

Sumner-Fredericksburg 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	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14-15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Position	G 22
Statement of Revenues, Expenses and Changes in Fund Net Position	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 25
Statement of Changes in Fiduciary Net Position	K 26
Notes to Financial Statements	27-42
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses And Changes in Balances- Budget and Actual –All Governmental Funds and Proprietary Funds	43
Notes to Required Supplementary Information-Budgetary Reporting	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
Schedule of Funding Progress for the Retiree Health Plan	48
Other Supplementary Information:	<u>Schedule</u>
Non-major Governmental Funds:	
Combining Balance Sheet	1 49
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2 50
Capital Project Accounts:	
Combining Balance Sheet	3 51
Combining Schedule of Revenues, Expenditures and Changes in Balances	4 52
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	5 53
Fiduciary Funds:	
Combining Balance Sheet – Private Purpose Trusts	6 54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Private Purpose Trusts	7 55
Schedule of Revenues by Source and Expenditures by Function-All Governmental Funds	8 56
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>	57-58
Schedule of Findings	59-64

Sumner-Fredericksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
David Hassman	President	2017
Candace Ackley	Vice President	2019
Roger Shaffer	Board Member	2017
Steven Burrows	Board Member	2019
Lonnie Schult	Board Member	2017
School Officials		
Rick Pederson	Superintendent	2015
Beverly Weidemann	Business Manager	2015
Theresa Schulz	District Secretary	2015
John Tremaine	Attorney	2015

Independent Auditor's Report

To the Board of Education of
Sumner-Fredericksburg Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner-Fredericksburg Community School District, Sumner, Iowa, 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Sumner-Fredericksburg 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, Sumner-Fredericksburg Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My 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 4 through 13 and 43 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

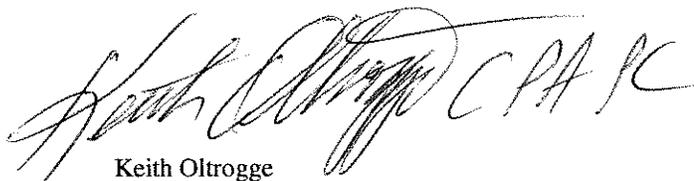
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner-Fredericksburg Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 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 my 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, I have also issued my report dated March 30, 2016 on my consideration of Sumner-Fredericksburg Community School District's internal control over financial reporting and on my 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 my 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 Sumner-Fredericksburg Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 30, 2016

Sumner-Fredericksburg Community School District

Management's Discussion and Analysis

Year ended June 30, 2015

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$9,749,189 in fiscal 2014 to \$9,045,692 in fiscal 2015, and General Fund expenditures decreased from \$9,904,136 in fiscal 2014 to \$8,836,844 in fiscal 2015. The District's General Fund balance increased from adjusted \$1,484,374 in fiscal year 2014 to \$1,693,222 in fiscal year 2015, a 14.0% increase.
- The District's solvency ratio has increased from 10.8% at June 30, 2014 to 14.1% at June 30, 2015. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Sumner-Fredericksburg 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 Sumner-Fredericksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Sumner-Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Sumner-Fredericksburg Community School District Annual Financial Report

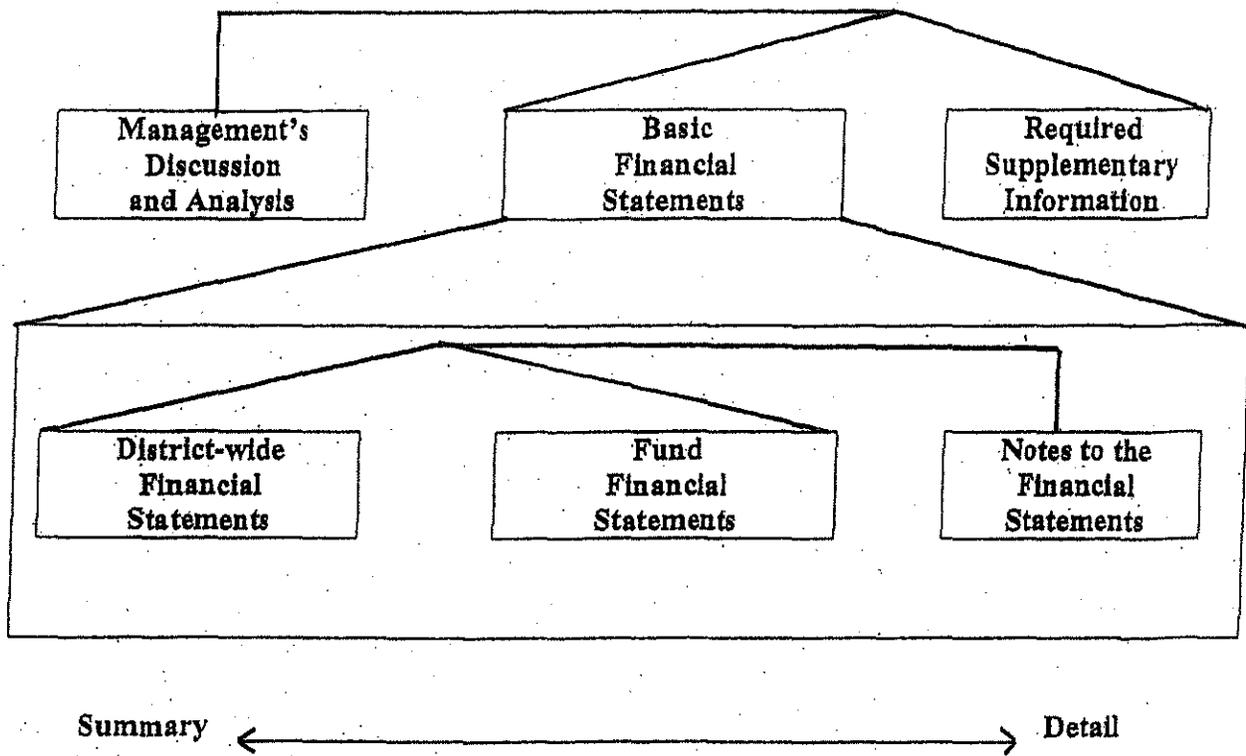


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period

Figure A-2
Major Features of the Government-wide and Fund Financial Statements (continued):

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund balances.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$10,457	\$5,217	\$172	\$120	\$10,629	\$5,337	99.1%
Capital assets	11,144	11,368	45	48	11,189	11,416	-2.0%
Total assets	\$21,601	\$16,585	\$217	\$168	\$21,818	\$16,753	30.2%
Deferred outflows of resources	\$1,347	-	\$44	\$-	\$1,391	-	100%
Long-term liabilities	\$10,631	\$7,708	\$119	\$-	\$10,750	\$7,708	39.4%
Other liabilities	1,245	174	16	7	1,261	181	596.6%
Total liabilities	\$11,876	\$7,882	\$135	\$7	\$12,011	\$7,889	52.2%
Deferred inflows of resources	\$5,141	\$-	\$45	\$-	\$5,186	\$-	100%
Net position:							
Net investment in capital assets	\$4,309	\$3,940	\$45	\$48	\$4,354	\$3,988	9.1%
Restricted	3,773	3,586	-	-	3,773	3,586	5.2%
Unrestricted	-2,151	1,177	36	113	-2,115	1,290	-263.9%
Total net position	\$5,931	\$8,703	\$81	\$161	\$6,012	\$8,864	-32.2%

The District's total net position decreased 32.2%, or approximately \$2,850,000, from 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 investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$182,000 or 5.2%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$3,405,000 or 263.9%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and 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 \$3,846,396 and \$126,911, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$722	\$2,014	\$268	\$255	\$990	\$2,269	-56.4%
Operating grants, contributions and restricted interest	1,283	1,500	224	225	1,507	1,725	-12.7%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	3,460	3,644	-	-	3,460	3,644	-5.1%
Income surtax	382	475	-	-	382	475	-16.5%
Statewide sales, services and use tax	809	720	-	-	809	720	15.2%
Unrestricted state grants	4,273	3,200	-	-	4,273	3,200	33.5%
Unrestricted investment earnings	29	29	1	-	30	29	3.4%
Other	67	83	-	-	67	83	-19.3%
Total revenues	\$11,025	\$11,665	\$493	\$480	\$11,518	\$12,145	-5.2%
Program expenses:							
Governmental activities:							
Instruction	\$6,580	\$7,809	\$-	\$-	\$6,580	\$7,809	-15.8%
Support services	2,689	2,984	-	-	2,689	2,984	-9.9%
Non-instructional programs	-3	10	446	451	443	461	-4.2%
Other expenses	685	665	-	-	685	665	3.0%
Total expenses	\$9,951	\$11,468	\$446	\$451	\$10,397	\$11,919	-12.8%
Change in net position before other sources	\$1,074	\$197	\$47	\$29	\$1,121	\$226	396%
Sale of assets	-	15	-	-	-	15	-100%
Change in net position	\$1,074	\$212	\$47	\$29	\$1,121	\$241	365.1%
Net position beginning of year, as restated	4,856	8,491	34	132	4,890	8,623	-43.3%
Net position end of year	\$5,930	\$8,703	\$81	\$161	\$6,011	\$8,864	-32.2%

In fiscal year 2015, property tax and unrestricted state grants account for 67.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue.

The District's total revenues were approximately \$11.5 million, of which approximately \$11.1 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.2% decrease in revenues and a 12.8% decrease in expenses. Property tax decreased approximately \$184,000.

Governmental Activities

Revenues for governmental activities were \$11,025,035 and expenses were \$9,951,325 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2015	2014 (Not restated)	2014-2015	2015	2014 (Not restated)	2014-2015
Instruction	\$6,580	\$7,809	-15.8%	\$4,586	\$4,426	3.6%
Support services	2,689	2,984	-9.9%	2,678	2,853	-6.2%
Non-instructional programs	-3	10	-130%	-3	10	-130%
Other expenses	685	665	3.0%	685	665	3.0%
Totals	\$9,951	\$11,468	-13.3%	\$7,946	\$7,954	-0.2%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$990,344.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,506,892.
- The net cost of governmental activities was financed with \$4,451,099 in property and other taxes and \$4,272,844 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$492,737 and expenses were \$445,278. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sumner-Fredericksburg 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 \$5,930,464, well above last year's adjusted ending fund balances of \$4,856,754.

Governmental Fund Highlights

- The General Fund balance increased from adjusted \$1,484,374 to \$1,693,222 due, in part, to the decrease in expenditures over the decrease in revenue.
- The Debt Service Fund balance decreased from \$1,228,842 at the end of the fiscal year 2014 to \$1,225,451 at the end of fiscal year 2015. The decrease was due to debt payments exceeding operating transfers.
- Capital Projects Fund balance increased from \$1,492,881 to \$1,703,894 due in part to revenues exceeding expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from adjusted \$33,902 at June 30, 2014 to \$81,361 at June 30, 2015, representing an increase of approximately 139.9%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$1,298,358 less than total budgeted revenues, a variance of 10.2%. The local and state tax revenue decrease caused the total amount received to be less 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$11,088,953, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$584,655.

The original cost of the District's capital assets was \$20,790,407. Governmental funds account for \$20,697,625, with the remainder of \$92,782 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$22	\$22	\$-	\$-	\$22	\$22	-
Construction in process	3	3	-	-	3	3	-
Buildings	9,401	9,627	-	-	9,401	9,627	-2.4%
Improvements other than buildings	219	221	-	-	219	221	-1.0%
Furniture and equipment	1,399	1,495	45	48	1,444	1,543	-6.5%
Totals	\$11,044	\$11,368	\$45	\$48	\$11,089	\$11,416	-2.9%

Long-Term Debt

At June 30, 2015, the District had \$6,834,907 of total long-term debt outstanding. This represents an 8.0% decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$24.4 million.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District June 30, 2015	Total Change June 30, 2014	Total Change June 30, 2014-2015
General Obligation Bonds	\$2,885	\$3,170	-9.0%
Revenue Bonds	3,885	4,130	-6.0%
Capital Lease	65	128	-49.3%
Totals	\$6,835	\$7,428	-8.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

As the community's economy stabilizes, it is anticipated that the District's tax base and enrollment will remain steady.

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 Beverly Weidemann, District Business Manager, Sumner-Fredericksburg Community School District, 802 West Sixth Street, Sumner IA 50674.

Basic Financial Statements

Sumner-Fredericksburg Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,011,882	\$ 153,450	\$ 6,165,332
Receivables:			
Property tax:			
Delinquent	33,449	-	33,449
Succeeding year	3,771,349	-	3,771,349
Income surtax	379,147	-	379,147
Accounts	62,445	2,693	65,138
Due from other governments	198,941	-	198,941
Inventories	-	15,523	15,523
Capital assets, net of accumulated depreciation/amortization	11,144,073	44,880	11,188,953
Total Assets	\$ 21,601,286	\$ 216,546	\$ 21,817,832
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 1,346,476	\$ 44,427	\$ 1,390,903
Liabilities			
Accounts payable	\$ 112,334	\$ 4,233	\$ 116,567
Salaries and benefits payable	939,482	5,584	945,066
Due to other governments	94,923	-	94,923
Unearned revenue	-	6,050	6,050
Accrued interest payable	98,064	-	98,064
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	290,000	-	290,000
Revenue bonds	250,000	-	250,000
Capital lease	64,907	-	64,907
Early retirement	59,696	-	59,696
Portion due after one year:			
General obligation bonds	2,595,000	-	2,595,000
Revenue bonds	3,635,000	-	3,635,000
Early retirement	76,007	-	76,007
Net pension liability	3,592,639	118,538	3,711,177
Net OPEB liability	67,768	-	67,768
Total Liabilities	\$ 11,875,820	\$ 134,405	\$ 12,010,225
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,771,349	\$ -	\$ 3,771,349
Pension related deferred inflows	1,370,129	45,207	1,415,336
Total deferred inflows of resources	5,141,478	45,207	5,186,685

Sumner-Fredericksburg Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 4,309,166	\$ 44,880	\$ 4,354,046
Restricted for:			
Categorical funding	441,558	-	441,558
Debt service	1,225,451	-	1,225,451
School infrastructure	1,035,384	-	1,035,384
Management levy purposes	208,212	-	208,212
Student activities	193,496	-	193,496
Physical plant and equipment	668,510	-	668,510
Unrestricted	-2,151,313	36,481	-2,114,832
Total Net Position	\$ 5,930,464	\$ 81,361	\$ 6,011,825

Sumner-Fredericksburg Community School District

Statement of Activities

Year Ended June 30, 2015

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,484,295	\$ 248,281	\$ 1,148,015	\$ -
Special instruction	866,965	100,900	39,076	-
Other instruction	1,228,965	366,901	91,056	-
	<u>\$ 6,580,225</u>	<u>\$ 716,082</u>	<u>\$ 1,278,147</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 167,503	\$ -	\$ 4,290	\$ -
Instructional staff services	183,656	-	-	-
Administration services	884,763	-	-	-
Operation and maintenance of plant services	990,054	6,349	-	-
Transportation services	463,218	-	460	-
	<u>\$ 2,689,194</u>	<u>\$ 6,349</u>	<u>\$ 4,750</u>	<u>\$ -</u>
Non-Instructional	<u>\$ -3,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 42,024	\$ -	\$ -	\$ -
Long-term debt interest	286,794	-	-	-
AEA flow-through	356,324	-	-	-
	<u>\$ 685,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 9,951,325</u>	<u>\$ 722,431</u>	<u>\$ 1,282,897</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 445,278	\$ 267,913	\$ 223,995	\$ -
Total	<u>\$ 10,396,603</u>	<u>\$ 990,344</u>	<u>\$ 1,506,892</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -3,087,999	\$ -	\$ -3,087,999
-726,989	-	-726,989
-771,008	-	-771,008
<u>\$ -4,585,996</u>	<u>\$ -</u>	<u>\$ -4,585,996</u>
\$ -163,213	\$ -	\$ -163,213
-183,656	-	-183,656
-884,763	-	-884,763
-983,705	-	-983,705
-462,758	-	-462,758
<u>\$ -2,678,095</u>	<u>\$ -</u>	<u>\$ -2,678,095</u>
<u>\$ 3,236</u>	<u>\$</u>	<u>\$ 3,236</u>
\$ -42,024	\$ -	\$ -42,024
-286,794	-	-286,794
-356,324	-	-356,324
<u>\$ -685,142</u>	<u>\$ -</u>	<u>\$ -685,142</u>
<u>\$ -7,945,997</u>	<u>\$ -</u>	<u>\$ -7,945,997</u>
\$ -	\$ 46,630	\$ 46,630
<u>\$ -7,945,997</u>	<u>\$ 46,630</u>	<u>\$ -7,899,367</u>

Sumner-Fredericksburg Community School District

Statement of Activities

Year Ended June 30, 2015

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Debt service			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net position			
 Net position beginning of year, as restated			
Prior period adjustment			
Adjusted net position, beginning of year, as restated			
 Net Position End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,955,851	\$ -	\$ 2,955,851
341,736	-	341,736
162,511	-	162,511
382,056	-	382,056
808,945	-	808,945
4,272,844	-	4,272,844
29,226	829	30,055
66,538	-	66,538
<hr/>		
\$ 9,019,707	\$ 829	\$ 9,020,536
<hr/>		
\$ 1,073,710	\$ 47,459	\$ 1,121,169
<hr/>		
\$ 4,856,810	\$ 33,995	\$ 4,890,805
-56	-93	-149
<hr/>		
\$ 4,856,754	\$ 33,902	\$ 4,890,656
<hr/>		
\$ 5,930,464	\$ 81,361	\$ 6,011,825

Sumner-Fredericksburg Community School District

Balance Sheet
Governmental Funds

June 30, 2015

Assets	General	Capital Projects	Debt Service	Non-Major	Total
Cash, cash equivalents, and pooled investments	\$ 2,670,791	\$ 1,585,742	\$ 1,223,850	\$ 531,499	\$ 6,011,882
Receivables:					
Property Tax:					
Delinquent	26,228	3,203	1,601	2,417	33,449
Succeeding year	2,970,759	332,420	168,170	300,000	3,771,349
Income surtax	379,147	-	-	-	379,147
Accounts	56,953	-	-	5,492	62,445
Due from other governments	72,690	126,251	-	-	198,941
Total Assets	\$ 6,176,568	\$ 2,047,616	\$ 1,393,621	\$ 839,408	\$ 10,457,213
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 99,035	\$ 11,302	\$ -	\$ 1,997	\$ 112,334
Due to other governments	94,923	-	-	-	94,923
Accrued salaries and benefits	939,482	-	-	-	939,482
Total Liabilities	\$ 1,133,440	\$ 11,302	\$ -	\$ 1,997	\$ 1,146,739
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property taxes	\$ 2,970,759	\$ 332,420	\$ 168,170	\$ 300,000	\$ 3,771,349
Other	379,147	-	-	-	379,147
Total deferred inflows of resources	\$ 3,349,906	\$ 332,420	\$ 168,170	\$ 300,000	\$ 4,150,496
Fund Balances:					
Restricted for:					
Categorical funding	\$ 441,558	\$ -	\$ -	\$ -	\$ 441,558
Debt service - sinking	-	-	473,231	-	473,231
Debt service	-	-	752,220	-	752,220
Management levy purposes	-	-	-	343,915	343,915
Student activities	-	-	-	193,496	196,496
School infrastructure	-	1,035,384	-	-	1,035,384
Physical plant and equipment	-	668,510	-	-	668,510
Unassigned	1,251,664	-	-	-	1,251,664
Total Fund Balances	\$ 1,693,222	\$ 1,703,894	\$ 1,225,451	\$ 537,411	\$ 5,159,978
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,176,568	\$ 2,047,616	\$ 1,393,621	\$ 839,408	\$ 10,457,213

See notes to financial statements.

Sumner-Fredericksburg 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 18)	\$	5,159,978
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,144,073
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.		379,147
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		-98,064
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	1,346,476
Deferred inflows of resources		-1,370,129
		<u>-23,653</u>
Long-term liabilities, including bonds and notes payable, capital leases, early retirement, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		-10,631,017
		<u>-10,631,017</u>
Net position of governmental activities (page 15)	\$	<u>5,930,464</u>

See notes to financial statements.

Sumner-Fredericksburg Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Debt Service	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 3,066,673	\$ 341,736	\$ 162,511	\$ 250,014	\$ 3,820,934
Tuition	365,009	-	-	-	365,009
Other	64,008	10,412	3,005	375,761	453,186
Intermediate sources	-	-	-	-	-
State sources	5,398,090	812,299	947	1,438	6,212,774
Federal sources	151,912	-	-	-	151,912
Total Revenues	\$ 9,045,692	\$ 1,164,447	\$ 166,463	\$ 627,213	\$ 11,003,815
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 4,176,928	\$ 63,024	\$ -	\$ 127,729	\$ 4,367,681
Special instruction	883,205	-	-	-	883,205
Other instruction	893,494	-	-	385,564	1,279,058
	\$ 5,953,627	\$ 63,024	\$ -	\$ 513,293	\$ 6,529,944
Support Services:					
Student services	\$ 176,859	\$ -	\$ -	\$ -	\$ 176,859
Instructional staff services	195,126	-	-	-	195,126
Administration services	888,751	14,344	-	11,887	914,982
Operation and maintenance of plant services	920,035	28,723	-	81,174	1,029,932
Transportation services	346,122	19,498	-	60,647	426,267
	\$ 2,526,893	\$ 62,565	\$ -	\$ 153,708	\$ 2,743,166
Other Expenditures:					
Facilities acquisition	\$ -	\$ 117,171	\$ -	\$ -	\$ 117,171
Long-Term Debt:					
Principal	-	-	593,296	-	593,296
Interest and fees	-	-	287,232	-	287,232
AEA flow-through	356,324	-	-	-	356,324
	\$ 356,324	\$ 117,171	\$ 880,528	\$ -	\$ 1,354,023
Total Expenditures	\$ 8,836,844	\$ 242,760	\$ 880,528	\$ 667,001	\$ 10,627,133
Excess (deficiency) of revenues over (under) expenditures	\$ 208,848	\$ 921,687	\$ -714,065	\$ -39,788	\$ 376,682
Other Financing Sources (Uses):					
Operating transfers in (out)	-	-710,674	710,674	-	-
Change in fund balances	\$ 208,848	\$ 211,013	\$ -3,391	\$ -39,788	\$ 376,682
Fund balances beginning of year	\$ 1,484,434	\$ 1,492,881	\$ 1,228,842	\$ 577,195	\$ 4,783,352
Prior period adjustment	-60	-	-	4	-56
Adjusted fund balances, beginning of year	\$ 1,484,374	\$ 1,492,881	\$ 1,228,842	\$ 577,199	\$ 4,783,296
Fund Balances End of Year	\$ 1,693,222	\$ 1,703,894	\$ 1,225,451	\$ 537,411	\$ 5,159,978

Sumner-Fredericksburg 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 20) \$ 376,682

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 277,703	
Depreciation/amortization expense	-576,998	-299,295

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 21,220

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

Repaid	593,295
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 438

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. 385,654

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, as follows:

Early retirement	\$ 55,578	
Pension expense	19,450	
Other postemployment benefits	20,688	95,716

Change in net position of governmental activities (page 17) \$ 1,073,710

Sumner-Fredericksburg Community School District

Statement of Net Position
Proprietary Fund

June 30, 2015

	School Nutrition Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 153,450
Accounts receivable	2,693
Inventories	15,523
Total Current Assets	<u>\$ 171,666</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 44,880
Total Assets	<u>\$ 216,546</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>\$ 44,427</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 4,233
Salaries and benefits payable	5,584
Unearned revenue	6,050
Total Current Liabilities	<u>\$ 15,867</u>
Non-Current Liabilities	
Net pension liability	\$ 118,538
Total Liabilities	<u>\$ 134,405</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>\$ 45,207</u>
Net Position	
Net Investment in capital assets	\$ 44,880
Unrestricted	36,481
Total Net Position	<u>\$ 81,361</u>

See notes to financial statements.

Sumner-Fredericksburg Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2015

	<u>School Nutrition Fund</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 267,913
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 155,912
Benefits	17,179
Purchased services	1,079
Supplies	261,714
Depreciation	7,657
Other	1,737
Total operating expenses	<u>\$ 445,278</u>
Operating loss	<u>\$ -177,365</u>
Non-operating revenues:	
State sources	\$ 4,181
Federal sources	219,814
Interest income	829
Total non-operating revenues	<u>\$ 224,824</u>
Increase in net position	<u>\$ 47,459</u>
Net position beginning of year, as restated	\$ 33,995
Prior period adjustment	-93
Adjusted net position, beginning of year, as restated	<u>\$ 33,902</u>
Net Position End of Year	<u>\$ 81,361</u>

See notes to financial statements.

Sumner-Fredericksburg Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2015

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 266,393
Cash paid to employees for services	-175,100
Cash paid to suppliers for goods or services	-219,245
Net cash used by operating activities	<u>\$ -127,952</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,181
Federal grants received	172,047
Net cash provided by non-capital financing activities	<u>\$ 176,228</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 829</u>
Net increase in cash and cash equivalents	\$ 49,105
Cash and cash equivalents beginning of year	<u>104,345</u>
Cash and Cash Equivalents End of Year	<u>\$ 153,450</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating loss	\$ -177,365
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	47,768
Depreciation	7,657
(Increase) in inventories	-2,105
(Increase) in accounts receivable	-1,175
(Decrease) in unearned revenue	-343
Increase in accrued salaries and benefits	5,584
(Decrease) in accounts payable	-380
(Decrease) in net pension liability	-25,839
(Increase) in deferred outflows of resources	-26,961
Increase in deferred inflows of resources	<u>45,207</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -127,952</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$47,768 of federal commodities.

See notes to financial statements.

Sumner-Fredericksburg Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2015

	Private Purpose Trust
	<u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 461,042
Accrued interest receivable	<u>182</u>
Total Assets	<u>\$ 461,224</u>
Liabilities	
Net position	<u>\$ 461,224</u>
Reserved for scholarships	<u>\$ 461,224</u>

See notes to financial statements.

Sumner-Fredericksburg Community School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2015

	Private Purpose Trust <u>Scholarships</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 44,863
Interest income	17,640
Total additions	<u>\$ 62,503</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded/other	<u>\$ 45,437</u>
Change in net position	\$ 17,066
Net position beginning of year	<u>444,158</u>
Net Position End of Year	<u>\$ 461,224</u>

Sumner-Fredericksburg Community School District

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Sumner-Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Sumner and Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Sumner-Fredericksburg 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. Sumner-Fredericksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 non-major 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are 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 non-operating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20 – 50
Intangibles	5 – 10
Furniture and equipment	5 – 15

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.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and 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 revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year-end.

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

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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

The detail of inter-fund 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	\$ 479,343
Debt Service	Capital Projects – Physical Plant and Equipment Levy	231,331
		\$ 710,674

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Adjustment	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 21,762	\$ -	\$ -	\$ -	\$ 21,762
Construction in process	3,207	-	-	-	3,207
Total capital assets not being depreciated	<u>\$ 24,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,969</u>
Capital assets being depreciated:					
Buildings	\$ 13,853,672	\$ 46,570	\$ -	\$ -	\$ 13,900,242
Improvements other than buildings	282,815	15,600	-	-	298,415
Furniture and equipment	6,258,466	215,533	-	-	6,473,999
Total capital assets being depreciated	<u>\$ 20,394,953</u>	<u>\$ 277,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,672,656</u>
Less accumulated depreciation for:					
Buildings	\$ 4,226,743	\$ 272,323	\$ -	\$ -	\$ 4,499,066
Improvements other than buildings	61,553	18,001	-	-	79,554
Furniture and equipment	4,763,258	286,674	-	25,000	5,074,932
Total accumulated depreciation	<u>\$ 9,051,554</u>	<u>\$ 576,998</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 9,653,552</u>
Total capital assets being depreciated, net	<u>\$ 11,343,399</u>	<u>\$ -299,295</u>	<u>\$ -</u>	<u>\$ -25,000</u>	<u>\$ 11,019,104</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,368,368</u>	<u>\$ -299,295</u>	<u>\$ -</u>	<u>\$ -25,000</u>	<u>\$ 11,044,073</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 91,907	\$ 4,062	\$ 3,187	\$ 92,782
Less accumulated depreciation	43,432	7,657	3,187	47,902
Business Type Activities Capital Assets, Net	<u>\$ 48,475</u>	<u>\$ -3,595</u>	<u>\$ -</u>	<u>\$ 44,880</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 402,510
Other	12,744
Special	77,383

Support services:

Administration	6,705
Operation and maintenance of plant	9,366
Transportation	68,018
Non-instructional programs	272

Total Depreciation Expense – Governmental Activities \$ 576,998

Business Type Activities:

Food service operations	<u>\$ 7,657</u>
-------------------------	-----------------

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,170,000	\$ -	\$ 285,000	\$ 2,885,000	\$ 290,000
Revenue bonds	4,130,000	-	245,000	3,885,000	250,000
Capital lease	128,202	-	63,295	64,907	64,907
Early retirement	191,281	35,125	90,703	135,703	59,696
Net pension liability	3,846,396	-	253,757	3,592,639	-
Net OPEB liability	-	67,768	-	67,768	-
Total	\$ 11,465,879	\$ 102,893	\$ 937,755	\$ 10,631,017	\$ 664,603
Business type activities:					
Net pension liability	\$ 144,377	\$ -	\$ 25,839	\$ 118,538	\$ -
Total	\$ 144,377	\$ -	\$ 25,839	\$ 118,538	\$ -

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2015 totaled \$90,703. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consists of health insurance premiums at various current rates of \$175.00 to \$527.02 per month for a total of \$135,703 at June 30, 2015.

General Obligation Capital Loan Notes

Details of the District's June 30, 2015 General Obligation Capital Loan Note indebtedness is as follows:

Year Ending June 30,	Issued May 1, 2011			
	Interest Rate	Principal	Interest	Total
2016	3.0%	\$95,000	\$72,670	\$167,670
2017	3.0%	95,000	69,820	164,820
2018	3.5%	100,000	66,970	166,970
2019	4.0%	105,000	63,470	168,470
2020	4.0%	110,000	59,270	169,270
2021	4.0%	110,000	54,870	164,870
2022	4.0%	115,000	50,470	165,470
2023	4.0%	120,000	45,870	165,870
2024	4.0%	125,000	41,070	166,070
2025	4.0%	130,000	36,070	166,070
2026	4.125%	135,000	30,870	165,870
2027	4.125%	140,000	25,302	165,302
2028	4.125%	145,000	19,526	164,526
2029	4.3%	155,000	13,546	168,546
2030	4.3%	160,000	6,880	166,880
Total		\$1,840,000	\$656,674	\$2,496,674

General Obligation Capital Loan Notes

Year Ending June 30,	Issued May 1, 2012			
	Interest Rate	Principal	Interest	Total
2016	3.0%	\$195,000	\$32,181	\$227,181
2017	3.0%	200,000	26,331	226,331
2018	3.0%	210,000	20,331	230,331
2019	3.125%	215,000	14,031	229,031
2020	3.25%	225,000	7,313	232,313
Total		\$1,045,000	\$100,187	\$1,145,187

Capital Lease

The District entered into a capital lease for computers on July 7, 2013 for \$194,772.18 with a 2.9% interest rate and annual payments of \$66,787 for the next three years. Details are as follows:

Year Ending June 30,	Issued July 7, 2013			
	Interest Rate	Principal	Interest	Total
2016	2.9%	\$64,907	\$1,880	\$66,787

Revenue Bonds

Details of the District's June 30, 2015 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Series 2008

Year Ending June 30,	Bond Issue of December 19, 2008			
	Interest Rate	Principal	Interest	Total
2016	4.00%	\$175,000	\$64,318	\$239,318
2017	4.05%	180,000	57,172	237,172
2018	4.10%	190,000	49,633	239,633
2019	4.15%	195,000	41,691	236,691
2020	4.20%	205,000	33,340	238,340
2021	4.25%	215,000	24,466	239,466
2022	4.30%	225,000	15,060	240,060
2023	4.35%	235,000	5,111	240,111
Total		\$1,620,000	\$290,791	\$1,910,791

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,750,000 bonds issued in December 2008. The bonds were issued for the purpose of financing a portion of the costs of a school addition and remodel. 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 limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,910,791. For the current year, \$170,000 of principal and \$71,175 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$808,945.

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

- a) \$258,338 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Revenue Bonds

Series 2010 A & B

Year Ending June 30,	Bond Issue of August 3, 2010			
	Interest Rate	Principal	Interest	Total
2016	4.20%	\$-	\$36,167	\$36,167
2017	4.20%	-	36,168	36,168
2018	4.20%	-	36,167	36,167
2019	4.20%	-	36,168	36,168
2020	4.20%	-	36,167	36,167
2021	4.20%	-	36,168	36,168
2022	4.20%	-	36,167	36,167
2023	4.20%	-	36,168	36,168
2024	4.20%	105,000	33,963	138,963
2025	4.25%	105,000	29,526	134,526
2026	4.30%	110,000	24,930	134,930
2027	4.45%	115,000	20,006	135,006
2028	4.55%	120,000	11,718	131,718
2029	4.65%	125,000	9,081	134,081
2030	4.75%	130,000	3,087	133,087
Total		\$810,000	\$421,651	\$1,231,651

The District has pledged future statewide sales, services and use tax revenues to repay the \$810,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs to construct, furnish and equip an athletic facility addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,231,651. For the current year, no principal and \$36,168 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$808,945.

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

- a) \$81,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax revenue shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

Revenue Bonds

Year Ending June 30,	Bonds Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2016	2.5%	\$75,000	\$57,665	\$132,665
2017	3.0%	75,000	55,603	130,603
2018	3.25%	80,000	53,177	133,177
2019	3.5%	80,000	50,478	130,478
2020	3.8%	85,000	47,462	132,462
2021	4.1%	90,000	44,048	134,048
2022	4.1%	90,000	40,402	130,402
2023	4.1%	95,000	36,610	131,610
2024	4.1%	100,000	32,612	132,612
2025	4.25%	105,000	28,331	133,331
2026	4.25%	105,000	23,869	128,869
2027	4.45%	110,000	19,190	129,190
2028	4.45%	115,000	14,184	129,184
2029	4.65%	120,000	8,835	128,835
2030	4.65%	130,000	3,023	133,023
Total		\$1,455,000	\$515,489	\$1,970,489

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of the middle school addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,970,489. For the current year, \$134,446 in principle and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$808,945.

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

- a) \$137,637 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax revenue shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

The District complied with all of the revenue bond provisions during the year ended June 30, 2015.

During the year ended June 30, 2015, the District paid principal, interest and fees under the agreements of \$880,529.

(6) Pension Plan

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

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

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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 \$385,654.

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 \$3,711,177 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 0.091700 percent, which was an increase of 0.011868 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$404,916. 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	\$ 40,333	\$ -
Changes of assumptions	163,783	-
Net difference between projected and actual earnings on pension plan investments	-	1,415,336
Changes in proportion and differences between District contributions and proportionate share of contributions	544,174	-
District contributions subsequent to the measurement date	642,613	-
Total	<u>\$ 1,390,903</u>	<u>\$ 1,415,336</u>

\$642,613 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	\$ 528,668
2017	528,668
2018	528,668
2019	528,668
2020	48,954
Total	<u>\$ 2,163,626</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:

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$7,012,164	\$3,711,177	\$924,802

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 in IPERS’ website at www.ipers.org.

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

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 13 retired members in the plan. Retiree participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 86,131
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>\$ 86,131</u>
Contributions made	<u>-18,363</u>
Increase in net OPEB obligation	\$ 67,768
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 67,768</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$655,791 to the medical plan. Plan members eligible for benefits contributed \$56,428, or 7.9% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$86,131	21.0%	\$67,768

Funded Status and Funding Progress – As of July 1, 2014, the most recent valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$650,960, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$650,960. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,622,440 and the ratio of the UAAL to covered payroll was 14.1%. As of June 30, 2015, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$437.55 per month for retirees less than age 65 and \$150 to \$250 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Sumner-Fredericksburg 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.

(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 \$356,324 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.

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 25,289
Core Curriculum	33,015
Professional Development	26,214
Gifted and Talented	36,228
Voluntary Preschool	280,267
Early Literature	32,331
Teacher Leadership	8,214
Total	<u>\$ 441,558</u>

(11) Subsequent Events

The District has evaluated subsequent events through March 30, 2016 which is the date that the financial statements were available to be issued.

The District issued a \$1,210,000 Refunding Bonds on July 1, 2015, with the proceeds paying off the December 1, 2007, \$2,750,000 revenue bond with a June 30, 2015 principal balance of \$1,620,000.

(12) Related Party Activity

The District had transactions totaling \$3,248 with District officials or employees.

(13) Deficit Balances

As of June 30, 2015, three student activity fund accounts had deficit balances.

(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	\$ 8,703,206	\$ 160,906
Net pension liability at June 30, 2014	-4,375,739	-144,377
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	529,343	17,466
Net position July 1, 2014, as restated	<u>\$ 4,856,810</u>	<u>\$ 33,995</u>

Required Supplementary Information

Sumner-Fredericksburg 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 Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 4,639,129	\$ 268,742
Intermediate sources	-	-
State sources	6,212,774	4,181
Federal sources	151,912	219,814
Total Revenues	<u>\$ 11,003,815</u>	<u>\$ 492,737</u>
Expenditures/Expenses:		
Instruction	\$ 6,529,944	\$ -
Support services	2,743,166	-
Non-instructional programs	-	445,278
Other expenditures	1,354,023	-
Total Expenditures/Expenses	<u>\$ 10,627,133</u>	<u>\$ 445,278</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>\$ 376,682</u>	<u>\$ 47,459</u>
Balances beginning of year	\$ 4,783,352	\$ 160,906
Prior period adjustment	-56	-127,004
Adjusted balances beginning of year	<u>\$ 4,783,296</u>	<u>\$ 33,902</u>
Balances End of Year	<u>\$ 5,159,978</u>	<u>\$ 81,361</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
\$	4,907,871	\$ 5,573,525	\$ -665,654
	-	-	-
	6,216,955	6,836,385	-619,430
	371,726	385,000	-13,274
\$	11,496,552	\$ 12,794,910	\$ -1,298,358
\$	6,529,944	\$ 9,455,000	\$ 2,925,056
	2,743,166	4,067,600	1,324,434
	445,278	600,000	154,722
	1,354,023	1,651,897	297,874
\$	11,072,411	\$ 15,774,497	\$ 4,702,086
\$	424,141	\$ -2,979,587	\$ 3,403,728
\$	4,944,258	\$ 5,177,612	\$ -233,354
	-127,060	-	-127,060
\$	4,817,198	\$ 5,177,612	\$ -360,414
\$	5,241,339	\$ 2,198,025	\$ 3,043,314

Sumner-Fredericksburg Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a GAAP basis.

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

Sumner-Fredericksburg 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

	<u>2015</u>
District's proportion of the net pension liability	0.091700%
District's proportionate share of the net pension liability	\$ 3,711,177
District's covered-employee payroll	\$ 4,318,641
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.93%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Sumner-Fredericksburg Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 385,654	\$ 546,809	\$ 447,576	\$ 381,550	\$ 312,791
Contributions in relation to the statutorily required contribution	-385,654	-546,809	-447,576	-381,550	-312,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,318,641	\$ 6,123,281	\$ 5,162,353	\$ 4,728,005	\$ 4,500,590
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 313,929	\$ 279,554	\$ 273,622	\$ 230,268	\$ 262,699
-313,929	-279,554	-273,622	-230,268	-262,699
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,720,737	\$ 4,402,425	\$ 4,522,678	\$ 4,004,661	\$ 4,568,678
6.65%	6.35%	6.05%	5.75%	5.75%

Sumner-Fredericksburg Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

Sumner-Fredericksburg Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	July 1, 2014	-	\$651	\$651	0.0%	\$4,622	14.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Sumner-Fredericksburg Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2015

	Special Revenue		Total
	Student Activity	Management Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 190,041	\$ 341,458	\$ 531,499
Receivables:			
Property Tax:			
Delinquent	-	2,417	2,417
Succeeding year	-	300,000	300,000
Accounts	5,452	40	5,492
Total Assets	\$ 195,493	\$ 643,915	\$ 839,408
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,997	\$ -	\$ 1,997
Total Liabilities	\$ 1,997	\$ -	\$ 1,997
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 300,000	\$ 300,000
Total deferred inflows of resources	\$ -	\$ 300,000	\$ 300,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ -	\$ 343,915	\$ 343,915
Student activities	193,496	-	193,496
Total Fund Balances	\$ 193,496	\$ 343,915	\$ 537,411
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 195,493	\$ 643,915	\$ 839,408

See accompanying independent auditor's report.

Sumner-Fredericksburg Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2015

	Special Revenue		Total
	Student Activity	Management Levy	
Revenues:			
Local Sources:			
Local tax	\$ 250,014	\$ -	\$ 250,014
Other	6,276	369,485	375,761
State sources	1,438	-	1,438
Total Revenues	<u>\$ 257,728</u>	<u>\$ 369,485</u>	<u>\$ 627,213</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 127,729	\$ -	\$ 127,729
Other instruction	-	385,564	385,564
Support Services:			
Administrative services	11,887	-	11,887
Operation & maintenance of plant services	81,174	-	81,174
Transportation services	60,647	-	60,647
Total Expenditures	<u>\$ 281,437</u>	<u>\$ 385,564</u>	<u>\$ 667,001</u>
Change in fund balances	<u>\$ -23,709</u>	<u>\$ -16,079</u>	<u>\$ -39,788</u>
Fund balances beginning of year	\$ 367,624	\$ 209,571	\$ 577,195
Prior period adjustment	-	4	4
Adjusted balances beginning of year	<u>\$ 367,624</u>	<u>\$ 209,575</u>	<u>\$ 577,199</u>
Fund Balances End of Year	<u>\$ 343,915</u>	<u>\$ 193,496</u>	<u>\$ 537,411</u>

See accompanying independent auditor's report.

Sumner-Fredericksburg Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 918,776	\$ 666,966	\$ 1,585,742
Receivables:			
Property Tax:			
Delinquent	-	3,203	3,203
Succeeding year	-	332,420	332,420
Due from other governments	126,251	-	126,251
Total Assets	\$ 1,045,027	\$ 1,002,589	\$ 2,047,616
Liabilities , Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,643	\$ 1,659	\$ 11,302
Total Liabilities	\$ 9,643	\$ 1,659	\$ 11,302
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 332,420	\$ 332,420
Total deferred inflows of resources	\$ -	\$ 332,420	\$ 332,420
Fund Balances:			
Restricted for:			
Debt service			
School infrastructure	\$ 1,035,384	\$ -	\$ 1,035,384
Physical plant and equipment	-	668,510	668,510
Total fund balances	\$ 1,035,384	\$ 668,510	\$ 1,703,894
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,045,027	\$ 1,002,589	\$ 2,047,616

See accompanying independent auditor's report.

Sumner-Fredericksburg Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 341,736	\$ 341,736
Other	5,680	4,732	10,412
State sources	808,945	3,354	812,299
Total Revenues	\$ 814,625	\$ 349,822	\$ 1,164,447
Expenditures:			
Instruction:			
Regular instruction	\$ 2,621	\$ 60,403	\$ 63,024
Support Services:			
Administration services	-	14,344	14,344
Operation and maintenance of plant services	25,224	3,499	28,723
Transportation services	19,498	-	19,498
Other Expenditures:			
Facilities acquisition	108,170	9,001	117,171
Total Expenditures	\$ 155,513	\$ 87,247	\$ 242,760
Excess (deficiency) of revenues over (under) expenditures	\$ 659,112	\$ 262,575	\$ 921,687
Other Financing Sources (Uses):			
Operating transfers (out)	\$ -479,343	\$ -231,331	\$ -710,674
Change in fund balances	\$ 179,769	\$ 31,244	\$ 211,013
Fund balances beginning of year	855,615	637,266	1,492,881
Fund Balances End of Year	\$ 1,035,384	\$ 668,510	\$ 1,703,894

See accompanying independent auditor's report.

Sumner-Fredericksburg Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Intra- fund Transfers	Balance End of Year
Annual	\$ 13,405	\$ 18,534	\$ 24,376	\$ -	\$ 7,563
Senior High Athletics	6,285	107,224	105,871	-	7,638
Wellness	409	-	71	-	338
Drama and Speech	51	2,022	2,070	-	3
Class of 2015	2,990	662	3,001	-	651
Class of 2008	-	620	155	-	465
Class of 2013	200	-	200	-	-
Class of 2014	228	-	228	-	-
Class of 2016	2,093	8,650	6,351	-	4,392
Class of 2017	254	1,095	399	-	950
Durant D.O.O.R.S.	32,052	40,451	51,757	-	20,746
Durant Activities	62	22,107	21,898	-	271
Future Farmers of America	6,247	39,108	37,590	-	7,765
Future Homemakers of America –					
Senior High	3,207	14,287	12,714	-	4,780
HS Miscellaneous	1,741	2,428	1,507	-	2,662
Instrumental Music	143	12,128	10,120	-	2,151
Senior High Activities	226	943	1,126	-	43
Get a Grip	2,862	3,543	2,310	-	4,095
National Honor Society	104	710	713	-	101
RIF	698	-	-	-	698
Spanish Fundraising	1,931	4,076	5,588	-	419
Student Senate-Senior High	4,738	10,220	9,464	-	5,494
Vocal Music	15,410	15,738	13,827	-	17,321
District FFA	1,000	-	750	-	250
MS Athletics	57,988	820	5,800	-	53,008
HS Band	-	1,300	789	-	511
Music	7,536	-	-	-	7,536
MS Student Council	-	423	595	-	-172
MS Miscellaneous – Other	-	192	-	-	192
MS Band	-	712	1,610	-	-898
Snack – activity	2,483	5,908	5,644	-	2,747
Pictures	1,548	-	-	-	1,548
MS Teachers	1,832	837	1,355	-	1,314
Book Fair	463	9,153	9,152	-	464
Interest	2,042	-	-	-	2,042
MS Vocal	-	3,192	2,629	-	563
Miscellaneous – juice machine	3,529	1,413	1,236	-	3,706
PBIS	35	1,437	30	-	1,442
MS Concessions	-	6,522	5,429	-	1,093
Elementary	875	4,702	2,756	-	2,821
Friends of the Cougar's Den	32,650	23,944	29,354	-	27,240
HS District Football	-	350	156	-	194
MS Student Activities	2,254	4,038	6,943	-	-651
Total	\$ 209,571	\$ 369,489	\$ 385,564	\$ -	\$ 193,496

See accompanying independent auditor's report.

Sumner-Fredericksburg Community School District

**Combining Balance Sheet
Fiduciary Funds – Private Purpose Trusts
Scholarships**

June 30, 2015

	Sandra Trout Scholarship		Vay Hurmency Scholarship		Michael Buhr Scholarship
Assets					
Cash	\$ -		\$ 9,387		\$ -263
Investments	339,009		-		26,464
Accrued interest receivable	-		-		100
Total Assets	<u>\$ 339,009</u>		<u>\$ 9,387</u>		<u>\$ 26,301</u>
Liabilities and Fund Balances					
Liabilities	\$ -		\$ -		\$ -
Fund Balances:					
Reserved for scholarships	\$ 339,009		\$ 9,387		\$ 26,301
Total Liabilities and Fund Balances	<u>\$ 339,009</u>		<u>\$ 9,387</u>		<u>\$ 26,301</u>

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Other Scholarships	Total
\$ 39,393	\$ 179	\$ 10,094	\$ 58,790
-	36,779	-	402,252
-	82	-	182
<u>\$ 39,393</u>	<u>\$ 37,040</u>	<u>\$ 10,094</u>	<u>\$ 461,224</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ 39,393</u>	<u>\$ 37,040</u>	<u>\$ 10,094</u>	<u>\$ 461,224</u>
<u>\$ 39,393</u>	<u>\$ 37,040</u>	<u>\$ 10,094</u>	<u>\$ 461,224</u>

Sumner-Fredericksburg Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds – Private Purpose Trusts
Scholarships**

Year Ended June 30, 2015

	Sandra Trout Scholarship		Vay Hurmency Scholarship		Michael Buhr Scholarship
Revenues:					
Local Sources:					
Interest on investments	\$ 16,680	\$	63	\$	514
Contributions/Other	-		-		-
Total Revenues	<u>\$ 16,680</u>	<u>\$</u>	<u>63</u>	<u>\$</u>	<u>514</u>
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships/Other	\$ 37,198	\$	50	\$	527
Total Expenditures	<u>\$ 37,198</u>	<u>\$</u>	<u>50</u>	<u>\$</u>	<u>527</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -20,518	\$	13	\$	-13
Fund balances beginning of year	<u>359,527</u>		<u>9,374</u>		<u>26,314</u>
Fund Balances End of Year	<u>\$ 339,009</u>	<u>\$</u>	<u>9,387</u>	<u>\$</u>	<u>26,301</u>

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Other Scholarships	Total
\$ 40	\$ 165	\$ 178	\$ 17,640
40,000	-	4,863	44,863
<u>\$ 40,040</u>	<u>\$ 165</u>	<u>\$ 5,041</u>	<u>\$ 62,503</u>
\$ 2,000	\$ 200	\$ 5,462	\$ 45,437
<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ 5,462</u>	<u>\$ 45,437</u>
\$ 38,040	\$ -35	\$ -421	\$ 17,066
1,353	37,075	10,515	444,158
<u>\$ 39,393</u>	<u>\$ 37,040</u>	<u>\$ 10,094</u>	<u>\$ 461,224</u>

Sumner-Fredericksburg Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Local Sources:				
Local tax	\$ 3,820,934	\$ 4,816,734	\$ 4,517,468	\$ 4,663,784
Tuition	365,009	1,284,621	1,678,703	1,823,577
Other	453,186	841,032	883,494	843,711
Intermediate sources	-	-	-	-
State sources	6,212,774	4,430,387	4,278,800	4,349,878
Federal sources	151,912	270,197	241,219	414,879
Total	\$ 11,003,815	\$ 11,642,971	\$ 11,599,684	\$ 12,095,829
Expenditures:				
Instruction:				
Regular instruction	\$ 4,367,681	\$ 5,176,054	\$ 5,436,492	\$ 5,196,639
Special instruction	883,205	1,031,937	959,301	1,358,610
Other instruction	1,279,058	1,382,884	1,298,364	1,224,705
Support services:				
Student services	176,859	209,270	211,840	211,449
Instructional staff services	195,126	185,640	146,192	153,415
Administrative services	914,982	1,028,563	979,955	981,720
Operation and maintenance of plant services	1,029,932	977,250	874,271	845,947
Transportation services	426,267	638,414	512,130	475,956
Community services	-	-	-	-
Non instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	117,171	95,229	488,658	2,972,787
Long-term debt:				
Principal	593,296	586,570	485,000	490,232
Interest and other charges	287,232	296,956	314,397	530,144
AEA flow-through	356,324	339,534	319,926	326,672
Total	\$ 10,627,133	\$ 11,948,301	\$ 12,026,526	\$ 14,568,276

See accompanying independent auditor's report.

Modified Accrual Basis

2011	2010	2009	2008	2007	2006
\$ 4,491,321	\$ 4,006,396	\$ 4,196,981	\$ 3,969,494	\$ 3,905,262	\$ 3,648,000
1,334,009	1,182,853	1,227,608	1,363,234	1,448,875	1,737,284
1,041,335	1,173,018	1,253,820	1,305,758	1,382,372	807,249
-	-	-	-	-	-
3,929,115	3,534,010	4,156,853	4,045,783	3,791,990	3,738,067
481,836	768,524	351,166	298,422	259,777	239,633
<u>\$ 11,277,616</u>	<u>\$ 10,664,801</u>	<u>\$ 11,186,428</u>	<u>\$ 10,982,691</u>	<u>\$ 10,788,276</u>	<u>\$ 10,170,233</u>
\$ 5,125,713	\$ 5,053,452	\$ 5,020,164	\$ 5,143,119	\$ 5,068,806	\$ 5,021,136
1,049,892	1,049,382	1,101,229	975,839	1,006,662	860,247
1,265,084	1,136,714	1,032,006	960,560	974,523	887,548
230,075	221,598	196,967	183,098	167,453	169,299
160,942	147,002	171,561	161,509	143,161	127,470
1,143,867	1,167,685	981,195	1,090,840	914,263	1,004,457
783,665	794,324	880,353	823,225	809,362	843,467
592,734	531,847	527,762	443,761	473,907	380,975
-	18	13	7	-	-
-	-	8,847	-	-	18,366
4,721,058	347,705	920,312	736,210	255,250	222,568
345,232	147,575	285,150	110,150	105,150	105,150
295,260	195,529	121,941	7,225	10,225	12,725
359,756	357,542	314,059	310,262	295,647	287,508
<u>\$ 16,073,278</u>	<u>\$ 11,150,373</u>	<u>\$ 11,561,559</u>	<u>\$ 10,945,805</u>	<u>\$ 10,224,409</u>	<u>\$ 9,940,916</u>

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

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
Sumner-Fredericksburg Community School District:

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner-Fredericksburg 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 my report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

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

My 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, I identified deficiencies in internal control I consider to be material weaknesses.

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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-D-15 to be material weaknesses.

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. No significant deficiencies were noted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner-Fredericksburg Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance 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 my audit of the financial statements of the District. Since my 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.

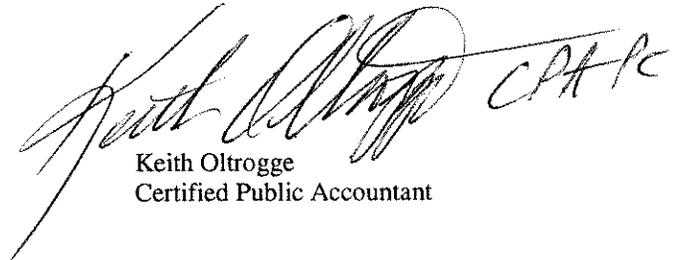
Sumner-Fredericksburg Community School District's Responses to the Findings

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

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner-Fredericksburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 30, 2016

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Supporting Documentation – I noted four instances of a check being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures to ensure 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 – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

I-B-15 Employees Who Officiate Athletic Events – I noted the District had payrolled employees who officiated athletic events for the school. The District paid the employees with Student Activity Fund accounts payable checks instead of paying them through regular payroll where applicable taxes could be applied.

Recommendation – These payments should be paid through the payroll system in order to be included in the quarterly Federal 941 reports and W-2s.

Response – We will pay district employee officials through payroll instead of the Activity Fund.

Conclusion – Response accepted.

I-C-15 Financial Reporting – During the audit, I identified material amounts of expenditures in the Student Activity Fund accounts that were not coded properly.

Recommendation – The District should review the coding of all bills to ensure they are properly coded in accordance with The Uniform Financial Accounting for Iowa LEAs and AEAs. The purpose of governmental fund accounting is to facilitate that the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and relating expenditures. In addition, timely and complete recording of all bills and receipts is essential for accurate financial statements. The general ledger is supposed to be an accurate history of the District's financial transactions.

Response – The District will review the coding of bills to ensure they are all properly recorded.

Conclusion – Response acknowledged.

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-D-15 Disbursement Approval – For 14 of 28 general fund, 3 of 24 activity fund and 5 of 5 nutrition fund disbursements tested there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Disbursements for the year ended June 30, 2015 did not exceed the certified budget amounts.

II-B-15 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General:		
Wild Rose	Funeral flowers	\$53.50
Arnold Phillips	Late fee	\$128.00
IRS	Late fee	\$4,494.00
Employee	Donuts	\$37.45
Wild Rose	Funeral flowers	\$60.00
Activity:		
East 1 st Street Cafe	Meal	\$147.15
Blue Iris	Funeral flowers	\$25.00
Visa	Gift cards	\$50.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items as retirement gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2016, we will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees noted. No travel advances to District officials or employees were noted; however, I noted that there were instances of reimbursements made to employees which lacked detailed receipts. There were also credit card statement charges and direct hotel vendor’s charges that were paid without receipts.

Recommendation – The District should review procedures in place to ensure the proper detailed documentation will be available with all payments for travel.

Response – The District will monitor reimbursements, and make payments to make sure detailed receipts are submitted.

Conclusion – Response accepted.

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

Name, Title & Business Connection	Transaction Description	Amount
Melissa Boess - Employee, Owner Countryside Creations	Supplies	\$120
Debra Elliott – Employee	Cake	\$222
Kelly Schaufnbuel – Employee, Spouse Owner Hardware Hub	Supplies	\$2,906

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Hardware Hub may represents a conflict of interest since the total purchases exceeded \$1,500 for the year and was not entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation – The District should use a competitive bidding process for amounts over \$1,500.

Response – We will use competitive bidding in the future. The amounts paid to Hardware Hub were paid on various invoices.

Conclusion – Response accepted.

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

II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

However, I did note that the Districts did not approve an official depository resolution as required by Iowa code.

According to Chapter 12C.2 of the Code of Iowa, “the approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.

Recommendation – The District should review Chapter 12C.2 of the Code of Iowa. Each financial institution that holds District deposits should be approved with a maximum depository amount by the Board of Directors and noted in the board minutes annually to be in compliance with Chapter 12C.2 of the Code of Iowa.

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	855,615
Revenues/transfers in:			
Sales tax revenues	\$	808,945	
Other local revenues		5,680	814,625
			<hr/>
		\$	1,670,240
Expenditures/transfers out:			
School infrastructure	\$	108,170	
Equipment		47,343	
Transfers to other funds:			
Debt service fund		479,343	634,856
			<hr/>
Ending balance		\$	<u>1,035,384</u>

Sumner-Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting (continued):

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.30342	\$ 808,945
Physical plant and equipment levy (PPEL)	1.25035	233,287
Public educational and recreational levy (PERL)	-	-
Total		\$ 1,042,232

II-M-15 Sales Tax – Sales tax was paid by the District on one disbursement tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.

II-N-15 Deficit Balance – Three student activity accounts had deficit balances at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.