

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

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Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Robert Thoms	President	Resigned May, 2015
Timothy Becker	Vice President	Resigned February, 2015
Mark Dodd	Member, Vice President as of February, 2015, President as of May, 2015	September, 2015
Scott Warren	Member, Vice President as of May, 2015	September, 2015
Darshini Jayawardena	Member	September, 2015
Paula Recinos	Member	September, 2015
Janna Arndt	Member	September, 2017
Paul DeRoy	Member as of May, 2015	September, 2015
Jim Collins	Member as of March, 2015	September, 2015
School Officials		
Dr. Anita Micich	Superintendent	Indefinite
Ramona Jeffrey	District Secretary/Treasurer	July, 2015

Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, Mason City Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 14 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mason City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 54 through 62, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2015 on our consideration of Mason City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mason City Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 1, 2015

MASON CITY COMMUNITY SCHOOL DISTRICT
1515 South Pennsylvania Avenue
Mason City, Iowa 50401

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mason City Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

2015 FINANCIAL HIGHLIGHTS

General Fund revenue increased from \$38,393,800 in fiscal year 2014 to \$40,558,209 in fiscal year 2015, while General Fund expenditures decreased from \$41,177,021 in fiscal year 2014 to \$40,485,756 in fiscal year 2015. This resulted in an increase of \$74,249 (1.6%) in General Fund balance from \$4,510,800 in fiscal year 2014 to \$4,585,049 in fiscal year 2015.

The increase in General Fund revenue of \$2,164,409 was mainly attributable to an increase in property tax revenue. The decrease in expenditures was due primarily to a decrease in salary expenditures.

USING THE 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 Mason City Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

FIGURE A-1

**MASON CITY COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

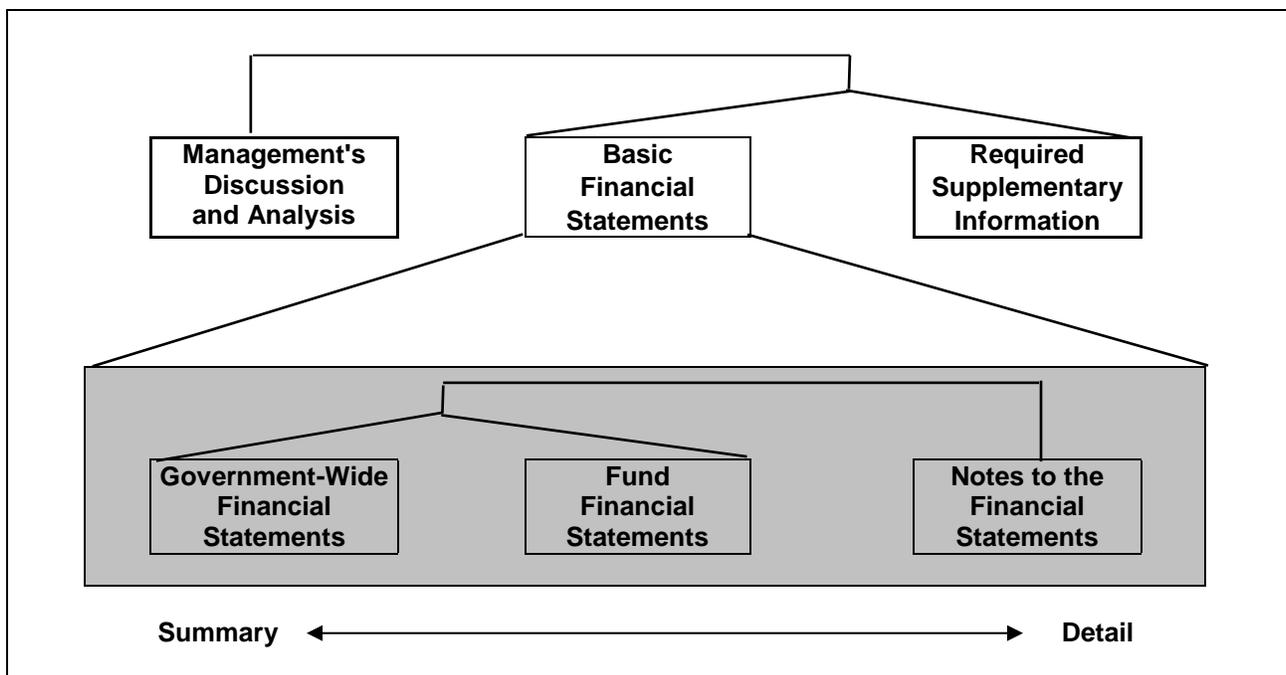


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

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 and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and agency monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law 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 revenue such as federal grants.

The District has three kinds of funds:

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

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

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

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the Self Insurance Fund.

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

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds and one Agency Fund.

Private Purpose Trust Funds - The District accounts for outside donations for scholarships for individual students in these funds.

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 District employee purchases of pop 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 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

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

FIGURE A-3

MASON CITY COMMUNITY SCHOOL DISTRICT CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and other assets	\$ 53,267,196	\$ 55,294,093	\$ 740,044	\$ 603,526	\$ 54,007,240	\$ 55,897,619
Capital assets	<u>71,598,949</u>	<u>65,612,908</u>	<u>802,336</u>	<u>916,711</u>	<u>72,401,285</u>	<u>66,529,619</u>
TOTAL ASSETS	<u>124,866,145</u>	<u>120,907,001</u>	<u>1,542,380</u>	<u>1,520,237</u>	<u>126,408,525</u>	<u>122,427,238</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,888,869</u>	<u>—</u>	<u>106,730</u>	<u>—</u>	<u>2,995,599</u>	<u>—</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 127,755,014</u>	<u>\$ 120,907,001</u>	<u>\$ 1,649,110</u>	<u>\$ 1,520,237</u>	<u>\$ 129,404,124</u>	<u>\$ 122,427,238</u>
Long-term liabilities	\$ 50,207,532	\$ 36,040,392	\$ 520,188	\$ —	\$ 50,727,720	\$ 36,040,392
Other liabilities	<u>8,328,543</u>	<u>6,431,010</u>	<u>36,229</u>	<u>44,547</u>	<u>8,364,772</u>	<u>6,475,557</u>
TOTAL LIABILITIES	<u>58,536,075</u>	<u>42,471,402</u>	<u>556,417</u>	<u>44,547</u>	<u>59,092,492</u>	<u>42,515,949</u>
DEFERRED INFLOWS OF RESOURCES	<u>23,462,641</u>	<u>15,511,242</u>	<u>85,313</u>	<u>—</u>	<u>23,547,954</u>	<u>15,511,242</u>
NET POSITION						
Net investment in capital assets	37,540,170	30,492,908	802,336	916,711	38,342,506	31,409,619
Restricted	17,388,629	24,318,336	—	—	17,388,629	24,318,336
Unrestricted	<u>(9,172,501)</u>	<u>8,113,113</u>	<u>205,044</u>	<u>558,979</u>	<u>(8,967,457)</u>	<u>8,672,092</u>
TOTAL NET POSITION	<u>45,756,298</u>	<u>62,924,357</u>	<u>1,007,380</u>	<u>1,475,690</u>	<u>46,763,678</u>	<u>64,400,047</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 127,755,014</u>	<u>\$ 120,907,001</u>	<u>\$ 1,649,110</u>	<u>\$ 1,520,237</u>	<u>\$ 129,404,124</u>	<u>\$ 122,427,238</u>

The District's combined net position decreased \$17.6 million, or 27.4%. The decrease is primarily due to GASB 68 as described in the following paragraphs. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$6.9 million, or 28.5%, from the prior year. The decrease was primarily a result of using restricted assets for construction costs.

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, increased approximately \$1.0 million, or 9.9%, after taking into account the GASB No. 68 adjustment discussed below. This increase in unrestricted net position was primarily a result of a decrease in the District's net pension obligation.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by \$18,078,907 and \$544,550, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position - 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
MASON CITY COMMUNITY SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-2015
REVENUE							
Program Revenue							
Charges for service	\$ 3,562,902	\$ 3,494,691	\$ 840,585	\$ 822,747	\$ 4,403,487	\$ 4,317,438	\$ 86,049
Operating grants and contributions	6,626,221	6,295,112	1,295,180	1,304,387	7,921,401	7,599,499	321,902
Capital grants and contributions	—	1,224,923	—	—	—	1,224,923	(1,224,923)
General Revenue							
Property tax	15,356,052	12,690,127	—	—	15,356,052	12,690,127	2,665,925
Statewide sales, services and use tax	3,538,576	3,056,376	—	—	3,538,576	3,056,376	482,200
Unrestricted state grants	17,603,829	17,274,016	—	—	17,603,829	17,274,016	329,813
Unrestricted investment earnings	82,060	95,912	1,207	1,059	83,267	96,971	(13,704)
Other	388,969	463,743	—	—	388,969	463,743	(74,774)
TOTAL REVENUE	47,158,609	44,594,080	2,136,972	2,128,193	49,295,581	46,723,093	2,572,488
PROGRAM EXPENSES							
Instruction	30,659,337	31,082,373	—	—	30,659,337	31,082,373	(423,036)
Support services	11,618,148	11,957,532	—	—	11,618,148	11,957,532	(339,384)
Noninstructional programs	—	—	2,060,732	2,223,444	2,060,732	2,223,444	(162,712)
Other expenses	3,970,276	3,354,183	—	—	3,970,276	3,354,183	616,093
TOTAL EXPENSES	46,247,761	46,394,088	2,060,732	2,223,444	48,308,493	48,617,532	(309,039)
CHANGE IN NET POSITION	910,848	(1,799,188)	76,240	(95,251)	987,088	(1,894,439)	2,881,527
Net Position - Beginning of Year, as restated	44,845,450	64,723,545	931,140	1,570,941	45,776,590	66,294,486	(20,517,896)
NET POSITION - END OF YEAR	\$ 45,756,298	\$ 62,924,357	\$ 1,007,380	\$ 1,475,690	\$ 46,763,678	\$ 64,400,047	\$ (17,636,369)

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for approximately 74.0% of total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 87.5% of the total expenses.

The District's total revenue was approximately \$49.3 million, of which approximately \$47.2 million was for governmental activities and \$2.1 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.5% increase in revenue and a 0.6% decrease in expenses. Property tax increased approximately \$2.7 million due to additional assessments for the instructional support levy and the management fund.

Governmental Activities

Revenue for governmental activities were \$47,158,609 and expenses were \$46,247,761, which amounted to an increase in net position of \$910,848. The following table presents the total and net cost of the District's major governmental activities: instruction, support services, noninstructional programs and other expenses.

FIGURE A-5
MASON CITY COMMUNITY SCHOOL DISTRICT
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES

	Total Cost of Services			Net Cost of Services		
	2015	2014	Per-centage Change 2014-15	2015	2014	Per-centage Change 2014-15
Instruction	\$ 30,659,337	\$ 31,082,373	(1.4)%	\$ 22,435,564	\$ 23,270,339	(3.6)%
Support services	11,618,148	11,957,532	(2.8)%	11,328,421	11,637,171	(2.7)%
Other expenses	<u>3,970,276</u>	<u>3,354,183</u>	<u>18.4 %</u>	<u>2,294,653</u>	<u>471,852</u>	<u>386.3 %</u>
TOTAL	<u>\$ 46,247,761</u>	<u>\$ 46,394,088</u>	<u>(0.3)%</u>	<u>\$ 36,058,638</u>	<u>\$ 35,379,362</u>	<u>1.9 %</u>

- The cost financed by users of the District's programs was \$3,562,902.
- Federal and state governments and local entities subsidized certain programs with operating grants and contributions totaling \$6,626,221.
- The net cost of governmental activities was financed with \$18,894,628 in property and other taxes, \$17,603,829 in unrestricted state grants and \$82,060 in unrestricted investment earnings.

Business-Type Activities

Revenue for the District's business-type activities was \$2,136,972, representing a 0.4% increase from the prior year and expenses were \$2,060,732, a decrease of 7.3% from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$21,709,485, a decrease from last year's ending fund balances of \$28,403,991. The main reason for the decrease in combined fund balances in fiscal year 2015 was due to the continued expenditures for the high school remodeling project.

The District spent approximately \$9.9 million on building remodeling projects which largely accounts for the decrease in the Capital Projects Fund balance.

Governmental Fund Highlights

The current year significant decrease in regular instruction expenditures was due to a reduction in staffing due to declining enrollment.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$931,140 (restated) as of June 30, 2014 to \$1,007,380 as of June 30, 2015, an increase of \$76,240, or 8.2%. Total revenue in fiscal year 2015 was \$2,136,972 which is an increase of \$8,779 from \$2,128,193 in fiscal year 2014. Total expenses for fiscal year 2015 were \$2,060,732 and in fiscal year 2014 they were \$2,223,444 for a decrease of \$162,712, or 7.3%.

The District has been required by federal regulations to increase the price of school breakfast and lunch for students and staff each year. This increase was required because full-pay lunches are not being subsidized by the federal government through the free and reduced lunch reimbursement program.

In addition, in fiscal year 2015, the investment in capital assets declined by approximately \$114,000 due to depreciation on capital assets including the new equipment in the John Adams Middle School Cafeteria and Mason City High School Cafeteria purchased in prior years.

Budgetary Highlights

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 its internal service, private purpose trust and agency funds. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were \$926,520 more than the total budgeted receipts; a variance of 1.9%. Local sources were less than budgeted and state sources more than budgeted due to a reclassification of the statewide sales, services and use tax from local revenue to state revenue after the budget was approved.

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 the actual expenditures during the year. The District's total actual expenditures were \$55,921,373 compared to the budgeted amount of \$58,235,317 or a difference of \$2,313,944, which is a 4.0% variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$72,401,285, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). This represents a net increase of 8.8% from the prior year. Depreciation expense was \$2,320,813 for Governmental Activities and \$114,375 for Business-Type Activities. Additional information about the District's capital assets is presented in Note 5 to the financial statements.

Governmental Activities account for \$71,598,949 of the District's capital assets with the remainder of \$802,336 in the Business-Type Activities.

The largest change in capital asset activity during the year occurred in construction in progress because approximately \$8.1 million was spent and \$4.3 million was completed during fiscal year 2015 at the Mason City High School/John Adams Middle School Campus and converted to buildings and improvements.

FIGURE A-6

MASON CITY COMMUNITY SCHOOL DISTRICT CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change 2014-2015
	2015	2014	2015	2014	2015	2014	
Land	\$ 315,602	\$ 315,602	\$ —	\$ —	\$ 315,602	\$ 315,602	\$ —
Construction in progress	4,325,112	590,182	—	—	4,325,112	590,182	3,734,930
Buildings and improvements	66,437,702	64,208,186	—	—	66,437,702	64,208,186	2,229,516
Furniture and equipment	<u>520,533</u>	<u>498,938</u>	<u>802,336</u>	<u>916,711</u>	<u>1,322,869</u>	<u>1,415,649</u>	<u>(92,780)</u>
TOTAL	<u>\$ 71,598,949</u>	<u>\$ 65,612,908</u>	<u>\$ 802,336</u>	<u>\$ 916,711</u>	<u>\$ 72,401,285</u>	<u>\$ 66,529,619</u>	<u>\$ 5,871,666</u>

Long-Term Debt

As of June 30, 2015, the District had \$34,320,000 in revenue bonds outstanding. The District retired debt in the amount of \$800,000 and issued no new debt during the year ended June 30, 2015. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The only debt outstanding was related to the new construction and renovation at the Mason City High School/John Adams Middle School Campus.

FIGURE A-7

**MASON CITY COMMUNITY SCHOOL DISTRICT
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30, 2015	Total District June 30, 2014	Total Change 2014-2015	Debt Retired June 30, 2015
REVENUE BONDS	<u>\$ 34,320,000</u>	<u>\$ 35,120,000</u>	<u>(2.3)%</u>	<u>\$ 800,000</u>

CONSTRUCTION SUMMARY

In school year 2014-2015, the District was in the completion phase of the \$37 million construction project at the Mason City High School/John Adams Middle School Campus.

The Phase 6A construction project that was started during the 2013-2014 school year included renovation of the Mason City High School classrooms from the Commons Area east to the gymnasium. Phase 6A construction was completed during the 2015 fiscal year. Phase 6B construction was started in the Spring of 2015.

Also completed in the summer of 2014 were the four new safe and secure elementary entrances located at Harding Elementary School, Hoover Elementary School, Jefferson Elementary School and Roosevelt Elementary School.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has experienced a decline in student enrollment over the past 40 years which has significantly reduced funding resources for the District while the expenditures for staffing requirements have continually increased. The state legislature has underfunded public school education over the past ten years by across-the-board budget cuts and continually setting allowable growth rates at 0%, 1% and 2% which has required all school districts to use their cash reserves and fund balance to fund expenditures. Mason City Community School District will have to continually look for ways to reduce expenditures by staff reductions, sharing agreements with other school districts and/or looking at the programs and courses being offered.

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 John Berg, Finance Director/Board Secretary, Mason City Community School District, 1515 South Pennsylvania Avenue, Mason City, Iowa 50401.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and pooled investments.....	\$ 31,758,196	\$ 665,993	\$ 32,424,189
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	138,747	—	138,747
Succeeding year	16,074,652	—	16,074,652
Accrued interest	5,173	—	5,173
Other	85,454	—	85,454
Internal balances	(200)	200	—
Due from other governments	3,884,038	38,561	3,922,599
Inventories and prepaid items	32,391	35,290	67,681
Capital assets, net of accumulated depreciation	71,598,949	802,336	72,401,285
Restricted Assets			
Cash held by agent	1,288,745	—	1,288,745
Total Assets	<u>124,866,145</u>	<u>1,542,380</u>	<u>126,408,525</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>2,888,869</u>	<u>106,730</u>	<u>2,995,599</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 127,755,014</u>	<u>\$ 1,649,110</u>	<u>\$ 129,404,124</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 3,109,903	\$ 7,513	\$ 3,117,416
Salaries and benefits payable	4,095,130	28,716	4,123,846
Advances from grantors	5,796	—	5,796
Accrued interest payable	335,410	—	335,410
Retainage payable	205,636	—	205,636
Provision for self-insurance claims	576,668	—	576,668
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds, net of unamortized discounts	820,000	—	820,000
Compensated absences	369,479	—	369,479
Early retirement	679,098	—	679,098
Portion Due After One Year			
Revenue bonds, net of unamortized discounts	33,238,779	—	33,238,779
Net pension liability	14,393,176	520,188	14,913,364
Net OPEB liability	707,000	—	707,000
Total Liabilities	<u>58,536,075</u>	<u>556,417</u>	<u>59,092,492</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	17,860,426	—	17,860,426
Pension-related deferred inflows	5,602,215	85,313	5,687,528
Total Deferred Inflows of Resources	<u>23,462,641</u>	<u>85,313</u>	<u>23,547,954</u>
Net Position			
Net investment in capital assets	37,540,170	802,336	38,342,506
Restricted for			
Categorical funding and other	599,603	—	599,603
School infrastructure	5,755,014	—	5,755,014
Physical plant and equipment	2,324,497	—	2,324,497
Debt service	5,510,836	—	5,510,836
Management levy purposes	2,946,723	—	2,946,723
Student activities	251,956	—	251,956
Unrestricted	(9,172,501)	205,044	(8,967,457)
Total Net Position	<u>45,756,298</u>	<u>1,007,380</u>	<u>46,763,678</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 127,755,014</u>	<u>\$ 1,649,110</u>	<u>\$ 129,404,124</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses
Governmental Activities	
Instruction	
Regular	\$ 16,403,950
Special	9,223,582
Vocational	632,985
Co-curricular	<u>4,398,820</u>
Total Instruction.....	<u>30,659,337</u>
Support Services	
Student	1,117,319
Instructional staff.....	758,587
Administration	3,979,837
Operation and maintenance of plant	3,013,628
Transportation.....	1,613,797
Community.....	7,800
Other support.....	<u>1,127,180</u>
Total Support Services	<u>11,618,148</u>
Other Expenses	
Facilities acquisition	1,593,847
Long-term debt interest and fiscal charges.....	692,212
AEA flowthrough	1,675,623
Depreciation - unallocated*	<u>8,594</u>
Total Other Expenses.....	<u>3,970,276</u>
Total Governmental Activities	<u>46,247,761</u>
Business-Type Activities	
Noninstructional Programs	
Food service operations.....	<u>2,060,732</u>
Total	<u>\$ 48,308,493</u>
General Revenue (Expense)	
Property Tax Levied for	
General purposes.....	
Management levy.....	
Capital outlay	
Statewide sales, services and use tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Loss on sale of capital assets.....	
Total General Revenue (Expense).....	
Change in Net Position	
Net Position - Beginning of Year, as restated (Note 18).....	
Net Position - End of Year.....	

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

See accompanying notes to the financial statements.

<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 1,026,777	\$ 4,603,360	\$ (10,773,813)	\$ —	\$ (10,773,813)
1,558,967	254,113	(7,410,502)	—	(7,410,502)
—	22,273	(610,712)	—	(610,712)
758,283	—	(3,640,537)	—	(3,640,537)
<u>3,344,027</u>	<u>4,879,746</u>	<u>(22,435,564)</u>	<u>—</u>	<u>(22,435,564)</u>
—	—	(1,117,319)	—	(1,117,319)
—	70,852	(687,735)	—	(687,735)
53,484	—	(3,926,353)	—	(3,926,353)
—	—	(3,013,628)	—	(3,013,628)
165,391	—	(1,448,406)	—	(1,448,406)
—	—	(7,800)	—	(7,800)
—	—	(1,127,180)	—	(1,127,180)
<u>218,875</u>	<u>70,852</u>	<u>(11,328,421)</u>	<u>—</u>	<u>(11,328,421)</u>
—	—	(1,593,847)	—	(1,593,847)
—	—	(692,212)	—	(692,212)
—	1,675,623	—	—	—
—	—	(8,594)	—	(8,594)
—	<u>1,675,623</u>	<u>(2,294,653)</u>	<u>—</u>	<u>(2,294,653)</u>
<u>3,562,902</u>	<u>6,626,221</u>	<u>(36,058,638)</u>	<u>—</u>	<u>(36,058,638)</u>
<u>840,585</u>	<u>1,295,180</u>	<u>—</u>	<u>75,033</u>	<u>75,033</u>
<u>\$ 4,403,487</u>	<u>\$ 7,921,401</u>	<u>(36,058,638)</u>	<u>75,033</u>	<u>(35,983,605)</u>
		13,134,571	—	13,134,571
		1,010,112	—	1,010,112
		1,211,369	—	1,211,369
		3,538,576	—	3,538,576
		17,603,829	—	17,603,829
		82,060	1,207	83,267
		394,699	—	394,699
		(5,730)	—	(5,730)
		<u>36,969,486</u>	<u>1,207</u>	<u>36,970,693</u>
		910,848	76,240	987,088
		44,845,450	931,140	45,776,590
		<u>\$ 45,756,298</u>	<u>\$ 1,007,380</u>	<u>\$ 46,763,678</u>

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 8,353,270	\$ 4,557,501	\$ 9,397,985	\$ 3,884,026	\$ 26,192,782
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent.....	148,588	—	12,984	11,101	172,673
Succeeding year	14,378,275	—	1,196,372	500,005	16,074,652
Accrued interest	—	—	5,173	—	5,173
Other	11,490	—	175	37,481	49,146
Due from other funds	31,642	—	1,699	260	33,601
Due from other governments	3,336,157	—	547,881	—	3,884,038
Inventories and prepaid items.....	32,391	—	—	—	32,391
Restricted Assets					
Cash held by agent	—	1,288,745	—	—	1,288,745
Total Assets	<u>\$ 26,291,813</u>	<u>\$ 5,846,246</u>	<u>\$ 11,162,269</u>	<u>\$ 4,432,873</u>	<u>\$ 47,733,201</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 1,410,600	\$ —	\$ 1,678,100	\$ 21,203	\$ 3,109,903
Salaries and benefits payable.....	4,095,130	—	—	679,098	4,774,228
Advances from grantors.....	5,796	—	—	—	5,796
Retainage payable	—	—	205,636	—	205,636
Due to other funds.....	2,147	—	—	31,654	33,801
Total Liabilities	<u>5,513,673</u>	<u>—</u>	<u>1,883,736</u>	<u>731,955</u>	<u>8,129,364</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax.....	16,164,049	—	1,196,372	500,005	17,860,426
Other.....	29,042	—	2,650	2,234	33,926
Total Deferred Inflows of Resources	<u>16,193,091</u>	<u>—</u>	<u>1,199,022</u>	<u>502,239</u>	<u>17,894,352</u>
Fund Balances					
Nonspendable					
Inventories and prepaid items	32,391	—	—	—	32,391
Restricted for					
Categorical funding	599,603	—	—	—	599,603
School infrastructure	—	—	5,755,014	—	5,755,014
Physical plant and equipment	—	—	2,324,497	—	2,324,497
Debt service.....	—	5,846,246	—	—	5,846,246
Management levy purposes	—	—	—	2,946,723	2,946,723
Student activities	—	—	—	251,956	251,956
Assigned for					
Adopt-A-School	31,996	—	—	—	31,996
Other.....	6,648	—	—	—	6,648
Unassigned	3,914,411	—	—	—	3,914,411
Total Fund Balances	<u>4,585,049</u>	<u>5,846,246</u>	<u>8,079,511</u>	<u>3,198,679</u>	<u>21,709,485</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,291,813</u>	<u>\$ 5,846,246</u>	<u>\$ 11,162,269</u>	<u>\$ 4,432,873</u>	<u>\$ 47,733,201</u>

See accompanying notes to the financial statements.

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

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 17).... **\$ 21,709,485**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 71,598,949

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position..... 5,025,054

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..... (335,410)

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.....	\$ 2,888,869	
Deferred inflows of resources.....	<u>(5,602,215)</u>	(2,713,346)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds.....	\$ (34,320,000)	
Unamortized bond discounts.....	261,221	
Compensated absences.....	(369,479)	
Net pension liability.....	(14,393,176)	
Net OPEB liability.....	<u>(707,000)</u>	<u>(49,528,434)</u>

Net Position of Governmental Activities (Page 15)..... **\$ 45,756,298**

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

Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax	\$ 13,134,571	\$ —	\$ 1,211,369	\$ 1,010,112	\$ 15,356,052
Tuition	2,218,530	—	—	—	2,218,530
Other	930,454	5,769	43,414	772,115	1,751,752
State sources	22,673,624	—	3,551,818	11,533	26,236,975
Federal sources	1,601,030	—	—	—	1,601,030
Total Revenue	<u>40,558,209</u>	<u>5,769</u>	<u>4,806,601</u>	<u>1,793,760</u>	<u>47,164,339</u>
Expenditures					
Current					
Instruction					
Regular	14,797,387	—	—	—	14,797,387
Special	9,393,048	—	—	—	9,393,048
Vocational	648,542	—	—	—	648,542
Co-curricular	3,573,705	—	—	751,352	4,325,057
Total Instruction	<u>28,412,682</u>	<u>—</u>	<u>—</u>	<u>751,352</u>	<u>29,164,034</u>
Support Services					
Student	1,097,495	—	—	—	1,097,495
Instructional staff	777,245	—	—	—	777,245
Administration	3,967,567	—	—	51,130	4,018,697
Operation and maintenance					
of plant	2,939,535	—	23,685	29,932	2,993,152
Transportation	1,607,809	—	—	—	1,607,809
Community	7,800	—	—	—	7,800
Other support	—	—	—	1,127,180	1,127,180
Total Support Services	<u>10,397,451</u>	<u>—</u>	<u>23,685</u>	<u>1,208,242</u>	<u>11,629,378</u>
Other Expenditures					
Facilities acquisition	—	—	9,908,227	—	9,908,227
Long-Term Debt					
Principal	—	800,000	—	—	800,000
Interest and fiscal charges	—	683,379	—	—	683,379
AEA flowthrough	1,675,623	—	—	—	1,675,623
Total Other Expenditures	<u>1,675,623</u>	<u>1,483,379</u>	<u>9,908,227</u>	<u>—</u>	<u>13,067,229</u>
Total Expenditures	<u>40,485,756</u>	<u>1,483,379</u>	<u>9,931,912</u>	<u>1,959,594</u>	<u>53,860,641</u>
Revenue Over (Under)					
Expenditures	<u>72,453</u>	<u>(1,477,610)</u>	<u>(5,125,311)</u>	<u>(165,834)</u>	<u>(6,696,302)</u>
Other Financing Sources (Uses)					
Proceeds from the sale of capital assets					
assets	1,796	—	—	—	1,796
Transfers in	—	2,839,889	—	—	2,839,889
Transfers out	—	—	(2,839,889)	—	(2,839,889)
Total Other Financing Sources (Uses)	<u>1,796</u>	<u>2,839,889</u>	<u>(2,839,889)</u>	<u>—</u>	<u>1,796</u>
Change in Fund Balances	<u>74,249</u>	<u>1,362,279</u>	<u>(7,965,200)</u>	<u>(165,834)</u>	<u>(6,694,506)</u>
Fund Balances - Beginning of Year ...	4,510,800	4,483,967	16,044,711	3,364,513	28,403,991
Fund Balances - End of Year	<u>\$ 4,585,049</u>	<u>\$ 5,846,246</u>	<u>\$ 8,079,511</u>	<u>\$ 3,198,679</u>	<u>\$ 21,709,485</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2015

Change in Fund Balances - Total Governmental Funds (Page 19) \$ (6,694,506)

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

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

Expenditures for capital outlays.....	\$ 8,314,380	
Depreciation expense.....	<u>(2,320,813)</u>	5,993,567
The net book value of capital assets disposed of during the year.....		(7,526)
Internal service funds are used by management to charge the costs of insurance to individual funds. The change in net position of the internal service funds is reported in governmental activities in the statement of activities.		35,549
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.....		800,000
Amortization of discounts on bonds payable did not provide current financial resources to governmental funds but it increases liabilities in the statement of net position		(20,033)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.		11,200
The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.		2,079,531
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences.....	\$ (61,788)	
Pension expense.....	(1,107,146)	
Net OPEB liability	<u>(118,000)</u>	<u>(1,286,934)</u>

Change in Net Position of Governmental Activities (Page 16) \$ 910,848

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Self-Insurance
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents.....	\$ 665,993	\$ 5,565,414
Due from others.....	—	36,308
Due from other funds.....	200	—
Due from other governments	38,561	—
Inventories.....	<u>35,290</u>	<u>—</u>
Total Current Assets	<u>740,044</u>	<u>5,601,722</u>
Capital Assets, Net of Accumulated Depreciation	<u>802,336</u>	<u>—</u>
Total Assets	<u>1,542,380</u>	<u>5,601,722</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	<u>106,730</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,649,110</u>	<u>\$ 5,601,722</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 7,513	\$ —
Salaries and benefits payable.....	28,716	—
Provision for self-insurance claims	<u>—</u>	<u>576,668</u>
Total Current Liabilities	<u>36,229</u>	<u>576,668</u>
Net Pension Liability	<u>520,188</u>	<u>—</u>
Total Liabilities	<u>556,417</u>	<u>576,668</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	<u>85,313</u>	<u>—</u>
Net Position		
Investment in capital assets.....	802,336	—
Unrestricted.....	<u>205,044</u>	<u>5,025,054</u>
Total Net Position	<u>1,007,380</u>	<u>5,025,054</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,649,110</u>	<u>\$ 5,601,722</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2015

	Enterprise	Internal
	School Nutrition	Service
		Self-Insurance
Operating Revenue		
Local Sources		
Charges for service.....	\$ 830,162	\$ —
Other receipts	10,423	—
Self-insurance contributions	—	4,652,032
Total Operating Revenue	840,585	4,652,032
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	901,922	—
Purchased services and supplies	1,043,919	—
Other.....	516	—
Depreciation.....	114,375	—
Self-insurance claims and fees.....	—	4,632,626
Total Operating Expenses	2,060,732	4,632,626
Income (Loss) From Operations	(1,220,147)	19,406
Nonoperating Revenue		
State sources	15,858	—
Federal sources.....	1,279,322	—
Interest on investments	1,207	16,143
Total Nonoperating Revenue	1,296,387	16,143
Change in Net Position	76,240	35,549
Net Position - Beginning of Year, as restated (Note 18).....	<u>931,140</u>	<u>4,989,505</u>
Net Position - End of Year	\$ 1,007,380	\$ 5,025,054

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	<u>Enterprise</u> <u>School Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Self-Insurance</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 840,585	\$ —
Cash received from assessments made to other funds	—	4,740,041
Cash paid to employees for services	(954,539)	—
Cash paid for insurance claims.....	—	(4,627,524)
Cash paid to suppliers for goods or services	<u>(873,926)</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>(987,880)</u>	<u>112,517</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	15,858	—
Federal grants received.....	1,096,845	—
Loans to other funds.....	<u>(200)</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,112,503</u>	<u>—</u>
Cash Flows From Investing Activities		
Interest on investments	<u>1,207</u>	<u>16,143</u>
Net Increase in Cash and Cash Equivalents.....	125,830	128,660
Cash and Cash Equivalents - Beginning of Year	<u>540,163</u>	<u>5,436,754</u>
Cash and Cash Equivalents - End of Year	<u>\$ 665,993</u>	<u>\$ 5,565,414</u>
Reconciliation of Income (Loss) From Operations to		
Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (1,220,147)	\$ 19,406
Adjustments to Reconcile Income (Loss) From Operations		
to Net Cash Provided by (Used in) Operating Activities		
Commodities used	158,602	—
Depreciation.....	114,375	—
Changes in Assets and Liabilities		
Decrease in receivables	—	88,009
Decrease in inventories	13,387	—
Increase in deferred outflows of resources	(42,480)	—
Increase (decrease) in accounts payable and		
provision for self-insurance claims	(1,480)	5,102
Decrease in salaries and benefits payable.....	(6,838)	—
Decrease in net pension liability	(88,612)	—
Increase in deferred inflows of resources.....	<u>85,313</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (987,880)</u>	<u>\$ 112,517</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$149,063 of federal commodities.

Statement of Fiduciary Net Position - Fiduciary Funds

As of June 30, 2015

	Private Purpose Trusts	Agency
Assets		
Cash and pooled investments	<u>\$ 118,639</u>	<u>\$ 49,171</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	<u>\$ —</u>	<u>\$ 49,171</u>
Net Position		
Restricted for		
Scholarships	113,227	—
Other.....	<u>5,412</u>	<u>—</u>
Total Net Position	<u>118,639</u>	<u>—</u>
Total Liabilities and Net Position	<u>\$ 118,639</u>	<u>\$ 49,171</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Funds —————

Year Ended June 30, 2015

	Private Purpose Trusts
Additions	
Local Sources	
Gifts and contributions	\$ 31,660
Interest income	<u>310</u>
Total Additions	<u>31,970</u>
Deductions	
Instruction	
Regular	
Scholarships awarded	<u>27,510</u>
Change in Net Position	4,460
Net Position - Beginning of Year	<u>114,179</u>
Net Position - End of Year	<u>\$ 118,639</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Mason City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, four-year-old preschool and special education pre-kindergarten. The geographic area served includes the City of Mason City, Iowa, and the surrounding predominate agricultural territory in Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

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

Jointly Governed Organization

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds are the School Nutrition Fund, an enterprise fund, used to account for the food service operations of the District and an internal service fund, used to account for the self-funded health insurance plan operated by the District.

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Cash, Cash Equivalents and Pooled Investments

The cash balances of most District funds are pooled and invested. Investments include nonnegotiable 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, have a maturity date no longer than three months.

Property Tax Receivable

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ 2,000
Buildings and improvements	2,000
Intangibles.....	100,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	2,000

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

Buildings and improvements	25 - 50 Years
Intangibles.....	5 Years
Furniture and equipment	5 - 10 Years

Deferred Outflows of Resources

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

Salaries and Benefits Payable

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

Advanced From Grantors

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

Compensated Absences

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Long-Term Liabilities

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

Pensions

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

Deferred Inflows of Resources

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

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

Fund Balances

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

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

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

Assigned - Amounts which have been constrained by the Board of Education for specific purposes. The constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Estimates and Assumptions

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

(2) Cash, Cash Equivalents and Pooled Investments

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

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

The District's investments as of June 30, 2015 consisted of certificates of deposit at local banks.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue Student Activity	<u>\$ 31,642</u>
Special Revenue Student Activity	General	<u>260</u>
Capital Projects	General	<u>1,699</u>
Enterprise School Nutrition	General Special Revenue Student Activity	188
		<u>12</u>
		<u>200</u>
Total		<u>\$ 33,801</u>

The interfund balances are for various expenses not reimbursed before year end. The balances are to be repaid by June 30, 2016.

Notes to the Financial Statements

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 2,839,889</u>

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

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 315,602	\$ —	\$ —	\$ 315,602
Construction in progress	590,182	8,082,634	4,347,704	4,325,112
Total Capital Assets Not Being Depreciated.....	<u>905,784</u>	<u>8,082,634</u>	<u>4,347,704</u>	<u>4,640,714</u>
Capital Assets Being Depreciated				
Buildings and improvements	88,032,723	4,347,704	—	92,380,427
Furniture and equipment	2,879,312	231,746	462,010	2,649,048
Total Capital Assets Being Depreciated.....	<u>90,912,035</u>	<u>4,579,450</u>	<u>462,010</u>	<u>95,029,475</u>
Less Accumulated Depreciation for				
Buildings and improvements	23,824,537	2,118,188	—	25,942,725
Furniture and equipment	2,380,374	202,625	454,484	2,128,515
Total Accumulated Depreciation.....	<u>26,204,911</u>	<u>2,320,813</u>	<u>454,484</u>	<u>28,071,240</u>
Total Capital Assets Being Depreciated, Net	<u>64,707,124</u>	<u>2,258,637</u>	<u>7,526</u>	<u>66,958,235</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 65,612,908</u>	<u>\$ 10,341,271</u>	<u>\$ 4,355,230</u>	<u>\$ 71,598,949</u>
Business-Type Activities				
Furniture and equipment	\$ 1,722,537	\$ —	\$ —	\$ 1,722,537
Less accumulated depreciation	805,826	114,375	—	920,201
Business-Type Activities				
Capital Assets, Net.....	<u>\$ 916,711</u>	<u>\$ (114,375)</u>	<u>\$ —</u>	<u>\$ 802,336</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction	
Regular	\$ 1,961,880
Special	14,247
Co-curricular	152,936
Support Services	
Student	48,473
Administration	57,467
Operation and maintenance of plant	67,181
Transportation	10,035
	2,312,219
Unallocated	8,594
Total Depreciation Expense - Governmental Activities	<u>\$ 2,320,813</u>

Business-Type Activities

Food Service Operations	<u>\$ 114,375</u>
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(6) Long-Term Liabilities

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

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 35,120,000	\$ —	\$ 800,000	\$ 34,320,000	\$ 820,000
Unamortized discount...	(281,254)	—	(20,033)	(261,221)	—
Compensated absences	307,691	369,479	307,691	369,479	369,479
Early retirement	304,955	679,098	304,955	679,098	679,098
Net pension liability	20,212,007	—	5,818,831	14,393,176	—
Net OPEB liability	589,000	312,000	194,000	707,000	—
Total	<u>\$ 56,252,399</u>	<u>\$ 1,360,577</u>	<u>\$ 7,405,444</u>	<u>\$ 50,207,532</u>	<u>\$ 1,868,577</u>
Business-Type Activities					
Net pension liability	<u>\$ 608,800</u>	<u>\$ —</u>	<u>\$ 88,612</u>	<u>\$ 520,188</u>	<u>\$ —</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

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

	QSCB Bonds Issued July 1, 2010			School Infrastructure Issued June 29, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
Year Ending June 30,						
2016	0%	\$ —	\$ —	3.00%	\$ 650,000	\$ 541,810
2017	0	—	—	3.00	685,000	521,785
2018	0	—	—	3.00	700,000	501,010
2019	0	—	—	3.00	735,000	479,485
2020	0	—	—	3.25	765,000	456,029
2021-2025	0	—	—	3.50 - 4.40	4,335,000	1,819,170
2026-2030	0	<u>14,540,000</u>	—	4.50 - 5.00	<u>5,590,000</u>	<u>728,744</u>
Total		<u>\$ 14,540,000</u>	<u>\$ —</u>		<u>\$ 13,460,000</u>	<u>\$ 5,048,033</u>

	QSCB Bonds Issued August 9, 2011			School Infrastructure Issued July 12, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
Year Ending June 30,						
2016	0%	\$ —	\$ —	2.00%	\$ 170,000	\$ 117,560
2017	0	—	—	2.00	160,000	114,260
2018	0	—	—	2.00	170,000	110,960
2019	0	—	—	2.00	150,000	107,760
2020	0	—	—	2.00	150,000	104,760
2021-2025	0	—	—	2.00 - 2.65	750,000	475,688
2026-2030	0	<u>2,000,000</u>	—	2.65 - 3.20	<u>2,770,000</u>	<u>313,952</u>
Total		<u>\$ 2,000,000</u>	<u>\$ —</u>		<u>\$ 4,320,000</u>	<u>\$ 1,344,940</u>

	Total		
	Principal	Interest	Total
Year Ending June 30,			
2016	\$ 820,000	\$ 659,370	\$ 1,479,370
2017	845,000	636,045	1,481,045
2018	870,000	611,970	1,481,970
2019	885,000	587,245	1,472,245
2020	915,000	560,789	1,475,789
2021-2025	5,085,000	2,294,858	7,379,858
2026-2030	<u>24,900,000</u>	<u>1,042,696</u>	<u>25,942,696</u>
Total	<u>\$ 34,320,000</u>	<u>\$ 6,392,973</u>	<u>\$ 40,712,973</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay revenue bonds issued July 1, 2010, June 29, 2011, August 9, 2011 and July 12, 2012. Total principal and interest remaining to be paid on the bonds is \$40,712,973. For the current year, principal of \$800,000 and interest of \$682,020 was paid on the bonds and total statewide sales, services and use tax revenue was \$3,538,576.

On July 1, 2010 and August 9, 2011, the District issued \$14,540,000 and \$2,000,000, respectively, of school infrastructure (statewide) sales, services and use tax revenue qualified school construction bonds (QSCB). The bonds were issued for the purpose of financing a portion of the costs associated with the renovation project of the High School and John Adams Middle School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and both issues mature July 1, 2027. The bonds have a 0% interest rate. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District.

The school infrastructure (statewide) sales, services and use tax revenue bonds issued June 29, 2011 and July 12, 2012 were issued for the purpose of defraying a portion of the cost of school infrastructure. Both issues are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July 1, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolutions providing for the issuance of the statewide sales, services and use tax revenue bonds issued June 29, 2011 and July 12, 2012 include the following provisions:

1. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
2. 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.
3. Monies in the revenue account shall next be disbursed to a reserve account. The required amount is the lesser of the sum of 10% of the stated principal amount of the bonds; 125% of the average annual debt service on the bonds; and the maximum annual debt service on the bonds.
4. Any monies remaining in the revenue account after the required transfers to the sinking account and the reserve account may be transferred to the project account and expended for the purposes of issuance.

The District was in compliance with all of the provisions for the year ended June 30, 2015.

(7) Pension and Retirement Benefits

Plan Description

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

(7) Pension and Retirement Benefits

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

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$2,142,169.

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

As of June 30, 2015, the District reported a liability of \$14,913,364 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the District's proportion was 0.368496% which was an increase of 0.000767% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,124,005. As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 162,079	\$ —
Changes of assumptions	658,160	—
Net difference between projected and actual earnings on pension plan investments	—	5,687,528
Changes in proportion and differences between District contributions and proportionate share of contributions	33,191	—
District contributions subsequent to the measurement date	2,142,169	—
Total	<u>\$ 2,995,599</u>	<u>\$ 5,687,528</u>

\$2,142,169 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ (1,222,482)
2017	(1,222,482)
2018	(1,222,482)
2019	(1,222,482)
2020	55,830
Total	<u>\$ (4,834,098)</u>

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

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

Discount Rate

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

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 28,178,293	\$ 14,913,364	\$ 3,716,314

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2015, the District reported payables to the defined benefit pension plan of \$269,649 for legally required employer contributions and \$179,665 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and therefore are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2015 was approximately \$12,037,000.

(9) Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP had 19 members as of June 30, 2015. IPSIP is governed by a six-member Board of Directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

Notes to the Financial Statements

(9) Risk Management

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in any of the past three fiscal years. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 were \$448,082.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,675,623 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.

(11) Employee Health Care Plan

The District currently sponsors a self-funded health care plan. Under this plan, employees contribute a portion of their compensation, and COBRA participants and retirees contribute the total cost towards the cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

Claim costs are limited to \$75,000 per covered individual. Any amount in excess of \$75,000 is covered by a reinsurance policy. Additionally, the reinsurance policy covers claim costs in excess of 120% of the group aggregated total claims exposure, which was approximately \$4,150,000 for the year ended June 30, 2015.

The District has included \$576,668 in its June 30, 2015 liabilities for the estimated costs of incurred but unsubmitted claims at that date.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

The following is a summary of the claims activity for the year ended June 30, 2015:

Estimated cost incurred but not claimed - June 30, 2014.....	\$ 551,389
Claims and fees incurred and claimed and estimated costs incurred but claimed for the year ended June 30, 2015	4,657,905
Claims and fees paid during the year ended June 30, 2015	<u>(4,632,626)</u>
Estimated Costs Incurred But Not Claimed - June 30, 2015.....	<u>\$ 576,668</u>

Notes to the Financial Statements

(12) Early Retirement Plan

The District offers an additional early retirement incentive to its employees that are at least age 55 and have at least ten consecutive years of service with the District. The additional incentive has two parts. The first part for teachers offsets their IPERS' benefits and the remaining staff receive a benefit up to 25% of their base salary. The second part of the early retirement incentive for each eligible employee is equal to a fixed amount for each year of service with the District. The fixed amount per year of service as of June 30, 2015 was as follows:

Administrators	\$ 900
Teachers/Nurse	325
Custodian/Other Nonunion Workers	225
Secretary	200
Para-Professional/Food Service Workers	150

Early retirement benefits available from the combination of both parts of the incentive plan cannot exceed 50% of the employee's base salary using the current year regular salary schedule.

Early retirement benefits expense for the year ended June 30, 2015 totaled \$679,098. All costs of early retirement are expected to be liquidated currently and are recorded as liabilities in the Special Revenue, Management Levy Fund.

(13) 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 447 active and 37 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield: Alliance Select. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. Dental benefits are provided on a fully contributory basis, and there is no subsidy or OPEB liability associated with this 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Notes to the Financial Statements

(13) Other Postemployment Benefits (OPEB)

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

Annual required contribution.....	\$ 309,000
Interest on net OPEB obligation.....	24,000
Adjustment to annual required contribution.....	<u>(21,000)</u>
Annual OPEB Cost	312,000
Contributions made	<u>(194,000)</u>
Increase in Net OPEB Obligation	118,000
Net OPEB Obligation - Beginning of Year.....	<u>589,000</u>
Net OPEB Obligation - End of Year	<u>\$ 707,000</u>

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

For the fiscal year 2015, the District contributed \$194,000 to the medical plan.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 324,310	57.0%	\$ 507,000
June 30, 2014	243,000	75.7	589,000
June 30, 2015	312,000	62.2	707,000

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2015, the actuarial accrued liability was \$3,085,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,085,000. The covered payroll (annual payroll of active employees covered by the plan) was \$21,634,009 and the ratio of the UAAL to the covered payroll was 14.3%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

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

Notes to the Financial Statements

(13) Other Postemployment Benefits (OPEB)

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.5% to 8.0% depending on the age of the insured. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced by 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 4.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2014 and applying the termination factors used in IPERS Actuarial Valuation Report as of June 30, 2014.

Projected claim costs of the medical plan are \$847 per month for retirees age 60 and \$391 per month for retirees age 70. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(14) Operating Lease

The District leases several office copiers and technology equipment under operating leases expiring in 2016 through 2018.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

Year Ending June 30,	
2016	\$ 41,282
2017	24,643
2018	<u>8,214</u>
Total Minimum Payments Required	<u>\$ 74,139</u>

Rental expense for all operating leases was \$91,277 for the year ended June 30, 2015.

Notes to the Financial Statements

(15) Categorical Funding and Other Restricted Fund Balance

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

Program	Amount
Limited English proficiency	\$ 31,599
Statewide voluntary four-year-old preschool program.....	188,126
Education quality, professional development programs	15,185
Early readership	77,496
Market factor	4,747
Nonpublic textbook services	30,211
Beginning teacher and mentoring introduction.....	3,958
Teacher salary supplement	177,921
Competency-based instruction grants	5,851
Teacher leadership.....	7,565
Title I	41,256
Learning supports.....	1,052
Teacher quality market factor	9,890
Lincoln PBIS.....	4,746
Total	<u>\$ 599,603</u>

(16) Construction Commitment

The District has entered into contracts totaling approximately \$7.6 million for a remodeling project on the High School complex. As of June 30, 2015, costs of approximately \$4.5 million had been incurred against the contracts. The balance of approximately \$3.1 million remaining as of June 30, 2015 will be paid as work on the project progresses.

(17) Subsequent Events

Management has evaluated subsequent events through December 1, 2015, the date which the financial statements were available to be issued.

Notes to the Financial Statements

(18) Accounting Change/Restatement

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

	Governmental Activities	Business-Type Activities
Net position - June 30, 2014, as previously reported	\$ 62,924,357	\$ 1,475,690
Net pension liability as of June 30, 2014.....	(20,212,008)	(608,800)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date.....	<u>2,133,101</u>	<u>64,250</u>
Net Position - July 1, 2014, as Restated.....	<u>\$ 44,845,450</u>	<u>\$ 931,140</u>

Required Supplementary Information

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

Year Ended June 30, 2015

	Actual			Budgeted Amounts		Over (Under) Budget
	Govern- mental Funds	Proprietary Fund	Total	Original	Final	
Revenue						
Local sources	\$ 19,326,334	\$ 841,792	\$ 20,168,126	\$ 22,990,285	\$ 22,990,285	\$ (2,822,159)
State sources	26,236,975	15,858	26,252,833	22,894,506	22,894,506	3,358,327
Federal sources	1,601,030	1,279,322	2,880,352	2,490,000	2,490,000	390,352
Total Revenue	47,164,339	2,136,972	49,301,311	48,374,791	48,374,791	926,520
Expenditures/Expenses						
Instruction.....	29,164,034	—	29,164,034	32,510,000	32,010,000	(2,845,966)
Support services	11,629,378	—	11,629,378	11,502,000	12,002,000	(372,622)
Noninstructional programs ..	—	2,060,732	2,060,732	2,512,750	2,512,750	(452,018)
Other expenditures.....	13,067,229	—	13,067,229	11,710,567	11,710,567	1,356,662
Total Expenditures/ Expenses.....	53,860,641	2,060,732	55,921,373	58,235,317	58,235,317	(2,313,944)
Revenue Over (Under) Expenditures/Expenses ..	(6,696,302)	76,240	(6,620,062)	(9,860,526)	(9,860,526)	3,240,464
Other Financing Sources (Uses) (Net)	1,796	—	1,796	—	—	1,796
Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses	(6,694,506)	76,240	(6,618,266)	(9,860,526)	(9,860,526)	3,242,260
Balance - Beginning of Year, as restated (Note 18).....	28,403,991	931,140	29,335,131	25,318,593	25,318,593	4,016,538
Balance - End of Year	\$ 21,709,485	\$ 1,007,380	\$ 22,716,865	\$ 15,458,067	\$ 15,458,067	\$ 7,258,798

Notes to Required Supplementary Information - Budgetary Reporting ---

Year Ended June 30, 2015

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

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

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

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

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

Last Fiscal Year*

	2015
District's proportion of the net pension liability	0.368496%
District's proportionate share of the net pension liability	\$14,913,364
District's covered-employee payroll	\$24,568,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.70%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

Schedule of Contributions

Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012
Statutorily required contribution	\$ 2,142,169	\$ 2,193,927	\$ 2,063,599	\$ 1,849,771
Contributions in relation to the statutorily required contributions	<u>(2,142,169)</u>	<u>(2,193,927)</u>	<u>(2,063,599)</u>	<u>(1,849,771)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll ...	\$ 21,634,000	\$ 24,568,000	\$ 23,802,000	\$ 22,950,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

2011	2010	2009	2008	2007	2006
\$ 1,571,963	\$ 1,549,758	\$ 1,566,099	\$ 1,316,758	\$ 1,213,796	\$ 1,173,486
<u>(1,571,963)</u>	<u>(1,549,758)</u>	<u>(1,566,099)</u>	<u>(1,316,758)</u>	<u>(1,213,796)</u>	<u>(1,173,486)</u>
<u>\$ —</u>					
\$ 22,618,000	\$ 23,305,000	\$ 24,663,000	\$ 21,765,000	\$ 21,109,000	\$ 20,408,000
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

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

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

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

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 2,244,000	\$ 2,244,000	0.0%	\$ 19,903,966	11.3%
2010	7-1-08	—	2,244,000	2,244,000	0.0	20,026,581	11.2
2011	7-1-10	—	2,714,000	2,714,000	0.0	23,395,155	11.6
2012	7-1-10	—	2,714,000	2,714,000	0.0	23,436,244	11.6
2013	7-1-12	—	2,998,000	2,998,000	0.0	24,231,289	12.4
2014	7-1-12	—	2,998,000	2,998,000	0.0	21,867,209	13.7
2015	7-1-14	—	3,085,000	3,085,000	0.0	21,634,009	14.3

See Note 13 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 3,618,439	\$ 265,587	\$ 3,884,026
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	11,101	—	11,101
Succeeding year	500,005	—	500,005
Other	—	37,481	37,481
Due from other funds	—	260	260
Total Assets	<u>\$ 4,129,545</u>	<u>\$ 303,328</u>	<u>\$ 4,432,873</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,485	\$ 19,718	\$ 21,203
Salaries and benefits payable	679,098	—	679,098
Due to other funds	—	31,654	31,654
Total Liabilities	<u>680,583</u>	<u>51,372</u>	<u>731,955</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	500,005	—	500,005
Other	2,234	—	2,234
Total Deferred Inflows of Resources	<u>502,239</u>	<u>—</u>	<u>502,239</u>
Fund Balances			
Restricted for			
Management levy purposes	2,946,723	—	2,946,723
Student activities	—	251,956	251,956
Total Fund Balances	<u>2,946,723</u>	<u>251,956</u>	<u>3,198,679</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,129,545</u>	<u>\$ 303,328</u>	<u>\$ 4,432,873</u>

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

Year Ended June 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Revenue			
Local Sources			
Local tax.....	\$ 1,010,112	\$ —	\$ 1,010,112
Other	9,673	762,442	772,115
State sources	11,533	—	11,533
Total Revenue	1,031,318	762,442	1,793,760
Expenditures			
Current			
Instruction			
Co-curricular	—	751,352	751,352
Support Services			
Administration	51,130	—	51,130
Operation and maintenance of plant	29,932	—	29,932
Other support	1,127,180	—	1,127,180
Total Support Services	1,208,242	—	1,208,242
Total Expenditures	1,208,242	751,352	1,959,594
Change in Fund Balances	(176,924)	11,090	(165,834)
Fund Balances - Beginning of Year	3,123,647	240,866	3,364,513
Fund Balances - End of Year	\$ 2,946,723	\$ 251,956	\$ 3,198,679

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

Year Ended June 30, 2015

Account	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
Administration.....	\$ 26,173	\$ 19,488	\$ 11,998	\$ 33,663
Special Olympics.....	—	1,300	497	803
Talent Development	539	425	—	964
High School Speech and Drama.....	1,242	4,136	4,429	949
High School Vocal Music.....	68,978	156,465	168,929	56,514
High School Instrumental Music	29,909	38,460	36,759	31,610
High School Athletics.....	69	283,369	283,428	10
Dance Team.....	—	3,804	3,804	—
Cheerleading	—	19,795	19,795	—
General Athletics	10,035	13,251	12,693	10,593
Concession Stand	8,055	70,132	63,984	14,203
Tournaments	3,975	30,199	28,872	5,302
National Art Honor Society	927	—	—	927
Academic Decathlon.....	—	210	210	—
Foreign Language	253	982	971	264
AFS International Club	1,204	—	—	1,204
Model U.N.	—	844	844	—
MCHS PVWH.....	—	422	422	—
Literary Club	237	—	—	237
Math Club.....	1,569	—	—	1,569
Science Club	217	200	417	—
Home Economics	243	—	—	243
Adult Living.....	449	—	—	449
Gay/Straight Alliance	400	310	654	56
Industrial Tech - Special Project	563	—	—	563
Mohawk Bakery.....	—	4,171	328	3,843
Prom	11,838	4,904	5,442	11,300
Student Council	—	12,682	12,682	—
Yearbook.....	—	41,419	41,419	—
Ambassadors	1,053	—	—	1,053
National Honor Society.....	195	725	653	267
Alternative School	3,876	885	425	4,336
Middle School Athletics	—	4,945	4,945	—
Middle School Vocal Music.....	169	—	—	169
John Adams Middle School	22,602	9,106	8,379	23,329
Harding Elementary.....	3,730	2,398	1,743	4,385
Hoover Technology	—	683	668	15
Jefferson Elementary.....	2,231	4,154	3,456	2,929
Lincoln Intermediate	21,244	11,622	15,419	17,447
Student Parking.....	4,094	2,080	2,523	3,651
MCHS JEL	5,740	—	—	5,740
MCHS Sod House	17	—	—	17
MCHS Table Tennis	107	—	—	107
MCHS Best Buddies.....	1,558	250	489	1,319
MCHS Giving Tree	—	1,022	588	434
River City Honor Band.....	6,241	6,737	2,620	10,358
Spirit Store	—	10,349	10,349	—
Trap Shooting Club.....	—	518	518	—
MCHS/ISU Prosper Grant.....	1,134	—	—	1,134
	<u>\$ 240,866</u>	<u>\$ 762,442</u>	<u>\$ 751,352</u>	<u>\$ 251,956</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash and pooled investments	\$ 7,007,300	\$ 2,390,685	\$ 9,397,985
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	—	12,984	12,984
Succeeding year	—	1,196,372	1,196,372
Accrued interest.....	5,173	—	5,173
Other	—	175	175
Due from other funds.....	47	1,652	1,699
Due from other governments	<u>547,881</u>	<u>—</u>	<u>547,881</u>
Total Assets	<u>\$ 7,560,401</u>	<u>\$ 3,601,868</u>	<u>\$ 11,162,269</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,611,161	\$ 66,939	\$ 1,678,100
Retainage payable	<u>194,226</u>	<u>11,410</u>	<u>205,636</u>
Total Liabilities.....	<u>1,805,387</u>	<u>78,349</u>	<u>1,883,736</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	—	1,196,372	1,196,372
Other	—	<u>2,650</u>	<u>2,650</u>
Total Deferred Inflows of Resources..	<u>—</u>	<u>1,199,022</u>	<u>1,199,022</u>
Fund Balances			
Restricted for			
School infrastructure.....	5,755,014	—	5,755,014
Physical plant and equipment.....	<u>—</u>	<u>2,324,497</u>	<u>2,324,497</u>
Total Fund Balances.....	<u>5,755,014</u>	<u>2,324,497</u>	<u>8,079,511</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 7,560,401</u>	<u>\$ 3,601,868</u>	<u>\$ 11,162,269</u>

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

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 1,211,369	\$ 1,211,369
Other	34,141	9,273	43,414
State sources	<u>3,538,576</u>	<u>13,242</u>	<u>3,551,818</u>
Total Revenue	<u>3,572,717</u>	<u>1,233,884</u>	<u>4,806,601</u>
Expenditures			
Current			
Support Services			
Operation and maintenance of plant	<u>—</u>	<u>23,685</u>	<u>23,685</u>
Other Expenditures			
Facilities acquisition.....	<u>7,726,842</u>	<u>2,181,385</u>	<u>9,908,227</u>
Total Expenditures	<u>7,726,842</u>	<u>2,205,070</u>	<u>9,931,912</u>
Revenue Under Expenditures	<u>(4,154,125)</u>	<u>(971,186)</u>	<u>(5,125,311)</u>
Other Financing Uses			
Transfers out	<u>(2,839,889)</u>	<u>—</u>	<u>(2,839,889)</u>
Change in Fund Balances	(6,994,014)	(971,186)	(7,965,200)
Fund Balances - Beginning of Year	<u>12,749,028</u>	<u>3,295,683</u>	<u>16,044,711</u>
Fund Balances - End of Year	<u>\$ 5,755,014</u>	<u>\$ 2,324,497</u>	<u>\$ 8,079,511</u>

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
Assets				
Cash and pooled investments	\$ 22,440	\$ 119,657	\$ 92,926	\$ 49,171
Due from other governments	22,797	—	22,797	—
Due from others.....	300	—	300	—
Due from other funds.....	<u>22,366</u>	<u>—</u>	<u>22,366</u>	<u>—</u>
Total Assets	<u>\$ 67,903</u>	<u>\$ 119,657</u>	<u>\$ 138,389</u>	<u>\$ 49,171</u>
Liabilities				
Accounts payable	\$ 8,644	\$ 119,657	\$ 79,130	\$ 49,171
Due to others.....	53,501	—	53,501	—
Due to other funds.....	<u>5,758</u>	<u>—</u>	<u>5,758</u>	<u>—</u>
Total Liabilities	<u>\$ 67,903</u>	<u>\$ 119,657</u>	<u>\$ 138,389</u>	<u>\$ 49,171</u>

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

For the Last Ten Years

	2015	2014	2013	2012
Revenue				
Local Sources				
Local tax	\$ 15,356,052	\$ 12,690,127	\$ 20,003,235	\$ 21,619,421
Tuition	2,218,530	2,170,031	2,360,503	1,138,074
Other	1,751,752	1,767,189	1,599,032	1,481,606
Intermediate sources	—	—	—	—
State sources	26,236,975	25,273,502	21,783,414	21,940,696
Federal sources	<u>1,601,030</u>	<u>2,050,238</u>	<u>1,909,983</u>	<u>3,455,738</u>
Total	<u>\$ 47,164,339</u>	<u>\$ 43,951,087</u>	<u>\$ 47,656,167</u>	<u>\$ 49,635,535</u>
Expenditures				
Instruction				
Regular	\$ 14,797,387	\$ 14,571,177	\$ 15,174,027	\$ 15,145,617
Special	9,393,048	9,538,238	9,501,238	7,886,574
Vocational	648,542	646,304	572,186	530,104
Co-curricular	4,325,057	4,478,573	4,155,881	4,210,018
Support Services				
Student	1,097,495	1,099,246	1,179,260	1,098,559
Instructional staff	777,245	1,255,924	1,229,879	947,148
Administration	4,018,697	3,907,320	3,711,122	3,401,533
Operation and maintenance				
of plant	2,993,152	3,176,027	3,015,214	2,894,601
Transportation	1,607,809	1,611,872	1,508,116	1,450,144
Central	—	—	—	22
Community	7,800	9,950	8,690	8,341
Other support	1,127,180	784,630	717,661	615,431
Noninstructional programs	—	—	—	21,450
Other Expenditures				
Facilities acquisition	9,908,227	2,280,932	11,171,839	17,786,644
Long-Term Debt				
Principal	800,000	3,130,000	4,130,000	3,140,000
Interest and fiscal charges	683,379	726,130	805,297	437,920
AEA flowthrough	<u>1,675,623</u>	<u>1,657,408</u>	<u>1,612,731</u>	<u>1,665,747</u>
Total	<u>\$ 53,860,641</u>	<u>\$ 48,873,731</u>	<u>\$ 58,493,141</u>	<u>\$ 61,239,853</u>

2011	2010	2009	2008	2007	2006
\$ 20,647,075	\$ 18,792,533	\$ 18,482,676	\$ 18,369,828	\$ 17,944,250	\$ 17,655,326
1,045,534	969,895	773,756	689,366	688,651	559,101
1,754,735	1,557,159	1,735,786	2,169,005	2,397,408	2,053,266
—	—	—	3,239	3,070	3,150
21,348,850	18,898,633	21,634,299	20,938,336	20,594,807	19,990,995
<u>2,447,878</u>	<u>4,124,438</u>	<u>1,008,833</u>	<u>1,198,706</u>	<u>1,252,122</u>	<u>1,139,746</u>
<u>\$ 47,244,072</u>	<u>\$ 44,342,658</u>	<u>\$ 43,635,350</u>	<u>\$ 43,368,480</u>	<u>\$ 42,880,308</u>	<u>\$ 41,401,584</u>
\$ 14,114,646	\$ 14,567,967	\$ 14,329,253	\$ 13,925,271	\$ 14,094,556	\$ 12,851,648
7,641,949	8,173,084	8,951,060	8,582,024	7,961,424	7,930,603
562,895	719,311	800,266	823,893	725,538	623,236
3,716,156	3,271,661	2,769,624	2,697,209	2,274,720	2,104,340
921,853	1,033,000	965,307	856,993	946,822	914,875
1,267,666	781,290	953,723	768,295	859,849	826,137
3,528,429	3,515,080	3,685,363	3,736,825	3,496,479	3,214,801
2,939,840	2,943,584	3,244,035	2,900,385	2,924,864	2,743,789
1,334,757	1,263,411	1,277,202	1,180,755	1,070,857	1,118,067
32	133,686	155,736	—	3,947	57,608
11,603	21,734	20,581	31,535	27,220	28,998
763,222	452,308	405,477	411,467	432,686	418,981
19,535	26,285	31,434	35,969	47,893	39,145
8,031,028	996,763	506,723	712,643	4,398,636	15,709,139
2,830,000	5,955,000	2,595,000	2,510,000	2,450,000	2,335,000
780,846	571,464	757,028	842,650	941,675	1,029,600
<u>1,841,165</u>	<u>1,827,794</u>	<u>1,556,509</u>	<u>1,473,782</u>	<u>1,441,443</u>	<u>1,384,649</u>
<u>\$ 50,305,622</u>	<u>\$ 46,253,422</u>	<u>\$ 43,004,321</u>	<u>\$ 41,489,696</u>	<u>\$ 44,098,609</u>	<u>\$ 53,330,616</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
Indirect			
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 15	\$ 212,558
National School Lunch Program	10.555	FY 15	<u>1,045,702*</u>
Total Child Nutrition Cluster			<u>1,258,260</u>
Fresh Fruit and Vegetable Program	10.582	FY 15	<u>21,061</u>
Total U.S. Department of Agriculture			<u>1,279,321</u>
U.S. Department of Justice			
Pass-Through From Iowa Department of Human Services			
Juvenile Justice and Delinquency Prevention -			
Allocation to States	16.540	FY 15	<u>39,407</u>
National Endowment for the Arts			
Pass-Through From Iowa Department of Cultural Affairs			
Promotion of the Arts - Partnership Agreement	45.025	FY 15	<u>1,200</u>
U.S. Department of Education			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States	84.027	FY 15	<u>204,086</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>22,273</u>
Total Pass-Through From Area Education Agency 267			<u>226,359</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>781,020</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 15	<u>10,000</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>166,237</u>
Grants for State Assessments and Related Activities..	84.369	FY 15	<u>18,790</u>
Total Pass-Through From Iowa Department of Education			<u>976,047</u>
Total U.S. Department of Education			<u>1,202,406</u>
U.S. Department of Health and Human Services			
Pass-Through From Iowa Department of Education			
Temporary Assistance for Needy Families	93.558	FY 15	<u>8,722</u>
Total			<u>\$ 2,531,056</u>

* Includes \$149,063 of noncash awards.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Basis of Presentation

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

Subrecipients

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mason City Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

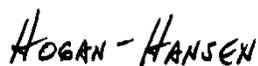
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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.

Mason City Community School District's Responses to Findings

Mason City Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mason City Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOGAN - HANSEN

Mason City, Iowa
December 1, 2015

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

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

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

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 1, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

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

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

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

Identification of major programs:

CFDA Numbers or Cluster

Name of Federal Program

Child Nutrition Cluster
10.553
10.555

School Breakfast Program
National School Lunch Program

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-III-A Verification of Free and Reduced Meal Price Applications

(2015-001)

Finding - The District is required to verify the free and reduced price eligibility of households selected from a sample of approved applications on file as of October 31. The District indicated a random sampling method was used to select 3% of the total approved applications on file. We noted that the District is required to change families who don't respond to the verification to full-pay status but for one of the families who did not respond, their status did not change.

Auditor's Recommendation - The District should establish procedures to properly follow up on nonresponses and to establish a process for a second employee to review the calculations and testing done for this report prior to the submission.

District's Response - The District will review the current procedures and establish a process to make the appropriate corrections for nonresponses and to review the report prior to submission.

Auditor's Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the other expenditures function.

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.

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

- 15-IV-B Questionable Expenditures** - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 15-IV-C Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 15-IV-E Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 15-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not. However, we noted one month of minutes was not published within 15 days as required by Chapter 279.35 of the Code of Iowa.
- Auditor's Recommendation** - All Board proceedings should be published within 15 days of each meeting.
- District's Response** - We will publish future minutes as required by Chapter 279.35.
- Auditor's Conclusion** - Response accepted.
- 15-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 15-IV-H Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 15-IV-I Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 15-IV-J Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 15-IV-K Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report 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 Certified Annual Report:

Beginning balance.....		\$ 12,749,028
Revenue		
Statewide sales, services and use tax revenue	\$ 3,538,576	
Other local revenue	<u>34,141</u>	3,572,717
Expenditures/Transfers Out		
School infrastructure construction	\$ 7,726,842	
Transfers to Other Funds		
Debt Service Fund.....	<u>2,839,889</u>	<u>10,566,731</u>
Ending Balance		<u>\$ 5,755,014</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.