

**NORTH FAYETTE
COMMUNITY SCHOOL DISTRICT
WEST UNION, IOWA**

FINANCIAL REPORT

JUNE 30, 2015

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
Board of Education			
Roy Guenther	President	West Union, Iowa	2015
Karen Michelson	Vice President	Fayette, Iowa	2017
Julie Ahrens	Board Member	Fayette, Iowa	2017
James Clausen	Board Member	West Union, Iowa	2017
Marc Rue	Board Member	West Union, Iowa	2015
Randy Tope	Board Member	West Union, Iowa	2015
Denise Johnson	Board Member	Waucoma, Iowa	2015

School Officials

Duane Willhite – Superintendent
Sue Thoms – District Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Education
North Fayette Community School District
West Union, 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 North Fayette 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Opinions

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, North Fayette 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

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, the schedule of the district contributions, and the schedule of funding progress for the retiree health plan on pages 5 through 5g and pages 35 through 40 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Fayette Community School District's June 30, 2015 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 seven years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial statements of North Fayette Community School District for the years ended June 30, 2006 and 2007 were audited by other auditors who expressed unmodified opinions on those financial statements. Their reports on the information presented on page 46 related to 2006 and 2007 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2006 and 2007 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of North Fayette Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Fayette Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 20, 2015

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
WEST UNION, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2015**

Management of North Fayette Community School District provides this management's discussion and analysis of North Fayette Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015.

The intent of this discussion and analysis is to look at North Fayette Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

In total, governmental net position increased by \$1,151,294. Statewide sales, services and use tax-capital project fund decreased by \$343,079, property taxes levied increased by \$57,653, and state grant revenue increased by \$306,969. District program expenses were 0.51% or \$58,765 more in 2015 than in 2014. Net assets in the business-type activity, which represents the District's food service operations, decreased \$5,033. This decrease was primarily attributable to increases in operational costs.

General fund revenues accounted for \$10,477,081 in revenue or 85.11% of all governmental revenues. General fund expenditures accounted for \$10,189,767 in expenditures or 78.43% of all governmental expenditures.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand North Fayette Community School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of North Fayette Community School District as a whole and present an overall view of the District's finances and a longer-term view of those 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 North Fayette Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For North Fayette Community School District, the general fund and statewide sales, services and use tax-capital project fund are the more significant funds.

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

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

Other supplementary information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net position and statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities: most of the District's programs and services are reported here, including instruction, co-curricular activities, support services, (nursing, guidance, media, administration), building and grounds operation and maintenance, and pupil transportation. Property tax and state aid finance most of these activities.

Business-type activities: these services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The District's school nutrition program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and statewide sales, services and use tax-capital project fund.

Governmental Funds

Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the general fund, special revenue funds, debt service fund, and capital project funds. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

Proprietary Funds

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

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The North Fayette Community School District's net position at the end of fiscal year 2015 for governmental activities were \$7,341,883 and for business-type activities were \$159,236. The following is a summary perspective of the statement of net position of the District as a whole.

	Condensed Statement of Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
Current and other assets	\$ 9,579	\$ 9,304	\$ 97	\$ 111	\$ 9,676	\$ 9,415	2.77%
Capital assets	8,720	8,434	145	135	8,865	8,569	3.45%
Total assets	18,299	17,738	242	246	18,541	17,984	3.10%
Deferred outflows of resources	607		19		626	-	100.00%
Current liabilities	2,131	2,132	32		2,163	2,132	1.45%
Noncurrent liabilities	3,905	1,435	44	27	3,949	1,462	170.11%
Total liabilities	6,036	3,567	76	27	6,112	3,594	70.06%
Deferred inflows of resources	5,528	4,061	26		5,554	4,061	36.76%
Net position							
Net investment in capital assets	7,945	7,149	145	135	8,090	7,284	11.07%
Restricted	2,413	2,624			2,413	2,624	-8.04%
Unrestricted (deficit)	(3,016)	337	14	84	(3,002)	421	-813.06%
Total net position	\$ 7,342	\$ 10,110	\$ 159	\$ 219	\$ 7,501	\$ 10,329	-27.38%

* Not restated

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position decreased 27.38%, or approximately \$2,828,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, 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 \$211,000, or 8.04%, over the prior year. The decrease was primarily a result of increased expenditures in the statewide sales, services and use tax-capital project fund for facilities acquisitions and refunding of revenue bonds.

Unrestricted net position decreased approximately \$3,423,000, or 813.06%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by decreasing \$3,919,328 and \$54,751, 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.

The following analysis shows the change in net position for the years ending June 30, 2015 and 2014 as shown below.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
Revenues:							
Program revenue							
Charges for service	\$ 1,935	\$ 1,686	\$ 239	\$ 227	\$ 2,174	\$ 1,913	13.64%
Operating grants	1,429	1,405	243	238	1,672	1,643	1.77%
General revenue							
Property taxes	4,087	4,030			4,087	4,030	1.41%
Sales tax and surtax	784	726			784	726	7.99%
Unrestricted state grants	3,953	3,712			3,953	3,712	6.49%
Unrestricted investment earnings	2	2			2	2	0.00%
Other revenue	120	101			120	101	18.81%
Total revenues	12,310	11,662	482	465	12,792	12,127	5.48%
Program expenses:							
Instruction	7,461	7,460			7,461	7,460	0.01%
Student support	2,673	2,661			2,673	2,661	0.45%
Non-instructional programs		12	487	436	487	448	8.71%
Other expenses	1,025	1,019			1,025	1,019	0.59%
Total expenses	11,159	11,152	487	436	11,646	11,588	0.50%
Increase (decrease) in net position	1,151	510	(5)	29	1,146	539	112.62%
Net position Beginning of Year, as restated	6,191	9,600	164	190	6,355	9,790	-35.09%
Net position End of Year	\$ 7,342	\$ 10,110	\$ 159	\$ 219	\$ 7,501	\$ 10,329	-27.38%

* Not restated

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

As the District completed the year, its governmental funds reported a combined fund balance of \$3,523,628, a \$17,330 increase from the 2014 fiscal year end balance of \$3,506,298. The District spent \$1,424,383 more than the prior fiscal year.

- The general fund received more revenue during fiscal year 2015 through state source revenue. The general fund expenditures increased in the instruction functional area by \$408,792 compared to prior year. Overall expenditures increased by \$412,807. The ending fund balance showed an increase of \$287,314 to \$1,513,976.
- The statewide sales, services and use tax-capital project fund received more revenue during fiscal year 2015 through local option sales tax. The capital project fund expenditures increased due to the completion of the parking lot improvements and resurfacing at the high school and West Union elementary and new roof on Fayette elementary building in the current year. Overall expenditures increased by \$397,839 compared to prior year. The ending fund balance showed a decrease of \$343,079 to \$1,024,972.

INDIVIDUAL FUND ANALYSIS (Continued)

Proprietary Fund Highlights

School nutrition fund net position decreased from \$164,269 at June 30, 2014 to \$159,236 at June 30, 2015, representing a decrease of approximately 3.06%. For fiscal year 2015, the District increased meal prices and enrollment was up slightly, resulting in an increase in revenues. The District's increased expenses were primarily the result of increases to cook wage rates and the related benefits. The District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The District's total revenues were \$130,579 more than total budgeted revenues, a variance of 1.03%. The most significant variances resulted from the District receiving more in local sources and less in state sources, causing the total amount received to be more than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then manages or controls general fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

The following chart shows the original and amended budget for fiscal 2015 as well as the actual revenue and expenditures for the year.

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BUDGETARY HIGHLIGHTS (Continued)

		Budgetary Comparison Schedule (Expressed in Thousands)			
		Budget Amounts			
		Actual	Original	Final	Variance
Revenues					
Local sources	\$	6,348	\$ 6,100	\$ 6,100	\$ 248
Intermediate sources		2	20	20	(18)
State sources		5,893	6,081	6,081	(188)
Federal sources		549	461	461	88
Total revenues		\$ 12,792	\$ 12,662	\$ 12,662	\$ 130
Expenditures					
Instruction	\$	7,847	\$ 7,665	\$ 7,665	\$ (182)
Support services		2,693	3,093	3,093	400
Non-instructional programs		487	525	525	38
Other expenses		2,452	1,327	2,600	148
Total expenditures		\$ 13,479	\$ 12,610	\$ 13,883	\$ 404

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, North Fayette Community School District had \$8,720,093 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$145,302 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$553,062 for fiscal 2015 and total accumulated depreciation of \$9,428,709 as of June 30, 2015. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had approximately \$859,000 in bonds and other debt compared to approximately \$1,459,000 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$12,878,390 limit.

Other obligations include capital leases and early retirement. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District has experienced a decrease in enrollment for the 2015-2016 school year after an increase in the previous year. Enrollment is projected to stabilize with minor fluctuations over the next few years.
- The District has completed the second year of whole grade sharing with the Valley Community School District. The Boards have discussed reorganization with respect to the incentives from the state along with shared positions. A tentative date to start as the reorganized district is the fall of 2018. A public vote will be held prior to this according to the state guidelines.
- The Kaleidoscope Kids Childcare Center (KKCC) was completed in December of 2014. The cross road to KKCC has been repaved and provides a separate entrance into their parking lot.
- The District has received a bid for the sale of the Hawkeye Elementary building. Closing is expected by the fall of 2015.
- North Fayette Valley staff went through ALICE training in the fall of 2014. This training along with our secure entrances in each building will help in the event of an intruder or active shooter. Student training is expected to take place in the fall of 2015.
- Further staff reductions including retirements will assist in keeping the District costs down.
- The District will also continue to seek ways to cut transportation and buildings/grounds costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of North Fayette Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, North Fayette Community School District, West Union, Iowa, 52175.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,492,744	\$ 91,018	\$ 4,583,762
Receivables			
Property tax			
Delinquent	55,469		55,469
Succeeding year	4,183,032		4,183,032
Accounts	1,119	2,748	3,867
Due from other governments	846,794		846,794
Inventories		2,466	2,466
Capital assets, non-depreciable	192,310		192,310
Capital assets, net of accumulated depreciation	8,527,783	145,302	8,673,085
Total assets	18,299,251	241,534	18,540,785
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	606,663	19,628	626,291
Total assets and deferred outflows of resources	\$ 18,905,914	\$ 261,162	\$ 19,167,076
LIABILITIES			
Accounts payable	\$ 930,445		\$ 930,445
Salaries and benefits payable	939,957	\$ 31,697	971,654
Accrued interest payable	6,445		6,445
Advances from grantors	2,096		2,096
Long-term liabilities			
Portion due within one year			
Bonds payable	107,000		107,000
Capital leases	76,234		76,234
Early retirement	55,781		55,781
Compensated absences	13,342		13,342
Portion due after one year			
Bonds payable	592,000		592,000
Early retirement	14,355		14,355
Net pension liability	2,887,783	43,976	2,931,759
Net OPEB liability	410,774		410,774
Total liabilities	6,036,212	75,673	6,111,885
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	4,183,032		4,183,032
Pension related deferred inflows	1,344,787	20,478	1,365,265
Unspent hot lunch proceeds		5,775	5,775
Total deferred inflows of resources	5,527,819	26,253	5,554,072
NET POSITION			
Net investment in capital assets	7,944,859	145,302	8,090,161
Restricted for			
Capital projects	1,024,972		1,024,972
Management levy purposes	511,352		511,352
Physical plant and equipment	299,555		299,555
Student activities	173,773		173,773
Categorical funding	403,146		403,146
Unrestricted	(3,015,774)	13,934	(3,001,840)
Total net position	7,341,883	159,236	7,501,119
Total liabilities, deferred inflows of resources and net position	\$ 18,905,914	\$ 261,162	\$ 19,167,076

See Notes to Financial Statements.

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 4,316,211	\$ 1,250,910	\$ 920,551
Special instruction	1,674,419	202,286	9,174
Other instruction	1,470,640	18,427	143,948
	<u>7,461,270</u>	<u>1,471,623</u>	<u>1,073,673</u>
Support services			
Student services	291,099	429,600	
Instructional staff services	332,749		
Administration services	857,186		
Operation and maintenance plant services	711,732		
Transportation services	480,373	33,939	
	<u>2,673,139</u>	<u>463,539</u>	<u>-</u>
Other			
Long-term debt interest	51,640		
Bond issuance costs	17,999		
Facilities acquisition	46,973		
AEA flowthrough	354,832		354,832
Depreciation (unallocated)	553,062		
	<u>1,024,506</u>	<u>-</u>	<u>354,832</u>
Total governmental activities	11,158,915	1,935,162	1,428,505
Business-type activities			
Non-instructional programs			
Nutrition services	487,158	238,876	243,020
Total	\$ 11,646,073	\$ 2,174,038	\$ 1,671,525
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position, beginning of year, as restated			
Net position, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,144,750)		\$ (2,144,750)
(1,462,959)		(1,462,959)
(1,308,265)		(1,308,265)
(4,915,974)	\$ -	(4,915,974)
138,501		138,501
(332,749)		(332,749)
(857,186)		(857,186)
(711,732)		(711,732)
(446,434)		(446,434)
(2,209,600)	-	(2,209,600)
(51,640)		(51,640)
(17,999)		(17,999)
(46,973)		(46,973)
-		-
(553,062)		(553,062)
(669,674)	-	(669,674)
(7,795,248)	-	(7,795,248)
	(5,262)	(5,262)
(7,795,248)	(5,262)	(7,800,510)
3,491,291		3,491,291
251,493		251,493
344,630		344,630
783,763		783,763
3,952,816		3,952,816
2,138	229	2,367
120,411		120,411
8,946,542	229	8,946,771
1,151,294	(5,033)	1,146,261
6,190,589	164,269	6,354,858
\$ 7,341,883	\$ 159,236	\$ 7,501,119

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Project Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 2,554,825	\$ 963,181	\$ 974,738	\$ 4,492,744
Receivables				
Property tax				
Delinquent	46,686		8,783	55,469
Succeeding year	3,581,570		601,462	4,183,032
Accounts	1,119			1,119
Due from other governments	721,264	122,530	3,000	846,794
Total assets	\$ 6,905,464	\$ 1,085,711	\$ 1,587,983	\$ 9,579,158
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 867,865	\$ 60,739	\$ 1,841	\$ 930,445
Salaries and benefits payable	939,957			939,957
Advances from grantors	2,096			2,096
Total liabilities	1,809,918	60,739	1,841	1,872,498
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax	3,581,570		601,462	4,183,032
Fund balances				
Restricted for				
Categorical funding	403,146			403,146
Management levy purposes			511,352	511,352
Student activities			173,773	173,773
School infrastructure		1,024,972		1,024,972
Physical plant and equipment			299,555	299,555
Unassigned	1,110,830			1,110,830
Total fund balances	1,513,976	1,024,972	984,680	3,523,628
Total liabilities, deferred inflows of resources and fund balances	\$ 6,905,464	\$ 1,085,711	\$ 1,587,983	\$ 9,579,158

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$	3,523,628
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, net of accumulated depreciation of \$ 9,428,709		8,720,093
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	\$	606,663
Deferred inflows of resources		(1,344,787)
		(738,124)
Some liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable		(699,000)
Capital leases		(76,234)
Accrued interest		(6,445)
Compensated absences		(13,342)
Early retirement		(70,136)
Net pension liability		(2,887,783)
Net OPEB liability		(410,774)
Net position of governmental activities per Exhibit A	\$	<u>7,341,883</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Capital Project Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources				
Local property tax	\$ 3,491,291		\$ 596,123	\$ 4,087,414
Other	1,573,733	\$ 10,177	437,696	2,021,606
Intermediate sources	2,200			2,200
State sources	5,100,079	783,763	5,369	5,889,211
Federal sources	309,778			309,778
Total revenues	10,477,081	793,940	1,039,188	12,310,209
EXPENDITURES				
Current				
Instruction				
Regular instruction	4,555,411		141,802	4,697,213
Special instruction	1,674,419			1,674,419
Other instruction	1,034,480		440,699	1,475,179
	7,264,310	-	582,501	7,846,811
Support services				
Student services	291,099			291,099
Instructional staff services	334,289			334,289
Administration services	829,489		14,355	843,844
Operation and maintenance plant services	631,672		94,149	725,821
Transportation services	484,076		13,857	497,933
	2,570,625	-	122,361	2,692,986
Other				
Long-term debt				
Principal			1,208,415	1,208,415
Interest and fiscal charges			53,408	53,408
Bond issuance costs		17,999		17,999
Facilities acquisition		733,445	83,983	817,428
AEA flowthrough	354,832			354,832
	354,832	751,444	1,345,806	2,452,082
Total expenditures	10,189,767	751,444	2,050,668	12,991,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	287,314	42,496	(1,011,480)	(681,670)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			1,261,823	1,261,823
Operating transfers (out)		(1,084,575)	(177,248)	(1,261,823)
Revenue bonds issued		699,000		699,000
	-	(385,575)	1,084,575	699,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	287,314	(343,079)	73,095	17,330
FUND BALANCE, beginning of year	1,226,662	1,368,051	911,585	3,506,298
FUND BALANCE, end of year	\$ 1,513,976	\$ 1,024,972	\$ 984,680	\$ 3,523,628

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	17,330
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation	\$ (553,062)	
Capital outlays	<u>839,064</u>	286,002
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year repayments exceeded issues, as follows:		
Repaid	1,208,415	
Issued	<u>(699,000)</u>	509,415
 Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,768
 The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		
		452,693
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	1,047	
Early retirement	89,689	
Pension expense	(159,272)	
Net OPEB liability	<u>(47,378)</u>	(115,914)
 Change in net position of governmental activities per Exhibit B	 \$	 <u><u>1,151,294</u></u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Fund <u>School Nutrition</u>	Internal Service Fund <u>Employee Health</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 91,018	\$ 12,058
Accounts receivable	2,748	
Inventories	2,466	
Total current assets	<u>96,232</u>	<u>12,058</u>
NONCURRENT ASSETS		
Furniture and equipment	301,141	
Less accumulated depreciation	<u>(155,839)</u>	
Total noncurrent assets	<u>145,302</u>	<u>-</u>
Total assets	241,534	12,058
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>19,628</u>	
Total assets and deferred outflows of resources	<u>\$ 261,162</u>	<u>\$ 12,058</u>
LIABILITIES		
CURRENT LIABILITIES		
Salaries and benefits payable	<u>\$ 31,697</u>	<u>\$ -</u>
NONCURRENT LIABILITIES		
Net pension liability	<u>43,976</u>	
Total liabilities	<u>75,673</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unspent hot lunch proceeds	5,775	
Pension related deferred inflows	<u>20,478</u>	
Total deferred inflows of resources	<u>26,253</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	145,302	
Unrestricted	<u>13,934</u>	<u>12,058</u>
Total net position	<u>159,236</u>	<u>12,058</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 261,162</u>	<u>\$ 12,058</u>

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Fund	Internal Service Fund
	School Nutrition	Employee Health
OPERATING REVENUES		
Local sources		
Charges for services	\$ 238,876	\$ 31,444
OPERATING EXPENSES		
Non-instructional programs		
Food service operations		
Salaries and benefits	195,358	
Supplies	271,519	
Depreciation	20,281	
Other		28,261
Total operating expenses	487,158	28,261
Operating (loss) income	(248,282)	3,183
NONOPERATING REVENUES		
Interest income	229	10
State sources	3,964	
Federal sources	239,056	
Total nonoperating revenues	243,249	10
Change in net position	(5,033)	3,193
Net position, beginning of year, as restated	164,269	8,865
Net position, end of year	\$ 159,236	\$ 12,058

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Fund <u>School Nutrition</u>	Internal Service Fund <u>Employee Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	\$ 244,651	
Cash payments to employees for services	(198,282)	
Cash payments to suppliers for goods and services	(235,580)	
Cash reimbursed by operating fund		\$ 31,444
Cash payments by operating activities		(28,261)
	<u>(189,211)</u>	<u>3,183</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State grants and federal grants received	202,007	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(30,530)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	229	10
	<u>(17,505)</u>	<u>3,193</u>
CASH, beginning of year	108,523	8,865
CASH, end of year	<u>\$ 91,018</u>	<u>\$ 12,058</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (248,282)	\$ 3,183
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities		
Depreciation	20,281	
Commodities used	41,013	
Increase in accounts receivable	(2,748)	
Decrease in inventories	412	
Decrease in accounts payable	(2,738)	
Increase in salaries and benefits payable	7,001	
Decrease in net pension liability	(22,114)	
Increase in deferred outflows of resources	(8,289)	
Increase in deferred inflows of resources	26,253	
	<u>(189,211)</u>	<u>3,183</u>

Non-cash, noncapital financing activities:

During the year ended June 30, 2015, the District received commodities valued at \$41,013.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The North Fayette Community School District is a political subdivision of the State of Iowa. The District has entered into a whole grade sharing agreement with Valley Community School District. Under the terms of this agreement, each District provides education for grades pre-kindergarten through six. Valley Community School District provides the facility for both districts for grades seven and eight. North Fayette Community School District provides the facility for both districts grades nine through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of West Union, Fayette and Hawkeye, Iowa, and the predominately-agricultural territory in a portion of Fayette County. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a seven-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, North Fayette 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units, which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

Jointly Governed Organizations

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

Government-wide Financial Statements

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund and the statewide sales, services and use tax-capital project fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Capital Project Fund

The capital project fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds. The major fund in this category is statewide sales, services and use tax.

Proprietary Funds

Enterprise Fund

The District's proprietary fund is the school nutrition fund. This fund is used to account for the food service operations of the District.

Internal Service Fund

The internal service fund is utilized to account for the financing of health insurance provided to the employees of the District.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The government-wide statements and proprietary funds financial statements are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with its activity are included on the statement of net position. In reporting the financial activity on the proprietary funds statements, the District applies all applicable GASB pronouncements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds financial statements are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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.

The District maintains its financial records on the modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term 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 taxes in the governmental fund are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School nutrition fund equipment	1,000
Other furniture and equipment	1,000
Intangibles	50,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangibles	5-10 years

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)

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 or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2015 was used to calculate the salaries payable.

Advances from Grantors

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

Long-term Obligation

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. Early retirement liability has been paid primarily by the nonmajor governmental management levy fund.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Employees are not paid for unused vacation and sick benefits when employment with the District ends. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Pensions

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

Deferred Inflows of Resources

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Deferred Inflows of Resources (Continued)

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

Fund Balance

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

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

Unassigned fund balance is the remaining fund balance, which is not included in other spendable classifications.

Net Position

Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net position represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Pooled Investments

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

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

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Pooled Investments (Continued)

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Direct government obligation portfolio	\$ 59,185
Diversified portfolio	2,881,999
	\$ 2,941,184

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk

The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2015:

Governmental	
General fund	
Title I	\$ 31,945
Tile IIA	33,447
State vocational aid	8,231
Valley Community School District	618,979
Various programs	28,662
	721,264
Capital project funds	
Statewide sales, services and use tax	122,530
Other	3,000
	125,530
	\$ 846,794

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Land	\$ 128,450			\$ 128,450
Construction in progress	225,404	\$ 63,860	\$ 225,404	63,860
Total capital assets not being depreciated	353,854	63,860	225,404	192,310
Capital assets being depreciated:				
Buildings	5,832,544			5,832,544
Improvements	4,867,892	803,795		5,671,687
Furniture and equipment	6,255,448	196,813		6,452,261
Total capital assets being depreciated	16,955,884	1,000,608	None	17,956,492
Less accumulated depreciation for:				
Buildings	2,476,583	118,236		2,594,819
Improvements	1,244,535	141,734		1,386,269
Furniture and equipment	5,154,529	293,092		5,447,621
Total accumulated depreciation	8,875,647	553,062	None	9,428,709
Total capital assets being depreciated, net	8,080,237	447,546	None	8,527,783
Governmental activities				
Capital assets	\$ 8,434,091	\$ 511,406	\$ 225,404	\$ 8,720,093
Business-type activities				
Furniture and equipment	\$ 270,611	\$ 30,530		\$ 301,141
Less accumulated depreciation	135,558	20,281		155,839
Business-type activities				
Capital assets, net	\$ 135,053	\$ 10,249	\$ None	\$ 145,302

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities	
Unallocated depreciation	\$ 553,062
Total depreciation expense-governmental activities	\$ 553,062
Business-type activities	
Food services	\$ 20,281

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Bonds					
Revenue bonds	\$ 1,040,000		\$ 1,040,000	\$ None	
Revenue refunding bonds		\$ 699,000		699,000	\$ 107,000
Total bonds	1,040,000	699,000	1,040,000	699,000	107,000
Other liabilities					
Capital leases	50,171		50,171	None	
Real estate contract	44,394		44,394	None	
Apple lease	150,084		73,850	76,234	76,234
Compensated absences	14,389	13,342	14,389	13,342	13,342
Early retirement	159,825		89,689	70,136	55,781
	418,863	13,342	272,493	159,712	145,357
Governmental activities					
Long-term liabilities	\$ 1,458,863	\$ 712,342	\$ 1,312,493	\$ 858,712	\$ 252,357

a. **Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay.

Early retirement benefits will be paid in six equal installments over a three-year period beginning in July following the start of retirement. The second payment will be paid the following February, with subsequent payments each July and February for two more years.

At June 30, 2015, the District has obligations to eight participants with a total liability of \$70,136. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$89,689.

b. **Bonded Indebtedness**

\$699,000 School Infrastructure Sales, Services and Use Tax Revenue Refunding Bonds, Series 2015, due annually in varying installments June 1, 2016 through June 1, 2021 plus interest semi-annually with an interest rate of 2.25%.

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations (Continued)**

b. **Bonded Indebtedness (Continued)**

A summary of the bond principal and interest maturities is as follows:

Year ending June 30,	Principal	Interest
2016	\$ 107,000	\$ 19,485
2017	113,000	13,320
2018	116,000	10,778
2019	118,000	8,168
2020	121,000	5,513
2021	124,000	2,790
	\$ 699,000	\$ 60,054

The District has pledged future statewide sales and service tax revenues to repay the \$699,000 bonds issued in March 2015. The bonds were issued to refund the June 2007 revenue bonds. The Series 2007 bonds were previously issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. This bond issue has no reserve fund requirements. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the School Infrastructure Sales, Services and Use Tax Revenue Refunding Bonds, Series 2015 includes the following provisions:

- a) The proceeds shall be deposited to the project fund, which are to be used to pay the principal and interest due on the refunded bonds and to pay costs of issuance. This amount is accounted for in the capital project funds.
- b) All proceeds from the local option sales and services tax shall be recorded as revenue.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project fund to be used for any lawful purpose.

At June 30, 2015, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 257,567,799
Debt limit – 5% of total assessed valuation	\$ 12,878,390
Debt applicable to debt limit	
Capital leases	(76,234)
Bonded debt outstanding	(699,000)
Legal debt margin	\$ 12,103,156

6. Capital Leases

The District has leased fifty Apple computers plus computer equipment under capital leases. The leased assets are accounted for in the statewide sales, services and use tax, a capital project fund. Capital assets under capital leases totaled \$76,234 at June 30, 2015. The following is a schedule of future minimum lease payments under the capital leases as of June 30, 2015:

	Year ending June 30,	Amount
	2016	\$ 78,070
Less imputed interest		1,836
Present value of minimum lease payments		\$ 76,234

7. Pension Plan

Plan Description

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

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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.

7. Pension Plan (Continued)

Disability and Death Benefits

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

Contributions

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% 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 \$465,043.

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

At June 30, 2015, the District reported a liability of \$2,931,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.073924%, which was a decrease of 0.002814 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$161,697. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,863	
Changes of assumptions	129,385	
Net difference between projected and actual earnings on pension plan investments		\$ 1,118,089
Changes in proportion and differences between District contributions and proportionate share of contributions		247,176
District contributions subsequent to the measurement date	465,043	
Total	\$ 626,291	\$ 1,365,265

7. **Pension Plan (Continued)**

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

\$465,043 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (299,599)
2017	(299,599)
2018	(299,599)
2019	(299,599)
2020	<u>(5,621)</u>
Total	<u>\$ (1,204,017)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

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

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

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

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

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

7. **Pension Plan (Continued)**

Actuarial Assumptions (Continued)

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	100%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,539,477	\$ 2,931,759	\$ 730,576

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

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

NOTES TO FINANCIAL STATEMENTS

8. **Other Postemployment Benefits (OPEB)**

Plan Description

As explained in Note 9, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for employees, retirees and their spouses. North Fayette Community School District has 105 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$	80,798
Interest on net OPEB obligation		9,085
Adjustment to annual required contribution		<u>(27,536)</u>
Annual OPEB cost		62,347
Contributions made		<u>(14,969)</u>
Increase in net OPEB obligation		47,378
Net OPEB obligation beginning of year		<u>363,396</u>
Net OPEB obligation end of year	\$	<u><u>410,774</u></u>

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

For the year ended June 30, 2015, the District contributed \$14,969 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 51,695	42.31%	\$ 314,084
June 30, 2014	69,153	28.69%	363,396
June 30, 2015	62,347	24.01%	410,774

8. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$492,793, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$492,793. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.793 million, and the ratio of the UAAL to covered payroll was 13.00%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$559 to \$762, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage,
- Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage,
- Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

NOTES TO FINANCIAL STATEMENTS

9. Employee Insurance Plan (Continued)

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2015, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2015 was unavailable as of November 20, 2015. The District contributions to the trust for the years ended June 30, 2015, 2014, and 2013 were \$979,179, \$985,458, and \$997,518, respectively, which equaled the required contributions each year. The employees paid \$1,980 in dental insurance for the year ended June 30, 2015.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the District's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Flexible Fringe Benefit Plan

The District sponsors a flexible fringe benefit plan as a part of its contractual obligation with its employees. The benefit available under the plan is insurance. Participating employees can choose their deductible as well as having the option to have un-reimbursed medical and dependent care expenses deducted on a pre-tax basis. The District contributes \$710 per month for certified staff at least half time, \$655 for non-certified staff at least half time, and \$1,566 for administration staff. The difference between the District's contribution and the amount of health premium is put into a TSA or HSA of the employee's choice or subtracted from the employee's salary. There were 105 participants in the plan for the year ended June 30, 2015.

11. Risk Management

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

12. Interfund Transfers

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

	Transfers In	Transfers Out
Statewide sales, services and use tax fund		\$ 1,084,575
Physical plant and equipment levy fund		177,248
Debt service fund	\$ 1,261,823	
Total	\$ 1,261,823	\$ 1,261,823

Transfers from the physical plant and equipment levy fund and the statewide sales, services and use tax fund to the debt service fund were to move resources from bond issuance and to help pay bond obligations.

13. 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 \$354,832 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.

NOTES TO FINANCIAL STATEMENTS

14. Leases

The District has entered into an operating lease agreement for copiers. The agreement is for five years and requires monthly payments until June 2020.

Future minimum lease payments under the lease agreement are as follows:

Year ended June 30,		
2016	\$	16,188
2017		16,188
2018		16,188
2019		16,188
2020		16,188
Total	\$	80,940

Total lease expense for the year ended June 30, 2015 was \$21,298.

15. Categorical Funding

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

Program	Amount
Limited English proficiency (LEP) weighting	\$ 6,362
Home school assistance	4,354
Gifted and talented	155,961
Four-year-old preschool state aid	121,628
Beginning teacher mentoring and induction	1,777
Teacher salary supplement	74,587
Iowa early intervention block grant	542
Community coalition grant	1,851
Successful progression for early readers	23,254
Professional development for model core curriculum	8,296
Teacher leadership grants	4,534
	\$ 403,146

16. Commitments

The District has entered into an agreement with Valley Community School District for two-way whole grade sharing of grades 7 through 12; with grades 7 and 8 located at Valley Community School District and 9 through 12 located at North Fayette Community School District. The amount of expenditures for sharing instructional employee cost, coaching and athletic/activity cost, and instructional supplies and material cost, excluding equipment and furniture will be determined and then prorated based on the student population at the middle school or high school. The agreement expires June 30, 2018.

The total outstanding construction and purchase commitments of the District at June 30, 2015 amount to \$245,353 and commitments to be reimbursed is \$None.

17. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

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	\$ 10,109,917	\$ 219,020
Net pension liability at June 30, 2014	(4,339,958)	(66,090)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	420,630	11,339
Net position July 1, 2014, as restated	\$ 6,190,589	\$ 164,269

19. Subsequent Events

Management has evaluated subsequent events through November 20, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Local sources	\$ 6,109,020	\$ 239,105	\$ 6,348,125
Intermediate sources	2,200		2,200
State sources	5,889,211	3,964	5,893,175
Federal sources	309,778	239,056	548,834
Total revenues	12,310,209	482,125	12,792,334
EXPENDITURES/EXPENSES			
Instruction	7,846,811		7,846,811
Support services	2,692,986		2,692,986
Non-instructional		487,158	487,158
Other	2,452,082		2,452,082
Total expenditures/expenses	12,991,879	487,158	13,479,037
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES/EXPENSES	(681,670)	(5,033)	(686,703)
OTHER FINANCING SOURCES, NET	699,000	-	699,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	17,330	(5,033)	12,297
FUND BALANCE, beginning of year	3,506,298	164,269	3,670,567
FUND BALANCE, end of year	\$ 3,523,628	\$ 159,236	\$ 3,682,864

See Notes to Required Budgetary Information and Independent Auditor's Report.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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. The budget may be amended during the year utilizing similar 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, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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, increasing budgeted expenditures by \$1,273,518.

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

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Fiscal Year*
 (In Thousands)

	2015
District's proportion of the net pension liability	0.073924%
District's proportionate share of the net pension liability	\$ 2,932
District's covered-employee payroll	\$ 4,837
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.62%
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 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

Required Supplementary Information

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 465	\$ 432	\$ 436	\$ 402
Contributions in relation to the statutorily required contribution	<u>(465)</u>	<u>(432)</u>	<u>(436)</u>	<u>(402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,208	\$ 4,837	\$ 5,033	\$ 4,981
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.66%	8.07%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 343	\$ 338	\$ 335	\$ 309	\$ 288	\$ 284
<u>(343)</u>	<u>(338)</u>	<u>(335)</u>	<u>(309)</u>	<u>(288)</u>	<u>(284)</u>
<u>\$ -</u>					
\$ 4,912	\$ 5,078	\$ 5,275	\$ 5,099	\$ 5,007	\$ 4,943
6.98%	6.66%	6.35%	6.06%	5.75%	5.75%

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

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

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

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

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.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 691	\$ 691	0.0%	\$ 4,792	14.4%
2010	July 1, 2008	-	\$ 676	\$ 676	0.0%	\$ 4,686	14.4%
2011	July 1, 2010	-	\$ 606	\$ 606	0.0%	\$ 4,092	14.8%
2012	July 1, 2010	-	\$ 595	\$ 595	0.0%	\$ 3,923	15.2%
2013	July 1, 2012	-	\$ 603	\$ 603	0.0%	\$ 4,588	13.1%
2014	July 1, 2012	-	\$ 585	\$ 585	0.0%	\$ 3,748	15.6%
2015	July 1, 2014	-	\$ 493	\$ 493	0.0%	\$ 3,793	13.0%

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

See Independent Auditor's Report.

Other Supplementary Information

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Special Revenue Funds	Capital Project Fund Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Funds
ASSETS				
Cash and pooled investments	\$ 682,191	\$ 292,547		\$ 974,738
Receivables				
Property tax				
Delinquent	3,743	5,040		8,783
Succeeding year	250,000	351,462		601,462
Due from other governments		3,000		3,000
Total assets	\$ 935,934	\$ 652,049	\$ -	\$ 1,587,983
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 809	\$ 1,032		\$ 1,841
Total liabilities	809	1,032	\$ -	1,841
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax	250,000	351,462		601,462
Fund balances				
Restricted for				
Management levy purposes	511,352			511,352
Student activities	173,773			173,773
Physical plant and equipment		299,555		299,555
	685,125	299,555	-	984,680
Total liabilities, deferred inflows of resources and fund balances	\$ 935,934	\$ 652,049	\$ -	\$ 1,587,983

See Independent Auditor's Report.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Project Fund Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Funds
REVENUES				
Local sources				
Property taxes	\$ 251,493	\$ 344,630		\$ 596,123
Other	437,524	172		437,696
State sources	2,288	3,081		5,369
Total revenues	691,305	347,883	\$ -	1,039,188
EXPENDITURES				
Current				
Instruction				
Regular instruction	141,802			141,802
Other instruction	437,352	3,347		440,699
Support services				
Administration services	14,355			14,355
Operation and maintenance plant services	94,149			94,149
Transportation services	13,857			13,857
Other				
Facilities acquisition		83,983		83,983
Long-term debt				
Principal			1,208,415	1,208,415
Interest and fiscal charges			53,408	53,408
Total expenditures	701,515	87,330	1,261,823	2,050,668
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(10,210)	260,553	(1,261,823)	(1,011,480)
OTHER FINANCING SOURCES (USES)				
Transfers in			1,261,823	1,261,823
Transfers (out)		(177,248)		(177,248)
	-	(177,248)	1,261,823	1,084,575
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	(10,210)	83,305	-	73,095
FUND BALANCE, beginning of year	695,335	216,250	-	911,585
FUND BALANCE, end of year	\$ 685,125	\$ 299,555	\$ -	\$ 984,680

See Independent Auditor's Report.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2015

	Student Activity	Management Levy	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 174,582	\$ 507,609	\$ 682,191
Receivables			
Property tax			
Delinquent		3,743	3,743
Succeeding year		250,000	250,000
Total assets	\$ 174,582	\$ 761,352	\$ 935,934
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 809		\$ 809
Total liabilities	809	\$ -	809
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax		250,000	250,000
Total deferred inflows of resources	-	250,000	250,000
Fund balances			
Restricted for			
Management levy purposes		511,352	511,352
Student activities	173,773		173,773
	173,773	511,352	685,125
Total liabilities, deferred inflows of resources and fund balances	\$ 174,582	\$ 761,352	\$ 935,934

See Independent Auditor's Report.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Student Activity	Management Levy	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax		\$ 251,493	\$ 251,493
Other	\$ 430,138	7,386	437,524
State sources		2,288	2,288
Total revenues	430,138	261,167	691,305
EXPENDITURES			
Current			
Instruction			
Regular instruction		141,802	141,802
Other instruction	437,352		437,352
Support services			
Administration services		14,355	14,355
Operation and maintenance plant services		94,149	94,149
Transportation services		13,857	13,857
Total expenditures	437,352	264,163	701,515
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(7,214)	(2,996)	(10,210)
FUND BALANCE, beginning of year	180,987	514,348	695,335
FUND BALANCE, end of year	\$ 173,773	\$ 511,352	\$ 685,125

See Independent Auditor's Report.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2015

	Balance June 30, 2014	Revenues and Transfers	Expenditures and Transfers	Intra-fund Transfers	Balance June 30, 2015
Elementary School Activities:					
Playground - fundraising	\$ 902				\$ 902
Hawkeye attendance - fundraising	2,343	\$ 628	\$ 944		2,027
West Union attendance - fundraising	8,498	9,566	8,767		9,297
Interest	1,471	33			1,504
NF Shop - resale	2,296	2,093	1,734		2,655
Middle School Activities:					
Athletics	2,821	24	657		2,188
Pop machine	3,637				3,637
Tag	11				11
Musical	2,392				2,392
Hawk athletics	1,572				1,572
High School Activities:					
Athletics	54,901	132,336	131,013	\$ 9,469	65,693
Interest		481	170		311
Speech	83	1,624	1,460	(6)	241
Speech fall play	6,512	2,290	627		8,175
Vocal music	3,307	4,433	4,314		3,426
Musical	7,600	4,521	4,253		7,868
Band	1,375	2,658	3,944		89
Art club	748	1,448	1,513		683
Yearbook	7,278	13,740	17,425		3,593
BPA	3,064	1,030	993		3,101
FFA	25,863	81,268	88,142		18,989
FHA	649	278	301		626
Honor Society			579	579	-
Student Council	3,503	5,273	7,751	(40)	985
Math/Science	1,014	13,020	12,205		1,829
German program	5,556	17,220	18,326		4,450
Spanish	1,460	344	485		1,319
Spanish bound		12,136	7,928		4,208
Cheerleading	1,636	3,176	3,992		820
Danceline	5,328	34,868	36,850	(12)	3,334
Class of:					
Alumni	1,529			489	2,018
2013		160	50	(110)	-
2014		365		(365)	-
2015	1,225	23	1,273	25	-
2016	1,816	5,813	4,840	(33)	2,756
2017		1,811	44		1,767
Activity ticket	719	9,652	126	(10,208)	37
Graduation fees		465			465
STW - Enterprise	1,838	59,530	60,857	2	513
Mini Arts Festival	2,868				2,868
HS Hawk store	143				143
Special Olympics	3,868	959	284		4,543
Music Tigerhawk		6,718	3,980		2,738
Tigerhawk Athletics	11,161	154	11,525	210	-
	<u>\$ 180,987</u>	<u>\$ 430,138</u>	<u>\$ 437,352</u>	<u>\$ -</u>	<u>\$ 173,773</u>

See Independent Auditor's Report.

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Years Ended June 30,

	Modified Accrual			
	2015	2014	2013	2012
REVENUES				
Local sources				
Local tax	\$ 4,087,414	\$ 4,029,761	\$ 4,080,097	\$ 4,006,743
Tuition				
Other	2,021,606	1,784,136	1,443,960	1,454,521
Intermediate sources	2,200	15,500	4,059	1,069
State sources	5,889,211	5,582,242	4,687,689	4,916,972
Federal sources	309,778	323,386	245,936	398,949
	<u>\$ 12,310,209</u>	<u>\$ 11,735,025</u>	<u>\$ 10,461,741</u>	<u>\$ 10,778,254</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 4,697,213	\$ 4,576,458	\$ 3,847,607	\$ 3,701,551
Special instruction	1,674,419	1,441,173	1,265,458	1,260,438
Other instruction	1,475,179	1,539,637	1,297,577	1,294,790
Support services				
Student services	291,099	282,565	296,433	332,178
Instructional staff services	334,289	311,479	258,853	224,346
Administration services	843,844	824,301	815,540	890,391
Operation and maintenance plant services	725,821	734,262	688,409	678,405
Transportation services	497,933	527,005	460,655	468,876
Other				
Facilities acquisition	817,428	633,035	270,780	557,912
Bond issuance costs	17,999			
Long-term debt				
Principal	1,208,415	271,709	340,998	261,986
Interest and fiscal charges	53,408	64,569	78,420	82,102
AEA flowthrough	354,832	349,020	338,515	339,978
	<u>\$ 12,991,879</u>	<u>\$ 11,555,213</u>	<u>\$ 9,959,245</u>	<u>\$ 10,092,953</u>

See Independent Auditor's Report.

SCHEDULE 6

Modified Accrual					
2011	2010	2009	2008	2007	2006
\$ 3,833,759	\$ 3,788,960	\$ 3,589,066	\$ 3,574,782	\$ 3,972,590	\$ 3,828,672
173,605	178,394	170,160	185,900	179,932	178,189
1,212,913	956,330	1,331,429	1,455,768	1,020,161	573,398
					750
4,702,410	4,136,849	5,123,655	5,220,404	4,926,840	4,488,172
470,172	752,086	335,251	225,193	240,238	315,821
<u>\$ 10,392,859</u>	<u>\$ 9,812,619</u>	<u>\$ 10,549,561</u>	<u>\$ 10,662,047</u>	<u>\$ 10,339,761</u>	<u>\$ 9,385,002</u>
\$ 4,000,235	\$ 3,838,255	\$ 3,990,281	\$ 4,015,185	\$ 3,923,888	\$ 3,737,695
1,224,310	1,049,182	1,180,888	1,052,349	1,108,027	1,020,967
1,355,178	1,446,876	1,264,914	1,084,304	975,240	1,114,113
329,961	308,378	296,834	290,287	279,887	272,124
220,441	210,354	238,041	222,659	182,007	230,290
849,450	816,489	856,444	889,189	815,604	774,339
668,806	774,120	781,580	788,831	1,015,021	715,398
470,649	416,350	430,982	471,904	464,843	396,250
1,013,022	776,688	1,191,661	1,119,191	2,234,761	532,183
263,178	220,114	212,847	375,673	368,588	362,478
83,173	81,137	89,404	104,328	75,253	71,740
380,930	379,576	355,848	348,651	339,590	316,945
<u>\$ 10,859,333</u>	<u>\$ 10,317,519</u>	<u>\$ 10,889,724</u>	<u>\$ 10,762,551</u>	<u>\$ 11,782,709</u>	<u>\$ 9,544,522</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
North Fayette Community School District
West Union, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Fayette Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise North Fayette Community School District's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Fayette 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 North Fayette Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Fayette 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional controls where possible.

Conclusion

Response acknowledged.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Fayette Community School District's financial statements are free from 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*.

North Fayette Community School District's Response to Finding

North Fayette Community School District's response to the finding identified in our audit is described above. North Fayette Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 20, 2015

MANAGEMENT LETTER

To the Board of Education
North Fayette Community School District
West Union, Iowa

In planning and performing our audit of the financial statements of North Fayette Community School District for the year ended June 30, 2015, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 20, 2015 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 20, 2015, on the financial statements of the North Fayette Community School District. Comment numbers 13, 14, and 15 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2015, exceeded the amended certified budget amount in the instruction 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.

Response and Corrective Action Planned

Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

3. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2015.

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

6. **Board Minutes**
We noted no transactions requiring Board approval, which had not been approved by the Board. However, we noted one month of minutes and bills were not published within 15 days as required by Chapter 279.35 of the Code of Iowa.

Recommendation

All minutes and bills should be published within two weeks of each meeting.

Response and Corrective Action Planned

Procedures are in place to ensure the minutes and approved bills are published as required. The minutes and bills did not get published due to a miscommunication with the newspaper.

Conclusion

Response accepted.

7. **Certified Enrollment**
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

8. **Supplementary Weighting**
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

9. **Deposits and Investments**
We noted that the District exceeded its maximum dollar deposit limit on its depository resolution at Bank First. This does not appear to be in compliance with Chapter 12C of the Code of Iowa.

Recommendation

We recommend depository amounts be monitored to prevent exceeding the resolution. The District should increase the maximum dollar deposit amount on the depository resolution.

Response and Corrective Action Planned

The Board has approved an increased dollar amount for the District's depository resolution.

Conclusion

Response accepted.

10. **Certified Annual Report**
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

11. **Categorical Funding**
No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax

No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	1,368,051
Revenues/transfers in:			
Statewide sales, services and use tax	\$	783,763	
Proceeds from revenue bonds		699,000	
Other		10,177	1,492,940
			<hr/>
Expenditures/transfers out:			
School infrastructure construction		660,645	
Equipment		72,800	
Other		17,999	
Debt service for school infrastructure:			
Revenue bond obligation debt		1,084,575	1,836,019
			<hr/>
Ending balance		\$	<u>1,024,972</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
		<hr/>
Debt service levy	\$ 0.62	\$ 159,575
Physical plant and equipment levy	2.42	624,188
		<hr/>
		<u>\$ 783,763</u>

13. Capital Asset Records

We recommend for proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. The District also needs to calculate depreciation expense on the appropriate capital assets. However, the necessary adjustments for the fiscal year have been calculated and reflected in the governmental activities.

Recommendation

We recommend management update its property records and record the result in the governmental activities.

Response and Corrective Action Planned

The District will take an inventory of all property and equipment at the conclusion of the school year.

Conclusion

Response accepted.

14. Disbursements

During our audit, we noted various items not in compliance with District procedures. From a total of seventy-six disbursements tested, we noted fifteen disbursements not in compliance with District procedures, including fifteen that did not document supervisor approval for actual payment. All of these items were for nutrition and activity fund disbursements, which included travel reimbursements, supplies, or activity fees, but all items received post Board approval. From a total of sixteen payroll disbursements, we noted two did not have complete documentation for deductions. After subsequent review, it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices are properly authorized with signature approval. We also recommend the purchase order be signed and attached to all applicable disbursements. We recommend for payroll disbursements that all deductions and payments have complete authorization documentation.

Response and Corrective Action Planned

The District does attach the check stub to all paid invoices. All paid invoices are audited and approved by the Board each month. We will implement additional procedures to address your recommendation. We will review all documentation and obtain the proper signatures for payroll deductions and payments.

Conclusion

Response accepted.

15. Outstanding Checks

The District's bank reconciliations included outstanding checks over three years old.

Recommendation

The District should review the checks to see if they have been cashed and if not to turn the checks over to the State Treasurer's office.

Response and Corrective Action Planned

We will review the outstanding checks and turn over to state agency, if appropriate.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of North Fayette Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hacher, Nelson & Co., P.C.