

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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Knoxville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Leslie Miller	President	2015
Mike Helle	Vice President	2015
Tim McDonald	Board Member	2015
Michael Moats	Board Member	2017
Andrew Schmidt	Board Member	2017
School Officials		
Cassi Murra	Superintendent	2015
Craig Mobley	Business Manager, District Secretary/Treasurer	2015
Drew Bracken	Attorney	2015

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Knoxville 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 Knoxville Community School District, Knoxville, 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 Knoxville 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 15 to the financial statements, Knoxville Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 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 Knoxville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 23, 2016 on our consideration of Knoxville 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 Knoxville Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

February 23, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Knoxville 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 \$18,098,452 in fiscal year 2014 to \$17,822,316 in fiscal year 2015, while General Fund expenditures increased from \$18,254,010 in fiscal year 2014 to \$18,262,456 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$1,934,329 at June 30, 2014 to a balance of \$1,494,189 at June 30, 2015, a 22.75% decrease from the prior year.
- The decrease in General Fund revenues was primarily attributable to decreases in local sources in fiscal year 2015. The increase in expenditures was due primarily to an increase in expenses in the instruction function.
- The District's solvency ratio decreased as compared to fiscal year 2014. At June 30, 2015 the District's solvency ratio was 5.66% as compared to 6.72% at June 30, 2014.

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

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

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

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

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

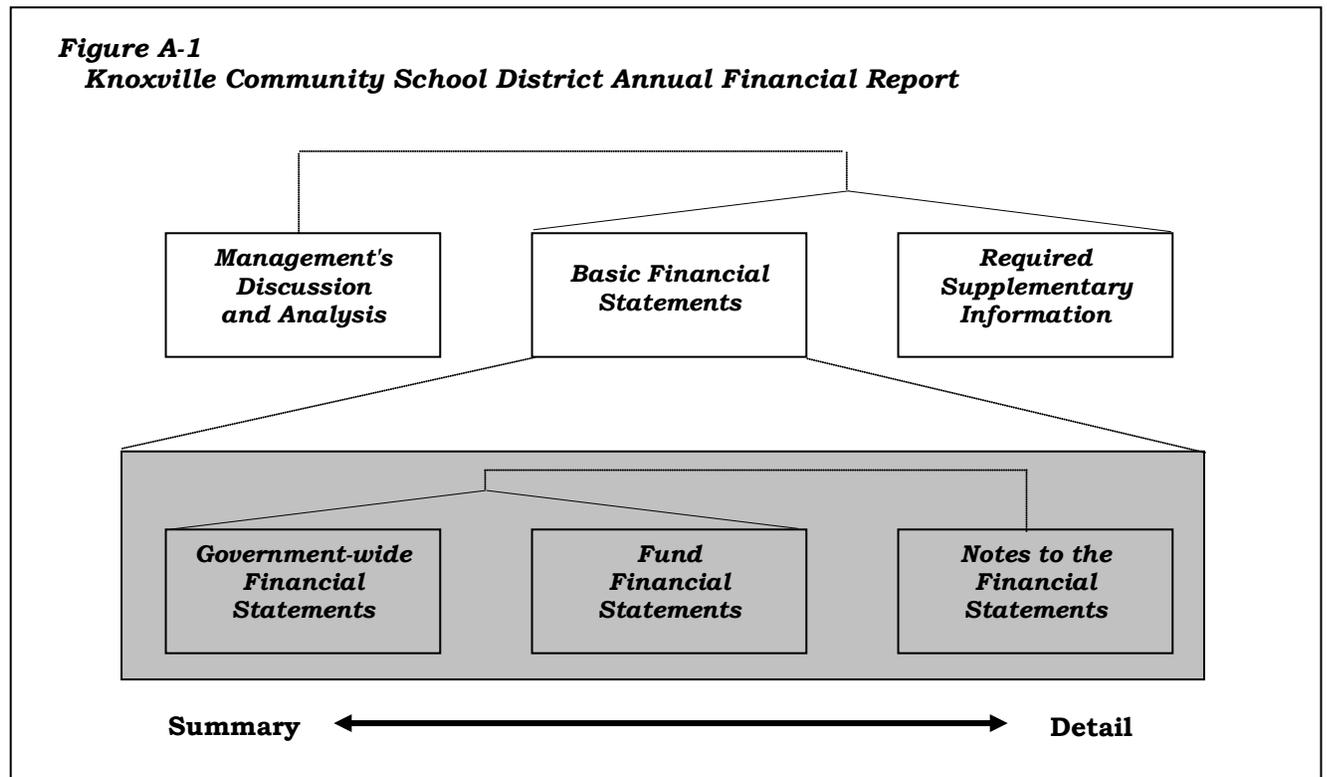


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of 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 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 the 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. 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 funds, another type of proprietary fund, are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has two internal service funds: Health Insurance and Self-funded Dental Insurance.

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 the Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for Flex Spending accounts and related expenditures.

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 School District		Total Change
	June 30, 2014 (Not restated) 2015		June 30, 2014 (Not restated) 2015		June 30, 2014 (Not restated) 2015		June 30, 2014-15
Current and other assets	\$ 13,374,725	12,887,585	481,218	495,455	13,855,943	13,383,040	3.53%
Capital assets	22,591,379	22,739,094	177,051	202,764	22,768,430	22,941,858	-0.76%
Total assets	35,966,104	35,626,679	658,269	698,219	36,624,373	36,324,898	0.82%
Deferred outflows of resources	1,473,587	-	42,340	-	1,515,927	-	100.00%
Long-term liabilities	18,018,873	12,142,561	209,631	21,904	18,228,504	12,164,465	49.85%
Other liabilities	2,331,267	2,099,439	72,777	69,661	2,404,044	2,169,100	10.83%
Total liabilities	20,350,140	14,242,000	282,408	91,565	20,632,548	14,333,565	43.95%
Deferred inflows of resources	8,447,396	5,700,169	71,517	-	8,518,913	5,700,169	49.45%
Net position:							
Net investment in capital assets	13,816,379	13,474,094	177,051	202,764	13,993,430	13,676,858	2.31%
Restricted	3,171,553	3,578,561	-	-	3,171,553	3,578,561	-11.37%
Unrestricted	(8,345,777)	(1,368,145)	169,633	403,890	(8,176,144)	(964,255)	747.92%
Total net position	\$ 8,642,155	15,684,510	346,684	606,654	8,988,839	16,291,164	-44.82%

The District's combined net position decreased by 44.82%, or \$7,302,325, over the prior year. The largest portion of the District's net position is the 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 decreased \$407,008, or 11.37%, over the prior year. This decrease was primarily due to a decrease in the amount restricted for Student Activities, and the General Fund categorical funding.

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 \$7,211,889, or 747.92%. This decrease 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 \$7,557,545 and \$226,517, 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 School District		Total Change 2014-15
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
	Revenues:						
Program revenues:							
Charges for services	\$ 1,104,191	1,093,115	361,398	368,205	1,465,589	1,461,320	0.29%
Operating grants and contributions and restricted interest	1,538,021	1,674,528	458,066	497,999	1,996,087	2,172,527	-8.12%
Capital grants and contributions and restricted interest	15,005	24,960	-	-	15,005	24,960	-39.88%
General revenues:							
Property tax	5,723,274	5,495,091	-	-	5,723,274	5,495,091	4.15%
Income surtax	467,570	528,376	-	-	467,570	528,376	-11.51%
Statewide sales, services and use tax	1,706,395	1,592,103	-	-	1,706,395	1,592,103	7.18%
Unrestricted state grants	10,740,317	10,675,692	-	-	10,740,317	10,675,692	0.61%
Unrestricted investment earnings	217	1,554	9	8	226	1,562	-85.53%
Other	152,475	207,214	7,249	9,798	159,724	217,012	-26.40%
Total revenues	21,447,465	21,292,633	826,722	876,010	22,274,187	22,168,643	0.48%
Program expenses:							
Instructional	13,557,296	13,996,237	-	-	13,557,296	13,996,237	-3.14%
Support services	5,642,004	6,294,647	9,962	4,409	5,651,966	6,299,056	-10.27%
Non-instructional programs	-	-	850,213	879,511	850,213	879,511	-3.33%
Other expenses	1,732,975	1,631,320	-	-	1,732,975	1,631,320	6.23%
Total expenses	20,932,275	21,922,204	860,175	883,920	21,792,450	22,806,124	-4.44%
Changes in net position	515,190	(629,571)	(33,453)	(7,910)	481,737	(637,481)	-175.57%
Net position beginning of year, as restated	8,126,965	16,314,081	380,137	614,564	8,507,102	16,928,645	-49.75%
Net position end of year	\$ 8,642,155	15,684,510	346,684	606,654	8,988,839	16,291,164	-44.82%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.90% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.12% of the revenue from business type activities.

The District's total revenues were approximately \$22.27 million of which approximately \$21.45 million was for governmental activities and approximately \$0.83 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.48% increase in revenues and a 4.44% decrease in expenses. Revenues increased as a result of an increase in funding from state sources. Expenses decreased due to a decrease in the instruction and support services functional areas in the major governmental funds.

Governmental Activities

Revenues for governmental activities were \$21,447,465 and expenses were \$20,932,275.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
		(Not restated)			(Not restated)	
Instruction	\$ 13,557,296	13,996,237	-3.14%	11,675,349	11,938,307	-2.20%
Support services	5,642,004	6,294,647	-10.37%	5,578,614	6,264,788	-10.95%
Other expenses	1,732,975	1,631,320	6.23%	1,021,095	926,506	10.21%
Totals	<u>\$ 20,932,275</u>	<u>21,922,204</u>	<u>-4.52%</u>	<u>18,275,058</u>	<u>19,129,601</u>	<u>-4.47%</u>

- The cost financed by users of the District's programs was \$1,104,191.
- Federal, state governments and other donors subsidized certain programs with grants and contributions totaling \$1,553,026.
- The net cost of governmental activities was financed with \$5,723,274 in property tax, \$467,570 in income surtax, \$1,706,395 in statewide sales, services and use tax, \$10,740,317 in unrestricted state grants, \$217 in interest income and \$152,475 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$826,722 and expenses were \$860,175. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of

\$4,424,953, below last year's ending fund balance of \$4,613,314. The primary reason for the decrease in combined fund balance in fiscal year 2015 is due to the decreased revenues in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased due to a decrease in local source revenues. The increase in expenses was due to an increase in instruction functional expenses.
- The Capital Projects Fund balance increased from a balance of \$907,183 at June 30, 2014 to \$1,177,372 at June 30, 2015. The increase was due to an increase in revenues during the year.
- The Debt Service Fund balance increased from a balance of \$1,364,667 at June 30, 2014 to \$1,371,259 at June 30, 2015.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from a restated \$380,137 at July 1, 2014 to \$346,684 at June 30, 2015, representing a decrease of 8.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$335,647 less than budgeted revenues, a variance of 1.48%. The most significant positive variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$22,768,430, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.76% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,013,913.

The original cost of the District's capital assets was \$35,361,752. Governmental funds account for \$34,619,746 with the remainder of \$742,006 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$76,758 at June 30, 2015, compared to \$11,606 at June 30, 2014. This increase is the result of costs incurred in the design stage of a new addition.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2014-15
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
Land	\$ 63,966	63,966	-	-	63,966	63,966	0.00%
Construction in progress	76,758	11,606	-	-	76,758	11,606	561.36%
Buildings	21,490,379	21,774,208	-	-	21,490,379	21,774,208	-1.30%
Machinery and equipment	960,276	889,314	177,051	202,764	1,137,327	1,092,078	4.14%
Total	\$ 22,591,379	22,739,094	177,051	202,764	22,768,430	22,941,858	-0.76%

Long-Term Debt

At June 30, 2015, the District had \$18,228,504 in general obligation and other long-term debt outstanding. This represents an increase of 49.85% 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 outstanding revenue bonds of \$8,775,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and use Tax Fund.

The District had outstanding computer lease of \$910,010 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$1,295,518 at June 30, 2015.

The District had a net pension liability of \$6,444,204 at of June 30, 2015. Of this \$6,256,677 was attributable to the governmental activities of the District with the remaining \$187,527 attributable to the business type activities of the District.

The District had a Net OPEB liability of \$803,772 as of June 30, 2015. Of this \$781,668 was attributable to the governmental activities of the District with the remaining \$22,104 attributable to the business type activities of the District.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total Change June 30, 2014-15
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenue bonds	\$ 8,775,000	9,265,000	-	-	8,775,000	9,265,000	-5.29%
Computer lease	910,010	197,592	-	-	910,010	197,592	360.55%
Termination benefits	1,295,518	1,902,460	-	-	1,295,518	1,902,460	-31.90%
Net pension liability	6,256,677	-	187,527	-	6,444,204	-	100.00%
Net OPEB liability	781,668	777,509	22,104	21,904	803,772	799,413	0.55%
Total	\$ 18,018,873	12,142,561	209,631	21,904	18,228,504	12,164,465	49.85%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Iowa school funding formula is highly dependent upon student enrollment. Current and projected declines in enrollment will continue to negatively impact the District's revenues while costs are expected to increase.
- The State of Iowa has set the supplemental state aid for fiscal year 2016 at 1.25%, but has not set the supplemental state aid for fiscal year 2017 and beyond. The District's inability to predict future revenues will continue to have a significant impact on future budget decisions.
- The condition of the national, state and local economies directly affects the future economics of the school. Actions taken at both the national and state level affect education funding.

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 Craig Mobley, District Secretary/Treasurer and Business Manager, Knoxville Community School District, 309 W Main, Knoxville, Iowa, 50138.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,077,662	405,446	6,483,108
Receivables:			
Property tax:			
Delinquent	90,172	-	90,172
Succeeding year	6,061,279	-	6,061,279
Income surtax	431,277	-	431,277
Accounts	11,086	45,505	56,591
Due from other governments	507,220	-	507,220
Inventories	-	30,267	30,267
Prepaid expenses	196,029	-	196,029
Capital assets, net of accumulated depreciation	22,591,379	177,051	22,768,430
TOTAL ASSETS	35,966,104	658,269	36,624,373
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,473,587	42,340	1,515,927
LIABILITIES			
Accounts payable	388,960	-	388,960
Salaries and benefits payable	1,819,890	59,824	1,879,714
Interest payable	122,417	-	122,417
Unearned revenue	-	12,953	12,953
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	500,000	-	500,000
Computer lease payable	309,228	-	309,228
Termination benefit payable	631,880	-	631,880
Portion due after one year:			
Revenue bonds payable	8,275,000	-	8,275,000
Computer lease payable	600,782	-	600,782
Termination benefit payable	663,638	-	663,638
Net pension liability	6,256,677	187,527	6,444,204
Net OPEB liability	781,668	22,104	803,772
TOTAL LIABILITIES	20,350,140	282,408	20,632,548
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,061,279	-	6,061,279
Pension related deferred inflows	2,386,117	71,517	2,457,634
TOTAL DEFERRED INFLOWS OF RESOURCES	8,447,396	71,517	8,518,913
NET POSITION			
Net investment in capital assets	13,816,379	177,051	13,993,430
Restricted for:			
Categorical funding	525,009	-	525,009
Debt service	1,248,842	-	1,248,842
School infrastructure	1,019,961	-	1,019,961
Physical plant and equipment levy	157,411	-	157,411
Student activities	220,330	-	220,330
Unrestricted	(8,345,777)	169,633	(8,176,144)
TOTAL NET POSITION	\$ 8,642,155	346,684	8,988,839

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE 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	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,169,297	391,431	90,338	-	(7,687,528)	-	(7,687,528)
Special	2,430,460	85,784	121,211	-	(2,223,465)	-	(2,223,465)
Other	2,957,539	597,060	596,123	-	(1,764,356)	-	(1,764,356)
	<u>13,557,296</u>	<u>1,074,275</u>	<u>807,672</u>	<u>-</u>	<u>(11,675,349)</u>	<u>-</u>	<u>(11,675,349)</u>
Support services:							
Student	339,171	-	-	-	(339,171)	-	(339,171)
Instructional staff	574,388	26,441	8,580	-	(539,367)	-	(539,367)
Administration	2,116,418	-	-	-	(2,116,418)	-	(2,116,418)
Operation and maintenance of plant	1,787,023	-	-	15,005	(1,772,018)	-	(1,772,018)
Transportation	825,004	3,475	9,889	-	(811,640)	-	(811,640)
	<u>5,642,004</u>	<u>29,916</u>	<u>18,469</u>	<u>15,005</u>	<u>(5,578,614)</u>	<u>-</u>	<u>(5,578,614)</u>
Long-term debt interest	245,294	-	-	-	(245,294)	-	(245,294)
Other expenses:							
AEA flowthrough	711,880	-	711,880	-	-	-	-
Depreciation(unallocated)*	775,801	-	-	-	(775,801)	-	(775,801)
	<u>1,487,681</u>	<u>-</u>	<u>711,880</u>	<u>-</u>	<u>(775,801)</u>	<u>-</u>	<u>(775,801)</u>
Total governmental activities	<u>20,932,275</u>	<u>1,104,191</u>	<u>1,538,021</u>	<u>15,005</u>	<u>(18,275,058)</u>	<u>-</u>	<u>(18,275,058)</u>
Business type activities:							
Support services:							
Administration	596	-	-	-	-	(596)	(596)
Operation and maintenance of plant	9,366	-	-	-	-	(9,366)	(9,366)
Non-instructional programs:							
Food service operations	846,932	361,398	458,066	-	-	(27,468)	(27,468)
Total business type activities	<u>856,894</u>	<u>361,398</u>	<u>458,066</u>	<u>-</u>	<u>-</u>	<u>(37,430)</u>	<u>(37,430)</u>
Total	<u>\$ 21,789,169</u>	<u>1,465,589</u>	<u>1,996,087</u>	<u>15,005</u>	<u>(18,275,058)</u>	<u>(37,430)</u>	<u>(18,312,488)</u>
General Revenues:							
Property tax for:							
General purposes				\$ 5,333,682	-		5,333,682
Capital outlay				389,592	-		389,592
Income surtax				467,570	-		467,570
Statewide sales, services and use tax				1,706,395	-		1,706,395
Unrestricted state grants				10,740,317	-		10,740,317
Unrestricted investment earnings				217	9		226
Other general revenues				152,475	7,249		159,724
Total general revenues				<u>18,790,248</u>	<u>7,258</u>		<u>18,797,506</u>
Change in net position before loss on disposal				515,190	(30,172)		485,018
Loss on disposal of assets				-	(3,281)		(3,281)
Changes in net position				515,190	(33,453)		481,737
Net position beginning of year, as restated				8,126,965	380,137		8,507,102
Net position end of year				<u>\$ 8,642,155</u>	<u>346,684</u>		<u>8,988,839</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 3,275,992	944,539	1,371,259	380,439	5,972,229
Receivables:					
Property tax:					
Delinquent	75,650	4,450	-	10,072	90,172
Succeeding year	4,819,752	391,526	-	850,001	6,061,279
Income surtax	431,277	-	-	-	431,277
Accounts	4,241	-	-	6,845	11,086
Due from other governments	242,863	264,357	-	-	507,220
Due from other funds	53,096	-	-	-	53,096
TOTAL ASSETS	\$ 8,902,871	1,604,872	1,371,259	1,247,357	13,126,359
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 339,060	35,974	-	13,926	388,960
Salaries and benefits payable	1,818,593	-	-	1,297	1,819,890
Total liabilities	2,157,653	35,974	-	15,223	2,208,850
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,819,752	391,526	-	850,001	6,061,279
Income surtax	431,277	-	-	-	431,277
Total deferred inflows of resources	5,251,029	391,526	-	850,001	6,492,556
Fund balances:					
Restricted for:					
Categorical funding	525,009	-	-	-	525,009
Debt service	-	-	1,371,259	-	1,371,259
School infrastructure	-	1,019,961	-	-	1,019,961
Physical plant and equipment	-	157,411	-	-	157,411
Management levy purposes	-	-	-	171,673	171,673
Student activities	-	-	-	220,330	220,330
Unassigned:					
General	969,180	-	-	-	969,180
Student activities	-	-	-	(9,870)	(9,870)
Total fund balances	1,494,189	1,177,372	1,371,259	382,133	4,424,953
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,902,871	1,604,872	1,371,259	1,247,357	13,126,359

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE 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)	\$	4,424,953
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		22,591,379
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		248,366
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		431,277
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.		(122,417)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,473,587	
Deferred inflows of resources	<u>(2,386,117)</u>	(912,530)
Long-term liabilities, including bonds payable, termination benefit payable, net pension liability, computer lease payable 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>(18,018,873)</u>
Net position of governmental activities(page 18)	\$	<u>8,642,155</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,997,288	389,592	-	846,615	6,233,495
Tuition	387,580	-	-	-	387,580
Other	179,787	30,333	92	679,037	889,249
State sources	11,737,637	1,711,419	-	10,712	13,459,768
Federal sources	520,024	-	-	-	520,024
Total revenues	17,822,316	2,131,344	92	1,536,364	21,490,116
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,448,607	710,010	-	693,075	8,851,692
Special	2,584,678	-	-	-	2,584,678
Other	2,392,391	-	-	604,585	2,996,976
	12,425,676	710,010	-	1,297,660	14,433,346
Support services:					
Student	415,557	-	-	-	415,557
Instructional staff	417,582	190,000	-	-	607,582
Administration	2,122,742	3,383	-	1,123	2,127,248
Operation and maintenance of plant	1,544,131	10,000	-	262,448	1,816,579
Transportation	624,888	80,658	-	135	705,681
	5,124,900	284,041	-	263,706	5,672,647
Capital outlay	-	834,874	-	-	834,874
Long-term debt:					
Principal	-	-	687,592	-	687,592
Interest and fiscal charges	-	-	248,148	-	248,148
	-	-	935,740	-	935,740
Other expenditures:					
AEA flowthrough	711,880	-	-	-	711,880
	711,880	-	-	-	711,880
Total expenditures	18,262,456	1,828,925	935,740	1,561,366	22,588,487
Excess(Deficiency) of revenues over over(under) expenditures	(440,140)	302,419	(935,648)	(25,002)	(1,098,371)
Other financing sources(uses):					
Transfer in	-	-	942,240	-	942,240
Transfer out	-	(942,240)	-	-	(942,240)
Proceeds from computer lease	-	910,010	-	-	910,010
Total other financing sources(uses)	-	(32,230)	942,240	-	910,010
Change in fund balances	(440,140)	270,189	6,592	(25,002)	(188,361)
Fund balance beginning of year	1,934,329	907,183	1,364,667	407,135	4,613,314
Fund balance end of year	\$ 1,494,189	1,177,372	1,371,259	382,133	4,424,953

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ (188,361)

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

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

Capital outlays	\$ 820,550	
Depreciation expense	<u>(968,265)</u>	(147,715)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 122,360

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments and issuances are as follows:

Issued	(910,010)	
Repaid	<u>687,592</u>	(222,418)

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. 2,854

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. (42,651)

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. 908,308

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	606,942	
Pension expense	(519,970)	
Other postemployment benefits	<u>(4,159)</u>	<u>82,813</u>

Changes in net position of governmental activities(page 19) \$ 515,190

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise: Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 405,446	105,433
Accounts receivable	45,505	-
Inventories	30,267	-
Prepaid expenses	-	196,029
Capital assets, net of accumulated depreciation	177,051	-
TOTAL ASSETS	658,269	301,462
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	42,340	-
LIABILITIES		
Due to other funds	-	53,096
Salaries and benefits payable	59,824	-
Unearned revenue	12,953	-
Net pension liability	187,527	-
Net OPEB liability	22,104	-
TOTAL LIABILITIES	282,408	53,096
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	71,517	-
NET POSITION		
Invested in capital assets	177,051	-
Unrestricted	169,633	248,366
TOTAL NET POSITION	\$ 346,684	248,366

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 361,398	-
Miscellaneous	7,249	2,519,808
TOTAL OPERATING REVENUES	368,647	2,519,808
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	-	2,397,448
Services	596	-
Operation and maintenance of plant:		
Services	9,366	-
	9,962	2,397,448
Non-instructional programs:		
Food service operations:		
Salaries	305,530	-
Benefits	106,734	-
Services	650	-
Supplies	388,370	-
Depreciation	45,648	-
	846,932	-
TOTAL OPERATING EXPENSES	856,894	2,397,448
OPERATING INCOME(LOSS)	(488,247)	122,360
NON-OPERATING REVENUES:		
State sources	6,648	-
Federal sources	451,418	-
Interest on investments	9	-
TOTAL NON-OPERATING REVENUES	458,075	-
Change in net position before loss on disposal	(30,172)	122,360
Loss on disposal of assets	(3,281)	-
Change in net position	(33,453)	122,360
Net position beginning of year, as restated	380,137	126,006
Net position end of year	\$ 346,684	248,366

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 343,310	-
Cash received from miscellaneous	7,249	2,519,808
Cash payments to employees for services	(418,314)	-
Cash payments to suppliers for goods or services	(341,511)	(2,597,472)
Net cash used in operating activities	<u>(409,266)</u>	<u>(77,664)</u>
Cash flows from non-capital financing activities:		
Interfund loan borrowings	-	53,096
State grants received	6,648	-
Federal grants received	389,628	-
Net cash provided by non-capital financing activities	<u>396,276</u>	<u>53,096</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(23,216)</u>	-
Cash flows from investing activities:		
Interest on investments	<u>9</u>	-
Net decrease in cash and pooled investments	(36,197)	(24,568)
Cash and pooled investments at beginning of year	<u>441,643</u>	<u>130,001</u>
Cash and pooled investments at end of year	<u>\$ 405,446</u>	<u>105,433</u>
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating income(loss)	\$ (488,247)	122,360
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	61,790	-
Depreciation	45,648	-
Increase in inventories	(4,168)	-
Increase in accounts receivable	(17,792)	-
Increase in prepaid expenses	-	(196,029)
Decrease in accounts payable	(151)	(3,995)
Increase in salaries and benefits payable	3,563	-
Increase in net pension liability	187,527	-
Increase in deferred outflows of resources	(14,710)	-
Decrease in deferred inflows of resources	(182,630)	-
Decrease in unearned revenue	(296)	-
Increase in other postemployment benefits	200	-
Net cash used in operating activities	<u>\$ (409,266)</u>	<u>(77,664)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$61,790.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	<u>\$ 10,180</u>	<u>1,653</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>1,653</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 10,180</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions:		
Local sources:		
Gifts and contributions	\$	-
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		-
Change in net position		-
Net position beginning of year		<u>10,180</u>
Net position end of year	\$	<u><u>10,180</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Knoxville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Knoxville, Iowa, and the predominate agricultural territory in Marion County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Knoxville 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 Knoxville 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 Marion 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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes 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 help by the District as an agent for individuals, private organizations and other governments. 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, Machinery, 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	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
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	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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 unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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.

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District’s deposits 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 and the Treasurer of the State of Iowa; 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 \$1,672,006 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Note 3. 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	<u>\$ 942,240</u>

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

Note 4. Due From and Due To Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Fund: Health Insurance	<u>\$ 53,096</u>

The Internal Service Fund: Health Insurance is repaying the General Fund for expenses unreimbursed by year end.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 740,623	23,216	21,833	742,006
Less accumulated depreciation	537,859	45,648	18,552	564,955
Business type activities capital assets, net	<u>\$ 202,764</u>	<u>(22,432)</u>	<u>3,281</u>	<u>177,051</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,966	-	-	63,966
Construction in progress	11,606	76,758	11,606	76,758
Total capital assets not being depreciated	<u>75,572</u>	<u>76,758</u>	<u>11,606</u>	<u>140,724</u>
Capital assets being depreciated:				
Buildings	30,410,473	491,972	-	30,902,445
Machinery and equipment	3,392,902	263,426	79,751	3,576,577
Total capital assets being depreciated	<u>33,803,375</u>	<u>755,398</u>	<u>79,751</u>	<u>34,479,022</u>
Less accumulated depreciation for:				
Buildings	8,636,265	775,801	-	9,412,066
Machinery and equipment	2,503,588	192,464	79,751	2,616,301
Total accumulated depreciation	<u>11,139,853</u>	<u>968,265</u>	<u>79,751</u>	<u>12,028,367</u>
Total capital assets being depreciated, net	<u>22,663,522</u>	<u>(212,867)</u>	<u>-</u>	<u>22,450,655</u>
Governmental activities capital assets, net	<u>\$ 22,739,094</u>	<u>(136,109)</u>	<u>11,606</u>	<u>22,591,379</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 58,880
Support services:	
Student	293
Administration	872
Operation and maintenance of plant	27,177
Transportation	<u>105,242</u>
Unallocated depreciation	<u>775,801</u>
Total governmental activities depreciation expense	<u>\$ 968,265</u>
Business type activities:	
Food service operations	<u>\$ 45,648</u>

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 9,265,000	-	490,000	8,775,000	500,000
Computer Lease	197,592	910,010	197,592	910,010	309,228
Termination benefits	1,902,460	79,449	686,391	1,295,518	631,880
Net pension liability	8,479,411	-	2,222,734	6,256,677	-
Net OPEB liability	777,509	4,159	-	781,668	-
Total	\$ 20,621,972	993,618	3,596,717	18,018,873	1,441,108
Business Type Activities:					
Net pension liability	\$ 254,147	-	66,620	187,527	-
Net OPEB liability	21,904	200	-	22,104	-
Total	\$ 276,051	200	66,620	209,631	-

Revenue Bonds Payable

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

Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.50	% \$ 145,000	103,225	1.00	% \$ 355,000	136,413	\$ 500,000	239,638	739,638
2017	2.50	150,000	99,537	1.00	355,000	132,862	505,000	232,399	737,399
2018	2.75	150,000	95,600	1.20	360,000	128,928	510,000	224,528	734,528
2019	3.00	155,000	91,212	1.45	365,000	124,121	520,000	215,333	735,333
2020	3.25	160,000	86,287	1.75	370,000	118,238	530,000	204,525	734,525
2021-2025	3.50-4.10	900,000	337,140	2.00-2.70	1,960,000	469,319	2,860,000	806,459	3,666,459
2026-2030	4.20-4.50	1,115,000	128,600	2.90-3.25	2,235,000	181,140	3,350,000	309,740	3,659,740
Total		\$ 2,775,000	941,601		\$ 6,000,000	1,291,021	\$ 8,775,000	2,232,622	11,007,622

The District has pledged future statewide sales, services and use tax revenue to repay the \$3,055,000 and \$6,550,000 bonds issued in June 1, 2011 and June 1, 2012 respectively. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 43% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$11,007,622. For the current year, principal and interest paid on the bonds was \$736,725 and statewide sales, services and use tax revenue were \$1,706,395.

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

- a) \$749,213 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Computer Lease Payable

On June 15, 2015, the District entered into a lease agreement with Apple for computers for the District’s one on one initiative. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Lease of June 15, 2015				
	Interest Rates		Principal	Interest	Total
2016	2.20	% \$	309,228	1,112	310,340
2017	2.20		297,123	13,217	310,340
2018	2.20		303,659	6,681	310,340
Total			\$ 910,010	21,010	931,020

Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five. Eligible employees must be an employee of the District for at least 10 years. Employees must complete an application which is required to be approved by the Board of Education.

In previous years, the District offered three different early retirement incentives. The first pays the employee 100% of their contracted annual salary (exclusive of supplemental pay or extended contract pay) over the three years following retirement to a tax-sheltered annuity. The second pays for four years of the retiree’s health insurance and pays the employee 50% of their contracted annual salary (exclusive of supplemental pay or extended contract pay) over the three years following retirement to a tax-sheltered annuity. The third pays for seven years of the retiree’s health insurance.

For the fiscal year 2015 retiree, the District offered an early retirement incentive of 100% of their contracted annual salary (exclusive of supplemental pay or extended contract pay) over the three years following retirement to a tax-sheltered annuity.

At June 30, 2015, the District has obligations to 43 participants with a total liability of \$1,295,518. Early retirement benefits paid during the year ended June 30, 2015, totaled \$686,391. A liability has been recorded in the government-wide financial statements representing the District’s commitment to fund non-current early retirement.

Note 7. Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the

member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$933,705.

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 \$6,444,204 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 0.159231 percent, which was an increase of 0.004982 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$535,554. 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	\$ 70,036	\$ -
Changes of assumptions	284,397	-
Net difference between projected and actual earnings on pension plan investments	-	2,457,634
Changes in proportion and differences between District contributions and proportionate share of contributions	227,789	-
District contributions subsequent to the measurement date	933,705	-
Total	\$ 1,515,927	\$ 2,457,634

\$933,705 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	\$ (478,375)
2017	(478,375)
2018	(478,375)
2019	(478,375)
2020	38,088
	<u>\$ (1,875,412)</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	100%	

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	\$ 12,176,143	\$ 6,444,204	\$ 1,605,854

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 \$120,711 for legally required employer contributions and \$80,429 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 208 active and 24 retired members in the plan. Retirees are able to remain on the District's plan until they reach the age of 65.

The medical/prescription drug benefit, which is a fully-funded medical plan, is administered by 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. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

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

Annual required contribution	\$	189,162
Interest on net OPEB obligation		19,985
Adjustment to annual required contribution		(78,524)
Annual OPEB cost (expense)		<u>130,623</u>
Contributions made		<u>(126,264)</u>
Increase in net OPEB obligation		4,359
Net OPEB obligation - beginning of year		<u>799,413</u>
Net OPEB obligation - end of year	\$	<u><u>803,772</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 161,054	45.9 %	\$ 705,899
2014	159,844	41.5	799,413
2015	130,623	96.7	803,772

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$0.782 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.782 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.695 million, and the ratio of the UAAL to the covered payroll was 8.1%. As of June 30, 2015, there were no trust fund assets.

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

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

As of July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Projected claim costs of the medical plan are \$714 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Deficit Fund Balance

For the year ended June 30, 2015 the Student Activity Fund had a deficit unassigned fund balance of \$9,870 and the governmental activities had a deficit unrestricted net position of \$8,345,777.

Note 10. Budget Overexpenditure

During the year ended June 30, 2015, the District exceeded its certified budget in the instruction functional area.

Note 11. Risk Management

The District has a self-funded dental insurance plan. Total out of pocket expense per participant is \$1,000. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$105,433 at June 30, 2015.

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

Note 12. 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 \$711,880 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 13. Categorical Funding

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

Program	Amount
Gifted and talented programs	\$ 118,447
Teacher salary supplement	54,977
Statewide voluntary preschool	342,634
Teacher leadership grants	8,951
Total	<u>\$ 525,009</u>

Note 14. Construction Commitment

The District has entered into various contracts totaling \$6,463,499. As of June 30, 2015, costs of \$76,758 had been incurred against the contracts. The balance remaining at June 30, 2015 will be paid as work on the project progresses.

Note 15. 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	\$ 15,684,510	\$ 606,654
Net pension liability at June 30, 2014	(8,479,411)	(254,147)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	921,866	27,630
Net position July 1, 2014, as restated	<u>\$ 8,126,965</u>	<u>\$ 380,137</u>

Note 16. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Net Investment in Capital Assets</u>	<u>Management Levy Purposes</u>	<u>Debt Service</u>	<u>Unassigned/ Restricted Balances</u>
Fund Balance (Exhibit C)	\$ -	171,673	1,371,259	969,180
Capital assets	22,591,379	-	-	-
Revenue bond proceeds expended for capital assets	(8,775,000)	-	-	-
Computer lease	-	-	-	(910,010)
Income surtax	-	-	-	431,277
Accrued interest payable	-	-	(122,417)	-
Termination benefits payable	-	(171,673)	-	(1,123,845)
Internal service	-	-	-	248,366
Unassigned student activity fund balance	-	-	-	(9,870)
Pension related deferred outflows	-	-	-	1,473,587
Net pension liability	-	-	-	(6,256,677)
Pension related deferred inflows	-	-	-	(2,386,117)
Net OPEB liability	-	-	-	(781,668)
Net position (Exhibit A)	<u>\$ 13,816,379</u>	<u>-</u>	<u>1,248,842</u>	<u>(8,345,777)</u>

REQUIRED SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,510,324	368,656	7,878,980	9,221,724	9,221,724	(1,342,744)
State sources	13,459,768	6,648	13,466,416	12,410,761	12,410,761	1,055,655
Federal sources	520,024	451,418	971,442	1,020,000	1,020,000	(48,558)
Total revenues	21,490,116	826,722	22,316,838	22,652,485	22,652,485	(335,647)
Expenditures/Expenses:						
Instruction	14,433,346	-	14,433,346	13,850,000	13,850,000	(583,346)
Support services	5,672,647	9,962	5,682,609	6,032,500	6,032,500	349,891
Non-instructional programs	-	846,932	846,932	1,200,000	1,200,000	353,068
Other expenditures	2,482,494	-	2,482,494	3,219,510	3,219,510	737,016
Total expenditures/expenses	22,588,487	856,894	23,445,381	24,302,010	24,302,010	856,629
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,098,371)	(30,172)	(1,128,543)	(1,649,525)	(1,649,525)	520,982
Other financing sources, net	910,010	(3,281)	906,729	-	-	(906,729)
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(188,361)	(33,453)	(221,814)	(1,649,525)	(1,649,525)	(1,427,711)
Balance beginning of year, as restated	4,613,314	380,137	4,993,451	4,710,218	4,710,218	283,233
Balance end of year	\$ 4,424,953	346,684	4,771,637	3,060,693	3,060,693	1,710,944

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

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

KNOXVILLE 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	0.159231%
District's proportionate share of the net pension liability	\$ 6,444
District's covered-employee payroll	\$ 10,456
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.63%
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.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 934	949	863	807	719	706	683	620	550	512
Contributions in relation to the statutorily required contribution	(934)	(949)	(863)	(807)	(719)	(706)	(683)	(620)	(550)	(512)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 10,456	10,627	9,954	10,000	10,345	10,158	10,756	10,248	9,565	8,904
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.

KNOXVILLE 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.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	1,385	1,385	0.0	9,854	14.1 %
2011	July 1, 2010	-	1,180	1,180	0.0	9,397	12.6
2012	July 1, 2010	-	1,180	1,180	0.0	8,762	13.5
2013	July 1, 2012	-	1,316	1,316	0.0	14,066	9.4
2014	July 1, 2012	-	1,222	1,222	0.0	9,456	12.9
2015	July 1, 2014	-	782	782	0.0	9,695	8.1

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 161,473	218,966	380,439
Receivables:			
Property tax:			
Delinquent	10,072	-	10,072
Succeeding year	850,001	-	850,001
Accounts	5,247	1,598	6,845
TOTAL ASSETS	\$ 1,026,793	220,564	1,247,357
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,694	9,232	13,926
Salaries and benefits payable	425	872	1,297
Total liabilities	5,119	10,104	15,223
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	850,001	-	850,001
Fund balances:			
Restricted for:			
Management levy purposes	171,673	-	171,673
Student activities	-	220,330	220,330
Unassigned	-	(9,870)	(9,870)
Total fund balances	171,673	210,460	382,133
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,026,793	220,564	1,247,357

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 846,615	-	846,615
Other	81,976	597,061	679,037
State sources	10,712	-	10,712
Total revenues	<u>939,303</u>	<u>597,061</u>	<u>1,536,364</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	693,075	-	693,075
Other	-	604,585	604,585
Support services:			
Administration	-	1,123	1,123
Operation and maintenance of plant	262,448	-	262,448
Transportation	135	-	135
Total expenditures	<u>955,658</u>	<u>605,708</u>	<u>1,561,366</u>
Change in fund balances	(16,355)	(8,647)	(25,002)
Fund balance beginning of year	<u>188,028</u>	<u>219,107</u>	<u>407,135</u>
Fund balance end of year	<u>\$ 171,673</u>	<u>210,460</u>	<u>382,133</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 755,604	188,935	944,539
Receivables:			
Delinquent	-	4,450	4,450
Succeeding year	-	391,526	391,526
Due from other governments	264,357	-	264,357
TOTAL ASSETS	\$ 1,019,961	584,911	1,604,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	35,974	35,974
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	391,526	391,526
Fund balances:			
Restricted for:			
School infrastructure	1,019,961	-	1,019,961
Physical plant and equipment	-	157,411	157,411
Total fund balances	1,019,961	157,411	1,177,372
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,019,961	584,911	1,604,872

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	389,592	389,592
Other	15	30,318	30,333
State sources	1,706,395	5,024	1,711,419
Total revenues	<u>1,706,410</u>	<u>424,934</u>	<u>2,131,344</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	710,010	-	710,010
Support services:			
Instructional staff	190,000	-	190,000
Administration	3,000	383	3,383
Operation and maintenance of plant	10,000	-	10,000
Transportation	-	80,658	80,658
Capital outlay	156,225	678,649	834,874
Total expenditures	<u>1,069,235</u>	<u>759,690</u>	<u>1,828,925</u>
Excess(Deficiency) of revenues over(under) expenditures	637,175	(334,756)	302,419
Other financing sources(uses):			
Proceeds from computer lease	910,010	-	910,010
Transfer out	(942,240)	-	(942,240)
Total other financing sources(uses)	<u>(32,230)</u>	<u>-</u>	<u>(32,230)</u>
Change in fund balances	604,945	(334,756)	270,189
Fund balances beginning of year	<u>415,016</u>	<u>492,167</u>	<u>907,183</u>
Fund balances end of year	<u>\$ 1,019,961</u>	<u>157,411</u>	<u>1,177,372</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE 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	Intrafund Transfers	Balance End of Year
<u>Academic Clubs:</u>					
HS Band	\$ (382)	6,092	1,038	465	5,137
HS Camera Club	10,246	4,405	5,697	-	8,954
HS Drama Club	696	13,224	10,449	-	3,471
HS Speech Club	(120)	-	-	120	-
HS Science Club	2,528	10,328	11,207	-	1,649
HS Vocal	8,989	66,601	71,934	-	3,656
MS Band	465	-	-	(465)	-
Knoxville Art Club	1,555	-	-	(1,479)	76
Middle Student Advisory	11,945	-	-	(11,945)	-
	<u>35,922</u>	<u>100,650</u>	<u>100,325</u>	<u>(13,304)</u>	<u>22,943</u>
<u>Athletic Support:</u>					
Baseball Club	16,502	15,434	21,655	(281)	10,000
General Athletics	-	37,935	27,935	-	10,000
Drill Team	5,186	12,535	13,916	-	3,805
Girls Softball Club	25,537	9,688	8,534	(16,691)	10,000
MS Cheerleaders	(500)	-	-	500	-
HS Cheerleaders	938	-	-	(938)	-
MS Baseball Club	(42)	-	-	42	-
Panther Basketball	5,453	24,218	21,660	-	8,011
Panther Club	(1,735)	-	-	1,735	-
Panther Football Club	11,107	24,856	37,394	1,431	-
Panther Soccer	2,719	2,962	4,426	-	1,255
Pantherette Girls	6,899	83,076	84,728	167	5,414
Panther Girls Track Club	186	-	-	-	186
Pantherette Soccer	971	340	861	-	450
Pepsi Pop Fund	3,473	-	-	(3,473)	-
MS Softball Club	968	-	-	(968)	-
Wrestling Club	1,150	1,344	1,505	-	989
Volleyball Club	12,447	11,223	8,634	(5,036)	10,000
Bowling Club	6,268	1,240	223	-	7,285
Girls Golf Club	833	2,479	3,015	-	297
Boys Golf Club	-	2,925	1,839	-	1,086
Boys Track Club	58	-	-	-	58
Tennis Club	487	1,111	1,231	-	367
Girls Cross Country	5,919	3,377	2,342	-	6,954
7th Grade Girls Basketball Club	167	-	-	(167)	-
	<u>104,991</u>	<u>234,743</u>	<u>239,898</u>	<u>(23,679)</u>	<u>76,157</u>
<u>Boys Athletics:</u>					
Baseball	(76,077)	4,710	7,168	78,535	-
Boys Basketball	58,420	11,668	6,863	(63,225)	-
Boys Cross Country	(19,861)	1,420	1,714	20,155	-
Boys Golf	(15,849)	370	2,258	17,737	-
Boys Soccer	3,225	4,461	4,873	(2,813)	-
Boys Tennis	(9,626)	240	1,382	11,029	261
Boys Track	(27,182)	3,777	6,488	29,893	-
Football	110,403	21,482	17,903	(113,982)	-
Wrestling	(16,273)	3,882	5,256	17,647	-
	<u>7,180</u>	<u>52,010</u>	<u>53,905</u>	<u>(5,024)</u>	<u>261</u>
<u>Classes:</u>					
Junior Class	3,699	13,261	10,955	-	6,005
Senior Class	2,878	1,070	1,871	-	2,077
	<u>6,577</u>	<u>14,331</u>	<u>12,826</u>	<u>-</u>	<u>8,082</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>General Athletics:</u>					
Cheerleading	(6,670)	11,473	17,711	12,908	-
Drill Team	(9,870)	-	-	-	(9,870)
HS General Athletics	(51,622)	-	-	51,622	-
State Tournament	(1,236)	-	-	1,236	-
	<u>(69,398)</u>	<u>11,473</u>	<u>17,711</u>	<u>65,766</u>	<u>(9,870)</u>
<u>Girls Athletics:</u>					
Girls Basketball	42,001	11,090	5,412	(47,679)	-
Girls Cross Country	(12,118)	60	1,604	13,662	-
Girls Golf	(12,378)	480	1,254	13,152	-
Girls Soccer	(10,716)	2,067	3,667	12,316	-
Girls Tennis	(5,759)	120	668	6,307	-
Girls Track	(28,592)	3,288	4,390	29,694	-
Softball	(40,738)	5,842	5,181	40,077	-
Volleyball	(13,437)	6,250	4,805	11,992	-
Bowling	5,360	563	204	(5,719)	-
	<u>(76,377)</u>	<u>29,760</u>	<u>27,185</u>	<u>73,802</u>	<u>-</u>
<u>Middle School Boys Athletics:</u>					
MS Baseball	(23,561)	-	-	23,561	-
MS Boys Basketball	8,263	-	-	(8,263)	-
MS Boys Track	(7,679)	-	-	7,679	-
MS Cross Country	(70)	-	-	70	-
MS Football	(30,845)	-	-	30,845	-
MS Wrestling	(3,295)	-	-	3,295	-
	<u>(57,187)</u>	<u>-</u>	<u>-</u>	<u>57,187</u>	<u>-</u>
<u>Middle School General Athletics:</u>					
MS General Athletics	13,261	-	-	(13,261)	-
<u>Middle School Girls Athletics:</u>					
MS Girls Basketball	(610)	-	-	610	-
MS Girls Track	(2,068)	-	-	2,068	-
MS Softball	(17,316)	-	-	17,316	-
MS Volleyball	5,875	-	-	(5,875)	-
	<u>(14,119)</u>	<u>-</u>	<u>-</u>	<u>14,119</u>	<u>-</u>
<u>Northstar Elementary Activities:</u>					
Northstar Activity	-	23,569	19,890	7,571	11,250
Northstar Book Fair	5,150	-	-	(5,150)	-
Northstar Resale	14,829	-	-	(14,829)	-
Northstar Student Council	2,622	-	-	(2,622)	-
Northstar Student Teachers	(72)	-	-	72	-
	<u>22,529</u>	<u>23,569</u>	<u>19,890</u>	<u>(14,958)</u>	<u>11,250</u>

KNOXVILLE 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	Intrafund Transfers	Balance End of Year
<u>Other Activities:</u>					
6th Grade Resale	62	-	-	(62)	-
7th Grade Resale	8,764	-	-	(8,764)	-
8th Grade Resale	1,842	-	-	(1,842)	-
Activity Interest	4,325	3	1,122	(3,206)	-
Middle School Activity	-	36,903	26,903	-	10,000
High School Activity	-	54,734	65,615	20,881	10,000
Collins Fund	82,402	-	394	(43,640)	38,368
Goal Activity	12,433	-	-	(12,433)	-
HS Book Fair	449	-	-	(449)	-
HS Resale	242	-	-	(242)	-
HS Student Teacher	721	-	-	(721)	-
HS Athletic Savings	1,091	-	-	(1,091)	-
HS Pepsi Pop Fund	19,468	-	-	(19,468)	-
International Club	1,040	-	-	(1,040)	-
ISJIT	2,207	1	-	(2,208)	-
K-Fund Yearbook	12,717	-	-	(12,717)	-
Middle Annual/Yearbook	(497)	-	-	497	-
Middle Resale	2,581	-	-	(2,581)	-
Middle Book Fair	2,315	-	-	(2,315)	-
National Honor Society	1,082	406	61	-	1,427
Panther Club Scholarship	12,259	19	-	-	12,278
Student Senate	7,491	-	-	(7,491)	-
Student Senate Scholarship	1,933	3	-	-	1,936
Team Nutrition Club	4,576	200	796	-	3,980
	<u>179,503</u>	<u>92,269</u>	<u>94,891</u>	<u>(98,892)</u>	<u>77,989</u>
<u>Vocational Clubs:</u>					
Construction Trades	37,539	-	-	(37,539)	-
FCCLA Account	1,419	2,158	1,179	-	2,398
FFA Account	19,082	24,068	28,031	(5,119)	10,000
Industrial Arts	698	-	-	(698)	-
	<u>58,738</u>	<u>26,226</u>	<u>29,210</u>	<u>(43,356)</u>	<u>12,398</u>
<u>West Elementary Activities:</u>					
West Activity	-	12,030	9,867	9,087	11,250
West Book Fair	811	-	-	(811)	-
West Resale	2,820	-	-	(2,820)	-
West Student Teacher	79	-	-	(79)	-
West Student Council	3,777	-	-	(3,777)	-
	<u>7,487</u>	<u>12,030</u>	<u>9,867</u>	<u>1,600</u>	<u>11,250</u>
Total	<u>\$ 219,107</u>	<u>597,061</u>	<u>605,708</u>	<u>-</u>	<u>210,460</u>

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSTION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Auditorium Project	Total
ASSETS:					
Cash and pooled investments	\$ 584	4,108	65	5,423	10,180
LIABILITIES	-	-	-	-	-
NET POSITION:					
Held in trust for scholarships	\$ 584	4,108	65	5,423	10,180

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund				Total
	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Auditorium Project	
ADDITIONS:					
Local sources:					
Gifts and contributions	\$ -	-	-	-	-
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	-	-	-	-	-
Change in net position	-	-	-	-	-
Fund balances beginning of year	584	4,108	65	5,423	10,180
Fund balances end of year	\$ 584	4,108	65	5,423	10,180

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>KCSD EMPLOYEE FLEX SPENDING</u>				
ASSETS				
Cash and pooled investments	\$ 4,113	43,268	45,728	1,653
LIABILITIES				
Due to other groups	\$ 4,113	43,268	45,728	1,653

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Self-funded		Total
	Health Insurance	Dental Insurance	
ASSETS:			
Cash and pooled investments	\$ -	105,433	105,433
Prepaid expenses	196,029	-	196,029
TOTAL ASSETS	196,029	105,433	301,462
LIABILITIES:			
Due to other funds	53,096	-	53,096
NET POSITION	\$ 142,933	105,433	248,366

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Health Insurance	Self-funded Dental Insurance	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,346,629	173,179	2,519,808
TOTAL OPERATING REVENUE	<u>2,346,629</u>	<u>173,179</u>	<u>2,519,808</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	2,230,024	167,424	2,397,448
TOTAL OPERATING EXPENSES	<u>2,230,024</u>	<u>167,424</u>	<u>2,397,448</u>
Change in net position	116,605	5,755	122,360
Fund balances beginning of year	<u>26,328</u>	<u>99,678</u>	<u>126,006</u>
Fund balances end of year	<u>\$ 142,933</u>	<u>105,433</u>	<u>248,366</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Health Insurance	Self-funded Dental Insurance	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,346,629	173,179	2,519,808
Cash payments to suppliers for goods or services	(2,430,048)	(167,424)	(2,597,472)
Net cash provided by(used in) operating activities	(83,419)	5,755	(77,664)
Cash flows from non-capital financing activities:			
Interfund loan borrowings	53,096	-	53,096
Net increase(decrease) in cash and cash equivalents	(30,323)	5,755	(24,568)
Cash and cash equivalents at beginning of year	30,323	99,678	130,001
Cash and cash equivalents at end of year	\$ -	105,433	105,433
Reconciliation of operating loss to net cash provided by(used in) operating activities:			
Operating income	\$ 116,605	5,755	122,360
Adjustments to reconcile operating loss to net cash used in operating activities:			
Increase in prepaid expenses	(196,029)	-	(196,029)
Decrease in accounts payable	(3,995)	-	(3,995)
Net cash provided by(used in) operating activities	\$ (83,419)	5,755	(77,664)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,233,495	6,012,456	7,839,881	8,003,647	7,437,632	6,974,671	7,070,071	6,370,480	6,373,520	6,436,297
Tuition	387,580	463,945	471,837	425,964	401,044	412,384	411,511	352,774	444,933	435,713
Other	889,249	928,765	917,502	838,720	1,127,701	817,801	1,105,747	817,629	951,118	900,892
Intermediate sources	-	-	-	-	-	-	-	22,141	-	-
State sources	13,459,768	13,320,846	11,805,939	11,595,516	11,277,768	9,422,841	10,973,173	10,996,970	10,383,090	9,666,649
Federal sources	520,024	555,610	539,245	865,647	942,998	1,563,222	700,204	499,102	483,871	515,121
Total	\$ 21,490,116	21,281,622	21,574,404	21,729,494	21,187,143	19,190,919	20,260,706	19,059,096	18,636,532	17,954,672
Expenditures:										
Instruction:										
Regular	\$ 8,851,692	8,013,542	7,625,345	7,569,159	7,570,307	7,723,702	7,783,173	7,274,840	6,805,524	6,232,711
Special	2,584,678	2,630,761	2,534,657	2,331,981	2,160,310	2,163,846	2,303,370	2,282,564	2,192,323	2,059,686
Other	2,996,976	2,649,923	2,572,059	2,622,649	2,473,256	2,416,091	2,331,557	2,280,792	2,223,187	2,192,156
Support services:										
Student	415,557	421,716	316,029	323,044	316,474	358,266	434,005	433,321	429,610	429,577
Instructional staff	607,582	345,592	357,123	327,500	1,647,901	319,171	394,561	415,359	396,764	389,630
Administration	2,127,248	2,035,600	1,928,285	1,886,323	2,256,071	1,934,984	2,050,703	2,130,779	1,928,616	1,859,177
Operation and maintenance of plant	1,816,579	1,876,391	1,748,813	1,635,693	1,610,774	1,655,546	1,738,269	1,581,508	1,551,750	1,514,703
Transportation	705,681	789,194	748,179	757,547	581,519	609,703	676,125	644,203	612,541	537,821
Non-instructional programs	-	-	-	-	-	-	-	-	-	100
Capital outlay	834,874	1,424,851	6,053,814	1,668,885	1,075,786	548,370	617,586	764,091	2,086,702	3,903,561
Long-term debt:										
Principal	687,592	722,131	1,151,930	3,817,002	1,365,000	1,295,000	1,250,000	1,200,000	625,000	600,000
Interest and fiscal charges	248,148	268,525	231,505	169,736	138,822	246,516	305,731	351,292	429,800	270,500
Other expenditures:										
AEA flow-through	711,880	704,814	686,596	687,382	760,660	734,903	686,326	663,042	632,385	588,615
Total	\$ 22,588,487	21,883,040	25,954,335	23,796,901	21,956,880	20,006,098	20,571,406	20,021,791	19,914,202	20,578,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 68,487
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	382,700 *
			<u>451,187</u>
TEAM NUTRITION GRANT	10.574	FY 15	<u>231</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>305,885</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>64,397</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>8,580</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY15	<u>23,052</u>
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (AIDS EDUCATION)	93.938	FY15	<u>700</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY15	<u>94,037</u>
TOTAL			<u>\$ 948,069</u>

* - Includes \$61,790 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

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

To the Board of Education of the Knoxville 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 Knoxville 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 23, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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.

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 and Questioned Costs as items II-A-15 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knoxville 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

Knoxville Community School District's Responses to Findings

Knoxville Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Knoxville 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 Knoxville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 23, 2016
Newton, Iowa

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

To the Board of Education of Knoxville Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 23, 2016
Newton, Iowa

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

Part I: Summary of the Independent Auditor's Report

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Knoxville Community School District did qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Credit Cards - We noted during our audit instances of purchases made on the District credit card that lacked a detailed receipt. This is not in compliance with the Board Policy that requires either a detailed receipt or written approval of either the Superintendent or the Board of Directors.

Recommendation - The District should review its procedures to ensure that all purchases are documented in accordance with Board policy.

Response - District will communicate to all staff that all reimbursements will require a detailed receipt.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

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

Response - The Board of Directors has formed a committee to review the negative meal account balance policies and will be making a recommendation to the board.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

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

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

Response - The District is tracking the budget on a monthly basis and will amend as needed.

Conclusion - Response accepted.

IV-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.

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

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

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

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

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by 1.3.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

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

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

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

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

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

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

Beginning balance		\$ 415,016
Revenues:		
Sales tax revenues	\$ 1,706,395	
Other local revenues	15	
Sale of long-term debt	910,010	<u>2,616,420</u>
		<u>3,031,436</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 88,312	
Equipment	971,872	
Other	9,051	
Transfers to other funds:		
Debt service fund	942,240	<u>2,011,475</u>
Ending balance		<u><u>\$ 1,019,961</u></u>

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

IV-M-15 Financial Condition - The District had one account in the Special Revenue, Student Activity Fund with deficit balance of \$9,870 at year end. The District has a deficit unrestricted net position of \$8,345,777 in the governmental activities at year end. The primary reason for the deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should investigate alternatives to eliminate the deficit account in the Student Activity Fund.

Response - The deficit balance in the Student Activity Fund will be corrected. The District will ensure that the Board of Education and Administration understand the changes to accounting going forward.

Conclusion - Response accepted.

IV-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Administratively Maintained Accounts: We noted during our audit that the District maintains accounts that appear to be administratively maintained. These accounts do not appear to be cocurricular in nature.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. These accounts are Team Nutrition and Collins Fund accounts. These accounts appear to not be student run organization accounts and should be closed and transferred to the General Fund.

Response - The District will review the accounts and make changes as necessary.

Conclusion - Response accepted.

Instructional Items: It was noted during our audit that the Northstar Activity account was used to record the revenues and expenses for Scholastic Book Fairs which were used to earn the District "Scholastic Dollars". Scholastic dollars were used to purchase books for the school library, which would be considered instructional in nature and would thus be more appropriate to the General Fund. Additionally it was noted that the Northstar Activity account was also used to pay for library licenses, which would appear to be instructional in nature and more appropriate to a different fund.

Recommendation - The District should review its coding procedures to ensure that revenues and expenses are coded appropriately during the year.

Response - The District will review expenses in the Student Activity Fund to ensure they are coded properly.

Conclusion - Response accepted.

IV-O-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 noncertified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will review its policies and develop procedures to ensure compliance with Department of Labor requirements.

Conclusion - Response accepted.