel will review procedures for accounting for inventory and make required adjustments.

Conclusion - Response accepted.

I-C-15 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District has reviewed current policy and updated the policy to better track gate admissions by using prenumbered tickets, reconciliation sheets and multiple individuals counting cash.

Conclusion - Response accepted.

I-D-15 Fundraising Procedures - We noted during our audit that the District took \$600 out of the bank to be used as startup cash for a fundraising event. However only \$466.16 of the startup money was redeposited and no fundraising proceeds were deposited, with no explanation of the loss incurred during the fundraiser.

Recommendation - The District should have internal control procedures established for handling cash for fundraising and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum

the procedures include:

- a. Before the cash is received the District should document the purpose of the fundraiser, the fundraising activity, the expected revenues and the amount of startup cash required.
- b. Documentation of who received the startup cash for fundraising and the amount received.
- c. When the money is received during the fundraiser the District should develop procedures to document the amount received and from whom.
- d. A reconciliation from should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- e. When the cash is turned in a pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- f. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District has reviewed their policy on how to handle fundraiser cash, and understand the importance of maintaining accurate cash records.

Conclusion - Response accepted.

I-E-15 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

Currently, the District has two accounts in the Agency Fund, the Athletic Booster Club account and the Employee Vending account. The District maintains the accounting function and custody of Athletic Booster Club assets although the Athletic Booster Club is a separate 501(c)(3) organization. Therefore, it appears that the Athletic Booster Club is being properly accounted for as an Agency Fund account.

However, the Employee Vending account appears to not be an Agency Fund account. Revenues and expenses recorded in this account appear to be for pop for the teachers' lounge. Since the District purchases the pop and maintains custody of the revenues from the lounge pop machines, it would appear that this account would not meet the definition of an Agency Fund account as described above.

Recommendation - Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. Since moneys remaining in the Employee Vending account appear to be the custody of the District, the remaining moneys in the Employee Vending account should be accounted for in the General Fund. If the District wishes to continue to monitor the activity in this account, an account could be set up as an assigned fund balance account in the General Fund.

Response - The District is working to resolve this coding issued.

Conclusion - Response accepted.

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

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

Response - Non-certified coaches are required to track kid contact coaching hours each month, and turn the hours into the business office.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Susan Shepherd, Board Secretary Spouse owns Shepherd Construction	Services	\$ 980

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the District employee do not appear to represent a conflict of interest.

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

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

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified in the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

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

II-K-15 Categorical Funding - No instances of categorical funding being use to supplant rather than supplement other funds were noted. However, we noted during our audit that the District coded revenue from a "Penny War" fundraiser to the Innovative-At-Risk categorical fund. Non categorical funds should not be receipted as categorical funding.

Recommendation - The District should review its procedures to ensure that revenues are properly coded.

Response - The District has reviewed its policy on how to properly code revenues, and understands that non categorical funds should not be receipted to categorical funds.

Conclusion - Response accepted.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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		\$	603,528
Revenues:			
Sales tax revenues	\$	427,047	
Other local revenue		31	427,078
			<u>1,030,606</u>
Expenditures/transfers out:			
School infrastructure construction		36,030	
Equipment		106,977	
Transfers to other funds:			
Debt service fund		125,898	268,905
			<u>761,701</u>
Ending balance		\$	<u>761,701</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	\$ 0.79376	\$ 125,898

II-M-15 Officiating Contracts - We noted during our audit that the District's policy was to have the Board President sign Activity Fund officiating contracts in accordance with Chapter 291.1 of the Code of Iowa. However the District was not retaining copies of the contracts as support for payments made.

Recommendation - The District should establish procedures to ensure that expenditures are supported prior to expending District funds.

Response - The District has reviewed the procedure and updated to ensure all officiating contracts are being retained in the district office and signed by the board president.

Conclusion - Response accepted.

- II-N-15 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format. The Code requires the Board Secretary to retain checks to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will contact the bank to have both front and backs of cancelled checks included with all bank statements.

Conclusion - Response accepted.

- II-O-15 Interfund Loan - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2015, the General Fund owes the Capital Projects: Physical Plant and Equipment Levy Fund \$14,215, the School Nutrition Fund owes the Capital Projects: Physical Plant and Equipment Levy Fund \$2,771 and the School Nutrition Fund owes the General Fund \$33,248.

Recommendation - According to a Declaratory Order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be approved by the District's Board of Directors and be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Response - The District will make the requested transfers.

Conclusion - Response accepted.

- II-P-15 Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. In the course of our audit questions arose about the propriety of specific revenues and expenses within the student activity fund.

Scholastic Book Fair: We noted during our audit that the District ran the revenue and expenses associated with Scholastic Book Fairs through the Student Activity Fund. This does not appear to be related to the cocurricular or extracurricular activities of the District and would be more properly accounted for in the General Fund.

Recommendation - The District should account for book fairs within the General Fund.

Response - The District will run all book fairs through the general fund.

Conclusion - Response accepted.

- II-Q-15 Financial Condition - At June 30, 2015, the Enterprise, School Nutrition fund had a deficit unrestricted net position of \$72,586 and a deficit total net position of \$47,664, the governmental activities had a deficit unrestricted net position of \$9,433 and the Student

Activity Fund had two accounts with a combined deficit unassigned fund balance of \$4,707. The primary reason for these 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. The District should investigate alternatives to eliminate the deficit accounts in the Student Activity Fund.

Response - The District will work on educating District administration and the Board of Education on GASB Statements No. 68 and 71. The District administration is aware of the deficit accounts and has made improvements to purchase order procedures and ordering procedures to eliminate Student Activity accounts from running deficit.

Conclusion - Response accepted.