

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor’s Report	4-6
Management Discussion and Analysis (MD&A)	7-15
Basic Financial Statements:	<u>Exhibit</u>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
Notes to Financial Statements	27-40
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Schedule of the District’s Proportionate Share of the Net Pension Liability	45
Schedule of District Contributions	46
Notes to Required Supplementary Information - Pension Liability	47-48
Supplementary Information:	<u>Schedule</u>
<i>Capital Projects Accounts:</i>	
Combining Balance Sheet	1 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 53
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 <u>Government Auditing Standards</u>	54-55
Schedule of Findings	56-60

Paton-Churdan Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Steve Burrell	President	2015
Bradley Wilson	Vice President	2017
Deonne Reed	Board Member	2017
Troy Paup	Board Member	2015
Greg Carey	Board Member	2017
	(Resigned August 13, 2014)	
Elizabeth Towers	Board Member	2015
	(Appointed September 9, 2014)	
	(Resigned February 11, 2015)	
Jennifer Maach	Board Member	2015
	(Appointed March 11, 2015)	
<u>School Officials</u>		
Rob Olsen	Superintendent	2015
Mitchell Lewis	District Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Paton-Churdan Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paton-Churdan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of the report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor 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, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2016 on our consideration of Paton-Churdan Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Paton-Churdan Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,207,899 in fiscal 2014 to \$2,461,123 in fiscal 2015, and General Fund expenditures increased from \$2,282,695 in fiscal 2014 to \$2,456,404 in fiscal 2015. This resulted in an increase in the District's General Fund balance from \$400,680 at June 30, 2014 to \$405,399 at June 30, 2015, representing an increase of 1.18%.
- The increase in General Fund revenues was attributable to increases in state aid in fiscal year 2015. The increase in expenditures was due primarily to increases in the instructional functions.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects accounts.

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

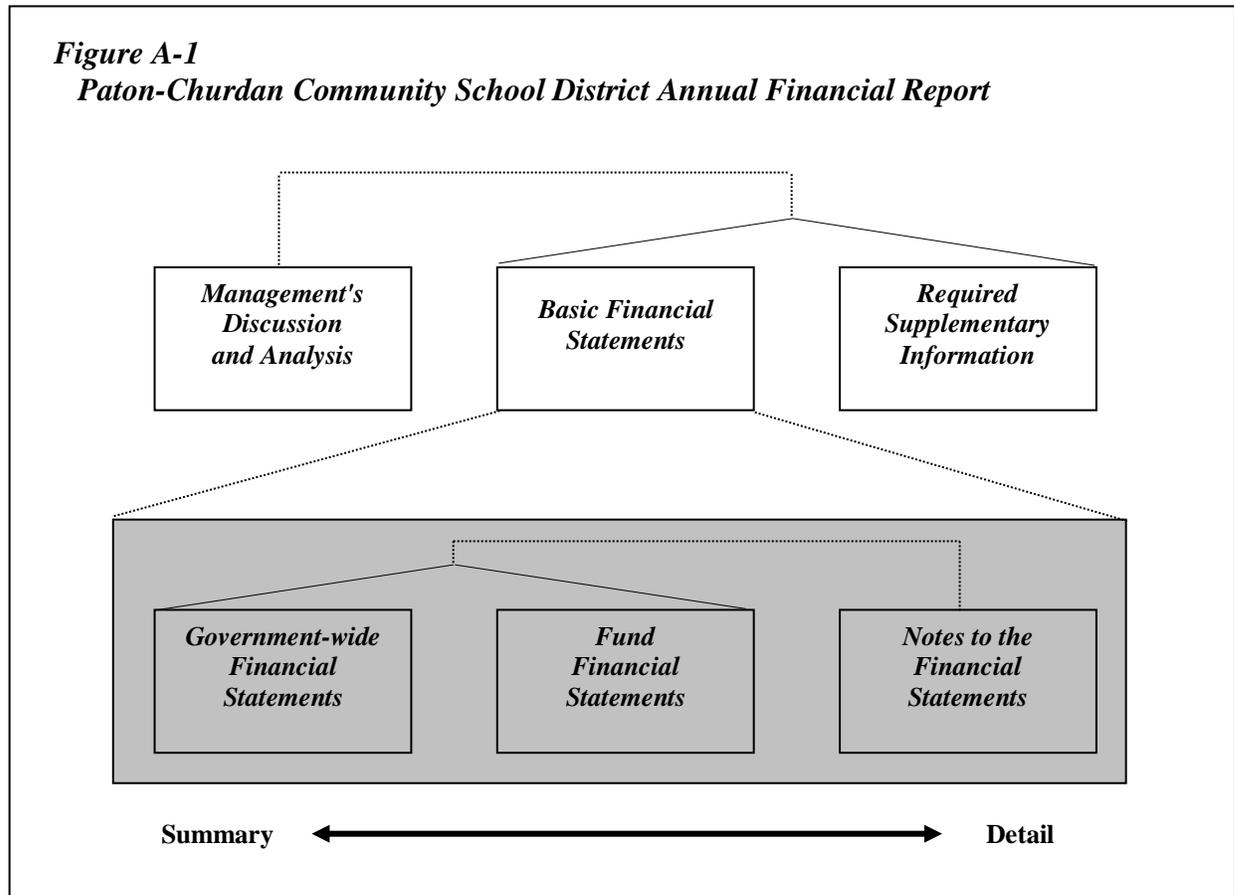


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool programs are included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 2,503,742	2,425,989	14,503	21,928	2,518,245	2,447,917	2.87%
Capital assets	1,480,757	1,462,742	20,567	23,381	1,501,324	1,486,123	1.02%
Total assets	3,984,499	3,888,731	35,070	45,309	4,019,569	3,934,040	2.17%
Deferred inflows of resources	131,498	-	3,603	-	135,101	-	100.00%
Long-term liabilities	1,189,898	695,913	14,315	-	1,204,213	695,913	73.04%
Other liabilities	217,333	216,910	4,028	2,356	221,361	219,266	0.96%
Total liabilities	1,407,231	912,823	18,343	2,356	1,425,574	915,179	55.77%
Deferred inflows of resources	1,487,570	1,299,864	6,676	-	1,494,246	1,299,864	14.95%
Net position:							
Net investment in capital assets	955,757	837,742	20,567	23,381	976,324	861,123	13.38%
Restricted	554,582	386,621	-	-	554,582	386,621	43.44%
Unrestricted	(289,143)	451,681	(6,913)	19,572	(296,056)	471,253	-162.82%
Total net position	\$ 1,221,196	1,676,044	13,654	42,953	1,234,850	1,718,997	-28.16%

The District's combined net position decreased by 28.16%, or \$484,147, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$167,961 or 43.44% over the prior year. The increase in restricted net position is due in part to the increase in fund balance of the Management Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$767,309 or 162.82%. The decrease in unrestricted net position can be attributed to 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 \$806,831 and \$19,417, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total		Total Change 2014-15
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 436,204	275,199	38,205	31,066	474,409	306,265	54.90%
Operating grants and contributions and restricted interest	217,187	212,476	64,849	64,863	282,036	277,339	1.69%
General revenues:							
Property tax	1,171,373	1,124,462	-	-	1,171,373	1,124,462	4.17%
Income surtax	78,627	111,208	-	-	78,627	111,208	-29.30%
Statewide sales, services and use tax	180,511	158,465	-	-	180,511	158,465	13.91%
Unrestricted state grants	885,393	703,263	-	-	885,393	703,263	25.90%
Unrestricted investment earnings	4,748	2,486	18	19	4,766	2,505	90.26%
Other	32,840	92,753	4,809	791	37,649	93,544	-59.75%
Total revenues	<u>3,006,883</u>	<u>2,680,312</u>	<u>107,881</u>	<u>96,739</u>	<u>3,114,764</u>	<u>2,777,051</u>	<u>12.16%</u>
Program expenses:							
Governmental activities:							
Instruction	1,820,420	1,695,557	6,752	-	1,827,172	1,695,557	7.76%
Support services	689,860	706,915	-	-	689,860	706,915	-2.41%
Non-instructional programs	-	-	111,011	87,587	111,011	87,587	26.74%
Other expenses	144,620	157,489	-	-	144,620	157,489	-8.17%
Total expenses	<u>2,654,900</u>	<u>2,559,961</u>	<u>117,763</u>	<u>87,587</u>	<u>2,772,663</u>	<u>2,647,548</u>	<u>4.73%</u>
Excess(Deficiency) of revenues over(under) expenses	351,983	120,351	(9,882)	9,152	342,101	129,503	164.16%
Transfers	-	(15,674)	-	15,674	-	-	0.00%
Change in net position	351,983	104,677	(9,882)	24,826	342,101	129,503	164.16%
Beginning net position, as restated	869,213	1,571,367	23,536	18,127	892,749	1,589,494	-43.83%
Ending net position	<u>\$ 1,221,196</u>	<u>1,676,044</u>	<u>13,654</u>	<u>42,953</u>	<u>1,234,850</u>	<u>1,718,997</u>	<u>-28.16%</u>

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 77.02% of the governmental revenue while charges for services and operating grants and contributions account for 95.53% of the revenue from business type activities.

The District's total revenues were approximately \$3.11 million, of which approximately \$3.00 million was for governmental activities and approximately \$0.11 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.16% increase in revenues and a 4.73% increase in expenses. Unrestricted state grants increased \$182,130 to help fund the increase in expenses. The increase in expenses was related to the increases in the instructional functions.

Governmental Activities

Revenues for governmental activities were \$3,006,883 and expenses were \$2,654,900.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
	Instruction	\$ 1,820,420	1,695,557	7.36%	\$ 1,246,023	1,284,179
Support services	689,860	706,915	-2.41%	689,860	706,915	-2.41%
Other expenses	144,620	157,489	-8.17%	65,626	81,192	-19.17%
Totals	\$ 2,654,900	2,559,961	3.71%	\$ 2,001,509	2,072,286	-3.42%

- The cost financed by users of the District's programs was \$436,204.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$217,187.
- The net cost of governmental activities was financed with \$1,171,373 in property tax, \$78,627 in income surtax, \$180,511 in statewide sales, services and use tax, \$885,393 in unrestricted state grants, \$4,748 in unrestricted investment earnings and \$32,840 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$107,881 expenses were \$117,763. The District's business type activities include the School Nutrition Fund and Preschool. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$993,117, above last year's ending fund balances of \$846,481. The primary reason for the increase in combined fund balances in fiscal 2014 was due to the increase in fund balance of the Management Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state grant funding led to the increase in revenues during fiscal 2015. The General Fund balance increased from \$400,680 at June 30, 2014 to \$405,399 at June 30, 2015.
- The Management Levy Fund increased from a balance of \$284,306 at June 30, 2014 to \$378,461 at June 30, 2015.
- The Capital Projects accounts balance increased from a balance of \$141,507 at June 30, 2014 to \$189,242 at June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a restated balance of \$23,536 at July 1, 2014 to \$11,762 at June 30, 2015, representing a decrease of 50.03%.

The Preschool Fund net position increased from a balance of \$0 at June 30, 2014 to \$1,892 at June 30, 2015, representing an increase of 100%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Paton-Churdan Community School District amended its budget to reflect additional expenditures.

The District's revenues were \$97,123 more than budgeted revenues, a variance of 3.24%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,501,324, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 1.02% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$105,765.

The original cost of the District's capital assets was \$2,886,876. Governmental funds account for \$2,845,572 with the remainder of approximately \$41,304 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's machinery and equipment totaled \$170,069 at June 30, 2014, compared to \$224,957 reported at June 30, 2015. The main reason for the increase in the machinery and equipment category is attributable to the purchase of a new bus during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Land improvements	6,120	6,460	-	-	6,120	6,460	-5.26%
Buildings	1,265,247	1,304,594	-	-	1,265,247	1,304,594	-3.02%
Machinery and equipment	204,390	146,688	20,567	23,381	224,957	170,069	32.27%
Total	\$ 1,480,757	1,462,742	20,567	23,381	1,501,324	1,486,123	1.02%

Long-Term Debt

At June 30, 2015, the District had \$1,204,213 in revenue bonds and other long-term debt outstanding. This represents an increase of 73.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$365,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding capital loan notes of \$160,000 at June 30, 2015 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had termination benefits payable of \$34,680 at June 30, 2015, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District had net pension liability of \$609,139 at June 30, 2015, of which \$594,824 was attributable to the governmental activities and \$14,315 was attributable to the business type activities.

The District had net OPEB liability of \$35,394 at June 30, 2015.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)						
Revenue Bonds	\$ 365,000	415,000	-	-	365,000	415,000	-12.05%
Capital Loan Notes	160,000	210,000	-	-	160,000	210,000	-23.81%
Termination Benefits	34,680	42,899	-	-	34,680	42,899	-19.16%
Net Pension Liability	594,824	-	14,315	-	609,139	-	100.00%
Net OPEB Liability	35,394	28,014	-	-	35,394	28,014	26.34%
Totals	\$ 1,189,898	695,913	14,315	-	1,204,213	695,913	73.04%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The sharing of programs and related cost savings along with allowable growth set by the state legislature will have a major effect on the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mitch Lewis, District Secretary/Treasurer, Paton-Churdan Community School District, 606 Adrian Street, Churdan, Iowa 50050.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,089,616	1,501	1,091,117
Receivables:			
Property tax:			
Delinquent	9,927	-	9,927
Succeeding year	1,210,143	-	1,210,143
Income surtax	93,131	-	93,131
Accounts	2,268	2,871	5,139
Due from other governments	98,657	3,854	102,511
Inventories	-	6,277	6,277
Capital assets, net of accumulated depreciation	1,480,757	20,567	1,501,324
TOTAL ASSETS	3,984,499	35,070	4,019,569
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	131,498	3,603	135,101
LIABILITIES			
Excess of warrants issued over bank balance	-	692	692
Accounts payable	115,858	3,336	119,194
Salaries and benefits payable	91,493	-	91,493
Interest payable	9,982	-	9,982
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	40,000	-	40,000
Capital loan notes payable	50,000	-	50,000
Termination benefits payable	10,997	-	10,997
Portion due after one year:			
Revenue bonds payable	325,000	-	325,000
Capital loan notes payable	110,000	-	110,000
Termination benefits payable	23,683	-	23,683
Net pension liability	594,824	14,315	609,139
Net OPEB liability	35,394	-	35,394
TOTAL LIABILITIES	1,407,231	18,343	1,425,574
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred outflows	277,427	6,676	284,103
Unavailable property tax revenue	1,210,143	-	1,210,143
TOTAL DEFERRED INFLOWS OF RESOURCES	1,487,570	6,676	1,494,246
NET POSITION			
Net investment in capital assets	955,757	20,567	976,324
Restricted for:			
Categorical funding	1,544	-	1,544
Management levy purposes	343,781	-	343,781
Student activities	20,015	-	20,015
School infrastructure	179,292	-	179,292
Physical plant and equipment	9,950	-	9,950
Unassigned	(289,143)	(6,913)	(296,056)
TOTAL NET POSITION	\$ 1,221,196	13,654	1,234,850

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,287,365	315,475	33,689	(938,201)	-	(938,201)
Special	306,262	70,887	10,096	(225,279)	-	(225,279)
Other	226,793	49,842	94,408	(82,543)	-	(82,543)
	<u>1,820,420</u>	<u>436,204</u>	<u>138,193</u>	<u>(1,246,023)</u>	<u>-</u>	<u>(1,246,023)</u>
Support services:						
Student	24,763	-	-	(24,763)	-	(24,763)
Instructional staff	48,428	-	-	(48,428)	-	(48,428)
Administration	258,099	-	-	(258,099)	-	(258,099)
Operation and maintenance of plant	211,950	-	-	(211,950)	-	(211,950)
Transportation	146,620	-	-	(146,620)	-	(146,620)
	<u>689,860</u>	<u>-</u>	<u>-</u>	<u>(689,860)</u>	<u>-</u>	<u>(689,860)</u>
Long-term debt interest	25,939	-	-	(25,939)	-	(25,939)
Other expenditures:						
AEA flowthrough	78,994	-	78,994	-	-	-
Depreciation(unallocated)*	39,687	-	-	(39,687)	-	(39,687)
	<u>118,681</u>	<u>-</u>	<u>78,994</u>	<u>(39,687)</u>	<u>-</u>	<u>(39,687)</u>
Total governmental activities	<u>2,654,900</u>	<u>436,204</u>	<u>217,187</u>	<u>(2,001,509)</u>	<u>-</u>	<u>(2,001,509)</u>
Business type activities:						
Instruction:						
Regular	6,752	-	-	-	(6,752)	(6,752)
Non-instructional programs:						
Food service operations	111,011	35,191	63,650	-	(12,170)	(12,170)
Community service operations	-	3,014	1,199	-	4,213	4,213
Total business type activities	<u>117,763</u>	<u>38,205</u>	<u>64,849</u>	<u>-</u>	<u>(14,709)</u>	<u>(14,709)</u>
Total	<u>\$ 2,772,663</u>	<u>474,409</u>	<u>282,036</u>	<u>(2,001,509)</u>	<u>(14,709)</u>	<u>(2,016,218)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,042,847	-	1,042,847
Capital outlay				128,526	-	128,526
Income surtax				78,627	-	78,627
Statewide sales, services and use tax				180,511	-	180,511
Unrestricted state grants				885,393	-	885,393
Unrestricted investment earnings				4,748	18	4,766
Other general revenues				32,840	4,809	37,649
Total general revenues				<u>2,353,492</u>	<u>4,827</u>	<u>2,358,319</u>
Change in net position				351,983	(9,882)	342,101
Net position beginning of year, as restated				869,213	23,536	892,749
Net position end of year				<u>\$ 1,221,196</u>	<u>13,654</u>	<u>1,234,850</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 532,290	377,107	160,514	19,705	1,089,616
Receivables:					
Property tax					
Delinquent	7,489	1,354	1,084	-	9,927
Succeeding year	963,476	114,999	131,668	-	1,210,143
Income surtax	93,131	-	-	-	93,131
Accounts	1,958	-	-	310	2,268
Due from other governments	70,415	-	28,242	-	98,657
TOTAL ASSETS	\$ 1,668,759	493,460	321,508	20,015	2,503,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 115,260	-	598	-	115,858
Salaries and benefits payable	91,493	-	-	-	91,493
Total liabilities	206,753	-	598	-	207,351
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	963,476	114,999	131,668	-	1,210,143
Income surtax	93,131	-	-	-	93,131
Total deferred inflows of resources	1,056,607	114,999	131,668	-	1,303,274
Fund balances:					
Restricted for:					
Categorical funding	1,544	-	-	-	1,544
Management levy purposes	-	378,461	-	-	378,461
Student activities	-	-	-	20,015	20,015
School infrastructure	-	-	179,292	-	179,292
Physical plant and equipment	-	-	9,950	-	9,950
Unassigned:					
General fund	403,855	-	-	-	403,855
Total fund balances	405,399	378,461	189,242	20,015	993,117
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,668,759	493,460	321,508	20,015	2,503,742

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	993,117
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,480,757
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(9,982)
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		93,131
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	\$ 131,498	
Deferred inflows of resources	<u>(277,427)</u>	(145,929)
Long-term liabilities, including revenue bonds payable, capital loan notes payable, termination benefits payable, and other postemployment benefits payable, are not due and not payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,189,898)</u>
Net position of governmental activities (page 18)	\$	<u><u>1,221,196</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor Debt Service	Nonmajor Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 942,940	159,664	128,526	-	-	1,231,130
Tuition	386,291	-	-	-	-	386,291
Other	45,637	-	145	-	56,536	102,318
State sources	1,022,001	1,234	180,785	-	-	1,204,020
Federal sources	64,254	-	-	-	-	64,254
Total revenues	2,461,123	160,898	309,456	-	56,536	2,988,013
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,313,241	24,027	-	-	-	1,337,268
Special	296,757	-	-	-	-	296,757
Other	179,235	-	-	-	56,509	235,744
	1,789,233	24,027	-	-	56,509	1,869,769
Support services:						
Student	22,815	-	-	-	-	22,815
Instructional staff	49,625	-	-	-	-	49,625
Administration	237,092	42,485	-	-	-	279,577
Operation and maintenance of plant	147,225	-	65,242	-	-	212,467
Transportation	131,420	231	68,995	-	-	200,646
	588,177	42,716	134,237	-	-	765,130
Long-term debt:						
Principal	-	-	-	100,000	-	100,000
Interest and fiscal charges	-	-	-	27,484	-	27,484
	-	-	-	127,484	-	127,484
Other expenditures:						
AEA flowthrough	78,994	-	-	-	-	78,994
Total expenditures	2,456,404	66,743	134,237	127,484	56,509	2,841,377
Excess(Deficiency) of revenues over(under) expenditures	4,719	94,155	175,219	(127,484)	27	146,636
Other financing sources(uses):						
Transfer in	-	-	-	127,484	-	127,484
Transfer out	-	-	(127,484)	-	-	(127,484)
Total other financing sources(uses)	-	-	(127,484)	127,484	-	-
Change in fund balances	4,719	94,155	47,735	-	27	146,636
Fund balances beginning of year	400,680	284,306	141,507	-	19,988	846,481
Fund balances end of year	\$ 405,399	378,461	189,242	-	20,015	993,117

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22)	\$	146,636
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense in the year are as follows:		
Capital outlay	\$ 120,966	
Depreciation expense	<u>(102,951)</u>	18,015
Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		100,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless, of when it is due.		
		1,545
Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.		
		18,870
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.		
		98,783
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	8,219	
Pension expense	(32,705)	
Other postemployment benefits	<u>(7,380)</u>	<u>(31,866)</u>
Change in net position of governmental activities (page 19)	\$	<u><u>351,983</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	School Nutrition	Preschool	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ -	1,501	1,501
Accounts receivable	2,846	25	2,871
Due from other governments	3,854	-	3,854
Inventories	6,277	-	6,277
Total current assets	<u>12,977</u>	<u>1,526</u>	<u>14,503</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	20,567	-	20,567
TOTAL ASSETS	<u>33,544</u>	<u>1,526</u>	<u>35,070</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>3,237</u>	<u>366</u>	<u>3,603</u>
LIABILITIES			
Current liabilities:			
Excess of warrants issued over bank balance	692	-	692
Accounts payable	3,336	-	3,336
Total current liabilities	<u>4,028</u>	<u>-</u>	<u>4,028</u>
Long-term liabilities:			
Net pension liability	<u>14,315</u>	<u>-</u>	<u>14,315</u>
TOTAL LIABILITIES	<u>18,343</u>	<u>-</u>	<u>18,343</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	<u>6,676</u>	<u>-</u>	<u>6,676</u>
NET POSITION			
Net investment in capital assets	20,567	-	20,567
Unrestricted	(8,805)	1,892	(6,913)
TOTAL NET POSITION	<u>\$ 11,762</u>	<u>1,892</u>	<u>13,654</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Preschool	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 35,191	3,014	38,205
Donations	-	1,199	1,199
Miscellaneous	378	4,431	4,809
TOTAL OPERATING REVENUES	35,569	8,644	44,213
OPERATING EXPENSES:			
Instruction:			
Regular:			
Salaries	-	4,148	4,148
Benefits	-	322	322
Supplies	-	2,282	2,282
Total instruction	-	6,752	6,752
Non-instructional programs:			
Food service operations:			
Salaries	28,323	-	28,323
Benefits	2,945	-	2,945
Services	90	-	90
Supplies	76,839	-	76,839
Depreciation	2,814	-	2,814
Total non-instructional programs	111,011	-	111,011
TOTAL OPERATING EXPENSES	111,011	6,752	117,763
OPERATING INCOME(LOSS)	(75,442)	1,892	(73,550)
NON-OPERATING REVENUES:			
State sources	855	-	855
Federal sources	62,795	-	62,795
Interest income	18	-	18
TOTAL NON-OPERATING REVENUES	63,668	-	63,668
Change in net position	(11,774)	1,892	(9,882)
Net position beginning of year, as restated	23,536	-	23,536
Net position end of year	\$ 11,762	1,892	13,654

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2015

	School Nutrition	Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 33,150	2,989	36,139
Cash received from donations	-	1,199	1,199
Cash received from miscellaneous sources	378	4,431	4,809
Cash payments to employees for services	(32,931)	(4,836)	(37,767)
Cash payments to suppliers for goods or services	(74,898)	(2,282)	(77,180)
Net cash provided by(used in) operating activities	(74,301)	1,501	(72,800)
Cash flows from non-capital financing activities:			
State grants received	855	-	855
Federal grants received	56,346	-	56,346
Net cash provided by non-capital financing activities	57,201	-	57,201
Cash flows from investing activities:			
Interest on investments	18	-	18
Net cash provided by investing activities	18	-	18
Net increase(decrease) in cash and cash equivalents	(17,082)	1,501	(15,581)
Cash and cash equivalents at beginning of year	16,390	-	16,390
Cash and cash equivalents at end of year	\$ (692)	1,501	809
Reconciliation of operating loss to net cash used in operating activities:			
Operating income(loss)	\$ (75,442)	1,892	(73,550)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities used	5,101	-	5,101
Depreciation	2,814	-	2,814
Increase in inventories	(4,050)	-	(4,050)
Increase in accounts receivable	(2,041)	(25)	(2,066)
Increase in accounts payable	980	-	980
Decrease in net pension liabilities	(7,211)	-	(7,211)
Increase in deferred outflows of resources	(1,128)	(366)	(1,494)
Increase in deferred inflows of resources	6,676	-	6,676
Net cash provided by(used in) operating activities	\$ (74,301)	1,501	(72,800)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$5,101.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or

directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized for the payment of insurance, unemployment and termination benefits.

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

The District also reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property Taxes - Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal

maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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. As of June 30, 2015, the District had no investments.

Note 3. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 69,079
Debt Service	Capital Projects:	
	Physical Plant and Equipment Levy	58,405
Total		<u>\$ 127,484</u>

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was the following:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Total capital assets not being depreciated	<u>5,000</u>	-	-	<u>5,000</u>
Capital assets being depreciated:				
Buildings	2,107,534	-	-	2,107,534
Land improvements	6,800	-	-	6,800
Machinery and equipment	605,272	120,966	-	726,238
Total capital assets being depreciated	<u>2,719,606</u>	<u>120,966</u>	-	<u>2,840,572</u>
Less accumulated depreciation for:				
Buildings	802,940	39,347	-	842,287
Land and improvements	340	340	-	680
Machinery and equipment	458,584	63,264	-	521,848
Total accumulated depreciation	<u>1,261,864</u>	<u>102,951</u>	-	<u>1,364,815</u>
Total capital assets being depreciated, net	<u>1,457,742</u>	<u>18,015</u>	-	<u>1,475,757</u>
Governmental activities capital assets, net	<u>\$ 1,462,742</u>	<u>18,015</u>	-	<u>1,480,757</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 41,304	-	-	41,304
Less accumulated depreciation	17,923	2,814	-	20,737
Business type activities capital assets, net	<u>\$ 23,381</u>	<u>(2,814)</u>	-	<u>20,567</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:		
Regular		\$ 18,343
Other		2,382
Support services:		
Operations and maintenance of plant		2,365
Transportation		<u>40,174</u>
		63,264
Unallocated depreciation		<u>39,687</u>
Total governmental activities depreciation expense		<u>\$ 102,951</u>

Business type activities:

Food services		<u>\$ 2,814</u>
---------------	--	-----------------

Note 5. Long-Term Debt

A summary of changes in long-term debt for governmental type activities and business type activities for the year ended June 30, 2015 are as follows:

	Balance			Balance End of Year	Due Within One Year
	Beginning of Year Restated	Additions	Deletions		
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 415,000	-	50,000	365,000	40,000
Capital Loan Notes	210,000	-	50,000	160,000	50,000
Termination Benefits	42,899	-	8,219	34,680	10,997
Net Pension Liability	894,473	-	299,649	594,824	-
Net OPEB Liability	28,014	7,380	-	35,394	-
Total	<u>\$ 1,590,386</u>	<u>7,380</u>	<u>407,868</u>	<u>1,189,898</u>	<u>100,997</u>
<u>Business Type Activities:</u>					
Net Pension Liability	<u>\$ 21,526</u>	<u>-</u>	<u>7,211</u>	<u>14,315</u>	<u>-</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of September 1, 2007			
	Rate	Principal	Interest	Total
2016	4.88 %	\$ 40,000	16,836	56,836
2017	4.88	40,000	14,884	54,884
2018	4.88	40,000	12,932	52,932
2019	4.88	45,000	10,858	55,858
2020	4.88	45,000	8,662	53,662
2021-2023	4.88	155,000	11,590	166,590
Total		<u>\$ 365,000</u>	<u>75,762</u>	<u>440,762</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$620,000 of bonds issued September 2007. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 31% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$440,762. For the current year \$50,000 in principal and \$19,032 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$180,511.

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

- a) No reserve account is required for the revenue bonds.
- b) Monthly payments shall be made to sinking account in order to make payment when due.

Capital Loan Notes Payable

During the year ended June 30, 2008, the District issued Capital Loan Notes of \$475,000 to be used for energy management projects throughout the District. The capital loan notes are payable from the Capital Project: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2015 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of September 1, 2007				
	Rate	Principal	Interest	Total	
2016	4.00 %	\$ 50,000	6,455	56,455	
2017	4.00	55,000	4,455	59,455	
2018	4.10	55,000	2,255	57,255	
Total		<u>\$ 160,000</u>	<u>13,165</u>	<u>173,165</u>	

Termination Benefits

The District offered a one-time voluntary termination benefit (early retirement) plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to the payment of the single health insurance premium until the eligible employee reaches the age of 65.

At June 30, 2015, the District has obligations to two participants with a total liability of \$34,680. Actual early retirement expenditures for the year ended June 30, 2015 total \$8,219.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 12 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 7,978
Interest on net OPEB obligation	700
Adjustment to annual required contribution	<u>(1,298)</u>
Annual OPEB cost	7,380
Contributions made	<u>-</u>
Increase in net OPEB obligation	7,380
Net OPEB obligation beginning of year	<u>28,014</u>
Net OPEB obligation end of year	<u>\$ 35,394</u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,292	0.00 %	\$ 21,480
2014	6,534	0.00	28,014
2015	7,380	0.00	35,394

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$42,248, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$42,248. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$949,447, and the ratio of the UAAL to covered payroll was 4.4%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 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 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$101,598.

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 \$609,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.015051 percent, which was a decrease of 0.001127 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$33,491. 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	\$ 6,620	\$ -
Changes of assumptions	26,883	-
Net difference between projected and actual earnings on pension plan investments	-	232,308
Changes in proportion and differences between District contributions and proportionate share of contributions	-	51,795
District contributions subsequent to the measurement date	101,598	-
Total	<u>\$ 135,101</u>	<u>\$ 284,103</u>

\$101,598 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (62,351)
2017	(62,351)
2018	(62,351)
2019	(62,351)
2020	(1,197)
	<u>\$ (250,601)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,150,951	\$ 609,139	\$ 151,793

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$8,170 for legally required employer contributions and \$5,444 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Risk Management

Paton-Churdan Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$78,994 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2015 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Home School Assistance Program	<u>\$ 1,544</u>

Note 11. Deficit Unassigned Balance

The School Nutrition Fund had a deficit unrestricted net position of \$8,805. The District's Business Type Activities had a deficit unrestricted net position of \$6,913 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of \$289,143 at June 30, 2015.

Note 12. Budget Overexpenditure

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

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

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

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Restricted balances</u>
Fund balance (Exhibit C)	\$ -	378,461	403,855
Capital assets, net of accumulated depreciation	1,480,757	-	-
Capital loan note capitalized indebtedness	(365,000)	-	-
Revenue bond capitalized indebtedness	(160,000)	-	-
Termination benefits	-	(34,680)	-
Accrued interest payable	-	-	(9,982)
Income surtax	-	-	93,131
Net pension liability	-	-	(594,824)
Pension related deferred outflows of resources	-	-	131,498
Pension related deferred inflows of resources	-	-	(277,427)
Net OPEB liability	-	-	(35,394)
Net position (Exhibit A)	<u>\$ 955,757</u>	<u>343,781</u>	<u>(289,143)</u>

Note 14. 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 changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 1,676,044	\$ 42,953
Net pension liability at June 30, 2014	(894,473)	(21,526)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	87,642	2,109
Net position July 1, 2014, as restated	<u>\$ 869,213</u>	<u>\$ 23,536</u>

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,719,739	44,231	1,763,970	1,880,300	1,880,300	(116,330)
State sources	1,204,020	855	1,204,875	1,010,471	1,010,471	194,404
Federal sources	64,254	62,795	127,049	108,000	108,000	19,049
Total revenues	<u>2,988,013</u>	<u>107,881</u>	<u>3,095,894</u>	<u>2,998,771</u>	<u>2,998,771</u>	<u>97,123</u>
Expenditures/Expenses:						
Instruction	1,869,769	6,752	1,876,521	1,675,000	1,875,000	(1,521)
Support services	765,130	-	765,130	961,000	961,000	195,870
Non-instructional programs	-	111,011	111,011	86,000	116,000	4,989
Other expenditures	206,478	-	206,478	214,392	214,392	7,914
Total expenditures/expenses	<u>2,841,377</u>	<u>117,763</u>	<u>2,959,140</u>	<u>2,936,392</u>	<u>3,166,392</u>	<u>207,252</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	146,636	(9,882)	136,754	62,379	(167,621)	304,375
Balance beginning of year, as restated	<u>846,481</u>	<u>23,536</u>	<u>870,017</u>	<u>615,694</u>	<u>615,694</u>	<u>254,323</u>
Balance end of year	<u>\$ 993,117</u>	<u>13,654</u>	<u>1,006,771</u>	<u>678,073</u>	<u>448,073</u>	<u>558,698</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$230,000.

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 18,000	\$ 18,000	0.00%	\$ 1,096,000	1.6%
2011	July 1, 2009	-	20,000	20,000	0.00%	1,225,000	1.6%
2012	July 1, 2009	-	21,000	21,000	0.00%	1,157,000	1.8%
2013	July 1, 2012	-	37,112	37,112	0.00%	500,421	7.4%
2014	July 1, 2012	-	38,952	38,952	0.00%	550,613	7.1%
2015	July 1, 2012	-	42,248	42,248	0.00%	949,447	4.4%

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

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.015051%
District's proportionate share of the net pension liability	\$ 609,139
District's covered-employee payroll	\$ 1,137,717
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.54%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 101,598	89,751	90,718	88,701	74,301	69,975	66,338	61,225	44,646	52,791
Contributions in relation to the statutorily required contribution	<u>(101,598)</u>	<u>(89,751)</u>	<u>(90,718)</u>	<u>(88,701)</u>	<u>(74,301)</u>	<u>(69,975)</u>	<u>(66,338)</u>	<u>(61,225)</u>	<u>(44,646)</u>	<u>(52,791)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 1,137,717	1,005,050	1,046,344	1,099,145	1,069,079	1,006,835	1,044,693	1,011,983	776,452	918,104
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

Supplementary Information

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 151,050	9,464	160,514
Receivables:			
Property tax:			
Delinquent	-	1,084	1,084
Succeeding year	-	131,668	131,668
Due from other governments	28,242	-	28,242
TOTAL ASSETS	\$ 179,292	142,216	321,508
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	598	598
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	131,668	131,668
Fund balances:			
Restricted for:			
School infrastructure	179,292	-	179,292
Physical plant and equipment	-	9,950	9,950
Total fund balances	179,292	9,950	189,242
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 179,292	142,216	321,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNT
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	128,526	128,526
Other	128	17	145
State sources	180,511	274	180,785
Total revenues	180,639	128,817	309,456
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	3,362	61,880	65,242
Transportation	68,995	-	68,995
Total expenditures	72,357	61,880	134,237
Excess of revenues over expenditures	108,282	66,937	175,219
Other financing uses:			
Transfer out	(69,079)	(58,405)	(127,484)
Change in fund balances	39,203	8,532	47,735
Fund balances beginning of year	140,089	1,418	141,507
Fund balances end of year	\$ 179,292	9,950	189,242

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Athletics	\$ 3,371	30,216	29,696	(8)	3,883
Music Resale	(75)	197	187	75	10
Class of 2019	-	276	85	-	191
Class of 2018	-	115	-	-	115
Class of 2017	1,118	867	-	-	1,985
Class of 2016	2,709	4,000	4,363	-	2,346
Class of 2015	1,668	1,044	3,531	819	-
Class of 2014	1,725	-	-	(1,725)	-
Miscellaneous	288	1,094	1,547	165	-
Cheerleading	97	-	-	(97)	-
Musical	869	430	276	(715)	308
Student Council	2,090	3,211	1,954	-	3,347
Annual	(1,486)	2,796	2,755	1,486	41
Elementary	6,292	6,412	5,896	-	6,808
Student Pop Machine	92	3,709	3,497	-	304
Book Fair	528	-	528	-	-
Music	-	331	308	-	23
Preschool	-	1,838	1,838	-	-
National Honor Society	702	-	48	-	654
TOTALS	\$ 19,988	56,536	56,509	-	20,015

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,231,130	1,218,459	1,382,760	1,246,194	1,262,732	1,173,701	1,132,120	1,034,427	1,021,032	1,027,895
Tuition	386,291	239,789	210,685	257,250	180,968	170,228	89,937	89,424	68,199	78,860
Other	102,318	135,232	90,712	119,758	104,020	117,972	140,293	84,271	84,650	95,769
State sources	1,204,020	1,003,785	770,884	875,852	877,764	679,111	939,314	1,040,548	993,080	921,121
Federal sources	64,254	65,821	68,280	58,194	137,047	211,703	60,443	62,001	68,460	131,633
Total	\$ 2,988,013	2,663,086	2,523,321	2,557,248	2,562,531	2,352,715	2,362,107	2,310,671	2,235,421	2,255,278
Expenditures:										
Instruction:										
Regular	\$ 1,337,268	1,224,353	1,180,843	1,262,406	1,198,347	1,122,514	1,035,994	1,053,121	1,013,141	1,025,736
Special	296,757	223,435	189,728	146,093	163,386	176,763	188,455	168,606	179,791	192,584
Other	235,744	228,817	214,947	225,547	214,843	213,100	192,470	137,831	133,083	154,188
Support services:										
Student	22,815	4,858	2,953	10,920	10,334	8,550	9,992	10,364	9,748	9,717
Instructional staff	49,625	35,737	68,052	40,102	6,992	37,267	25,737	27,461	33,992	29,576
Administration	279,577	294,543	274,049	284,672	254,688	269,912	300,095	276,737	246,245	250,404
Operation and maintenance of plant	212,467	241,892	186,275	236,757	253,848	144,513	230,930	201,977	229,493	279,480
Transportation	200,646	185,528	152,836	208,376	190,864	128,049	120,972	104,391	160,031	215,464
Capital outlay	-	-	-	-	-	-	982,003	273,110	51,309	-
Long-term debt:										
Principal	100,000	95,000	90,000	85,000	85,000	75,000	40,000	5,155	2,579	2,579
Interest and other charges	27,484	31,705	35,589	39,350	42,922	46,799	44,799	-	-	-
Other expenditures:										
AEA flow-through	78,994	76,297	74,070	73,438	83,051	81,087	75,406	75,248	72,878	69,832
Total	\$ 2,841,377	2,642,165	2,469,342	2,612,661	2,504,275	2,303,554	3,246,853	2,334,001	2,132,290	2,229,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Paton-Churdan Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Paton-Churdan Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 through I-E-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paton-Churdan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Paton-Churdan Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2016
Newton, Iowa

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-15 Checks Made Payable to Cash - We noted during our audit instances of checks for start-up money for gates made payable only to "Cash".

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the "Petty Cash - Custodian/Sponsor" of the event and the District.

Response - The District will write the checks to the "Petty Cash - Custodian/Sponsor" of the event and the District when cash is needed.

Conclusion - Response accepted.

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

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

Response - We will review our procedures when lunch accounts become negative. The lunch accounts that were excessive were recovered in fiscal year 2016.

Conclusion - Response accepted.

I-D-15 Supporting Documentation - During our audit we noted several instances of purchases that lacked an invoice or detailed receipt to be used as supporting documentation.

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

Response - We will review our procedures and policies for purchases to make sure all bills have sufficient supporting documentation.

Conclusion - Response accepted.

I-E-15 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for the calculation of commodity inventory at year end.

Response - The District will correctly price commodities given forth by the Department of Education for ending inventory calculations.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - The District will amend its budget accordingly when is needed in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased t-shirts for preschool students. We also noted that the District purchased personalized basketball shooting shirts which are not allowed by the Code of Iowa Chapter 98.70(3)(i). These purchases do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - We will review our procedures and policies for purchases out of all funds. All purchases will meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Conclusion - Response accepted.

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

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

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

II-F-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

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

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

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

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

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

Pursuant to Chapter 423F.3 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 140,089
Revenues:		
Sales tax revenues	\$ 180,511	
Other local revenues	128	180,639
Expenditures/transfer out:		320,728
Equipment	\$ 63,320	
Other	9,037	
Transfer to another fund:		
Debt service fund	69,079	141,436
Ending balance		<u>\$ 179,292</u>

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

II-M-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

Questionable Account: We noted a Music Resale accounts in the Student Activity Fund. The revenues and expenditures related to the Music Resale account appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Music Resale account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The District has moved the Music Resale Account to the General Fund.

Conclusion - Response accepted.

BoxTop Donations: We noted during our audit that the District receipts BoxTop donations into the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for BoxTops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with BoxTop donations appear more instructional in nature, the most logical place to record these donations would be the general fund.

Response - The District will deposit BoxTop Donations to General Fund in accordance to the donor's requests.

Conclusion - Response accepted.

II-N-15 Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will insure that all of the contracts will be signed by the Board President.

Conclusion - Response accepted.

II-O-15 Financial Condition - At June 30, 2015, the School Nutrition Fund had a deficit unrestricted net position of \$8,805. The District's Business Type Activities had a deficit unrestricted net position of \$6,913 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of \$289,143 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$594,824 at June 30, 2015. (See Note 14, Accounting Change/Restatement).

Conclusion - Response accepted.