

EASTON VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	57
<i>Private Purpose Trust Accounts:</i>		
Combining Schedule of Fiduciary Net Position	7	58
Combining Schedule of Changes in Fiduciary Net Position	8	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	60
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>		61-62
Schedule of Findings		63-67

Easton Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Craig Thines	President	2015
Tom Feuerbach	Vice President	2017
Lance Abernathy	Board Member	2015
Dick Keeney	Board Member	2017
Roger Kilburg	Board Member	2015
Jodi Meyer	Board Member	2017
Ron Regenwether	Board Member	2017
School Officials		
Andy Crozier	Superintendent	2015
Adam Crigger	Business Manager/Treasurer	2015
Linda Skoff	District Secretary (Resigned April 2015)	2015
Kathy Meier	District Secretary (Appointed May 2015)	2015
Gruhn Law Firm	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Easton Valley Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which is not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report March 11, 2016 on our consideration of Easton Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Easton Valley Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2016
Newton, IA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,738,683 in fiscal year 2014, to \$6,768,387 in fiscal year 2015 while General Fund expenditures increased from \$6,792,430 in fiscal year 2014 to \$6,968,888 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$1,115,703 at June 30, 2014 to \$915,202 at June 30, 2015, a 17.97% decrease.
- The increase in General Fund revenues is primarily due to the increase in local tax revenue received as compared to the prior year. The increase in General Fund expenditures is primarily due to the increase in instruction expenditures incurred as compared to the prior year.
- The District's solvency ratio was 7.67% at June 30, 2015, a decrease from a solvency ratio of 11.29% at June 30, 2014.
- Increase in expenses have come largely in part to a large special education deficit including rising tuitioned out costs for students with IEP's attending other area school districts.

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 Easton Valley 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 Easton Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Easton Valley Community School District acts solely as an agent or custodial 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.

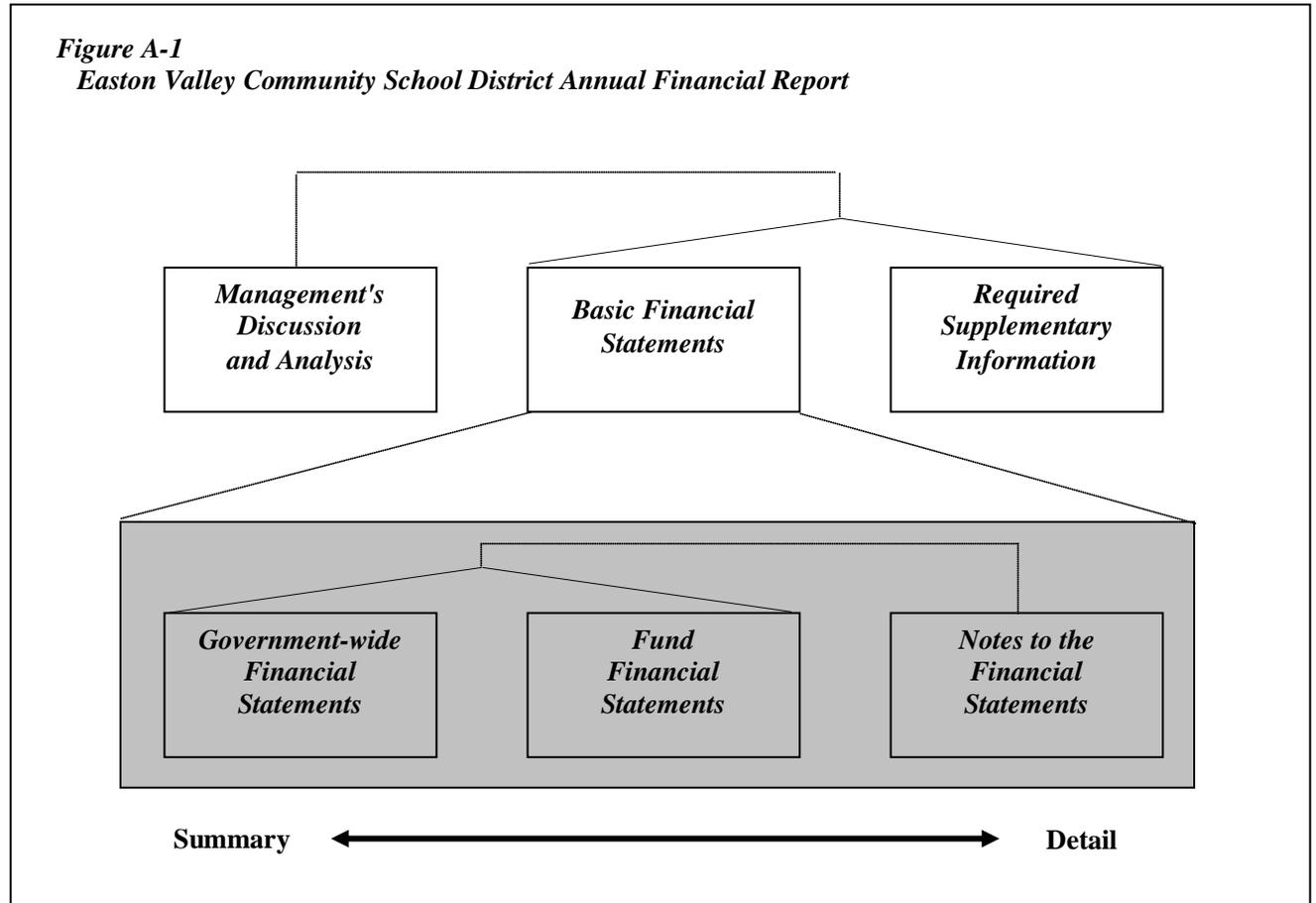


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service, day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All 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 and daycare programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund accounting for employee flex benefits.

The required financial statements for the 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 the Private-Purpose Trust Fund and the Agency Fund.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds - These are funds through which the District administers and accounts for certain outside organizations.

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							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15
Current and other assets	\$ 10,021,373	6,894,086	161,005	140,603	10,182,378	7,034,689	44.75%
Capital assets	2,249,261	1,431,801	7,025	8,492	2,256,286	1,440,293	56.65%
Total assets	<u>12,270,634</u>	<u>8,325,887</u>	<u>168,030</u>	<u>149,095</u>	<u>12,438,664</u>	<u>8,474,982</u>	<u>46.77%</u>
Deferred inflows of resources	374,818	-	9,952	-	384,770	-	100.00%
Long-term liabilities	4,568,099	91,374	44,936	581	4,613,035	91,955	4916.62%
Other liabilities	1,327,558	745,475	2,668	3,339	1,330,226	748,814	77.64%
Total liabilities	<u>5,895,657</u>	<u>836,849</u>	<u>47,604</u>	<u>3,920</u>	<u>5,943,261</u>	<u>840,769</u>	<u>606.88%</u>
Deferred inflows of resources	<u>4,107,532</u>	<u>2,841,819</u>	<u>20,844</u>	<u>-</u>	<u>4,128,376</u>	<u>2,841,819</u>	<u>45.27%</u>
Net position:							
Net investment in capital assets	1,412,049	1,431,801	7,025	8,492	1,419,074	1,440,293	-1.47%
Restricted	3,062,702	2,551,375	-	-	3,062,702	2,551,375	20.04%
Unrestricted	(1,832,488)	664,043	102,509	136,683	(1,729,979)	800,726	-316.05%
Total net position	<u>\$ 2,642,263</u>	<u>4,647,219</u>	<u>109,534</u>	<u>145,175</u>	<u>2,751,797</u>	<u>4,792,394</u>	<u>-42.58%</u>

The District's total net position decreased \$2,040,597, or 42.58% from the prior year. A large portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$511,327, or 20.04% from the prior year. The primary reason for this increase in net position restricted for school infrastructure and physical plant and equipment purposes as compared to 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 \$2,530,705, or 316.05% from the prior year. This decrease in unrestricted net position was primarily a result of the District’s net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,457,240 and \$59,908, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 413,149	282,389	114,365	126,600	527,514	408,989	28.98%
Operating grants, contributions and restricted interest	571,348	484,124	135,812	119,527	707,160	603,651	17.15%
Capital grants, contributions and restricted interest	5,008	26,405	-	-	5,008	26,405	-81.03%
General revenues:							
Property tax	2,865,465	2,448,143	-	-	2,865,465	2,448,143	17.05%
Statewide sales, service and use tax	618,584	587,599	-	-	618,584	587,599	5.27%
Nonspecific program federal grants	28,749	-	-	-	28,749	-	100.00%
Unrestricted state grants	3,634,617	3,781,966	-	-	3,634,617	3,781,966	-3.90%
Unrestricted investment earnings	10,184	3,743	162	49	10,346	3,792	172.84%
Other	39,960	230,618	1,669	753	41,629	231,371	-82.01%
Total revenues	<u>8,187,064</u>	<u>7,844,987</u>	<u>252,008</u>	<u>246,929</u>	<u>8,439,072</u>	<u>8,091,916</u>	<u>4.29%</u>
Program expenses:							
Governmental activities:							
Instructional	5,222,216	4,808,837	25,708	-	5,247,924	4,808,837	9.13%
Support services	2,080,356	2,342,789	10,002	14,577	2,090,358	2,357,366	-11.33%
Non-instructional programs	-	-	192,031	226,183	192,031	226,183	-15.10%
Other expenses	432,208	356,077	-	-	432,208	356,077	21.38%
Total expenses	<u>7,734,780</u>	<u>7,507,703</u>	<u>227,741</u>	<u>240,760</u>	<u>7,962,521</u>	<u>7,748,463</u>	<u>2.76%</u>
Change in net position	452,284	337,284	24,267	6,169	476,551	343,453	38.75%
Net position beginning of year, as restated	<u>2,189,979</u>	<u>4,309,935</u>	<u>85,267</u>	<u>139,006</u>	<u>2,275,246</u>	<u>4,448,941</u>	<u>-48.86%</u>
Net position end of year	<u>\$ 2,642,263</u>	<u>4,647,219</u>	<u>109,534</u>	<u>145,175</u>	<u>2,751,797</u>	<u>4,792,394</u>	<u>-42.58%</u>

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 86.95% of governmental activities revenue while charges for service and sales and operating grants and contributions and restricted interest accounted for 99.27% of business type activities revenue.

The District's total revenues were approximately \$8.44 million, of which approximately \$8.19 million was for governmental activities and approximately \$0.25 was for business type activities.

As a whole the District experienced a 4.29% increase in revenues and a 2.76% increase in expenses. The increase in revenues was primarily due to an increase in property tax revenues received as compared to the previous year. The increase in expenses was due to an increase in instruction expenses incurred as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$8,187,064 and expenses were \$7,734,780 for the year ended June 30, 2015.

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 5,222,216	4,808,837	8.60%	4,538,037	4,320,754	5.03%
Support services	2,080,356	2,342,789	-11.20%	2,051,538	2,313,126	-11.31%
Other expenses	432,208	356,077	21.38%	155,700	80,905	92.45%
Totals	\$ 7,734,780	7,507,703	3.02%	6,745,275	6,714,785	0.45%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$413,149.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$576,356.
- The net cost of governmental activities was financed with \$2,865,465 in property tax, \$618,584 in statewide sales, services and use tax, \$28,749 in nonspecific program federal grants, \$3,634,617 in unrestricted state grants, \$10,184 in interest income and \$39,960 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$252,008 and expenses were \$227,741 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,440,368, above last years ending combined fund balances of \$3,301,264. This increase in combined fund balances is due to the District's issuance of \$2,465,000 in capital loan notes during the year which will be used to finance District construction projects.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The District's General Fund balance decreased from a balance of \$1,115,703 at June 30, 2014 to \$915,202 at June 30, 2015. An increase in local tax revenues received from the prior year contributed to an increase in total revenues and an increase in instruction costs incurred contributed to an increase in expenditures. Total expenditures outpaced total revenues for the year ensuring a decrease in fund balance.
- The Capital Projects Fund balance increased from a balance of \$1,697,929 at June 30, 2014 to \$3,988,632 at June 30, 2015. The primary reason for this increase in fund balance is due to the issuance of \$2,465,000 in capital loan note indebtedness during the year which will be used to finance the costs of District construction and renovation projects undertaken by the District.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated balance of \$70,914 at July 1, 2014 to \$95,181 at June 30, 2015. The increase in net position is primarily due to an increase in federal revenues received as compared to the prior year.

The District's Day Care Fund had not activity for fiscal year 2015 and as a result the net position remained unchanged at \$14,353 at both June 30, 2014 and June 30, 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, Easton Valley Community School District amended its budget one time to reflect additional expenditures in the other expenditures functional area associated with District construction projects.

The District's revenues were \$55,751 more than budgeted revenues, a variance of 0.67%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$2,256,286, 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 an increase of 56.65% from the prior year. More detailed information about capital assets is available in Notes 3 to the financial statements. Depreciation expense for the year was \$290,485.

The original cost of the District's capital assets was \$6,006,924. Governmental funds accounted for \$5,924,104 with the remainder of \$82,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity occurred in the construction in progress category. Construction in progress totaled \$0 at June 30, 2014 compared to \$1,014,702 at June 30, 2015. This increase is due to the District beginning its Elementary and High School remodel and renovation projects during the year. These projects will be capitalized and reclassified as part of the District's official capital asset listing upon completion.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 18,297	18,297	-	-	18,297	18,297	0.00%
Construction in progress	1,014,702	-	-	-	1,014,702	-	100.00%
Buildings	555,182	631,296	-	-	555,182	631,296	-12.06%
Land improvements	425,198	457,249	-	-	425,198	457,249	-7.01%
Machinery and equipment	235,882	324,959	7,025	8,492	242,907	333,451	-27.15%
Total	\$ 2,249,261	1,431,801	7,025	8,492	2,256,286	1,440,293	56.65%

Long-Term Debt

At June 30, 2015, the District had \$4,613,035 in capital loan note and other long-term debt outstanding. (See Figure A-7) This represents an increase of 4,916.62% from the prior year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

- At June 30, 2015 the District had capital loan note indebtedness of \$2,465,000 payable from the Capital Projects: Physical, Plant and Equipment Levy Fund.
- At June 30, 2015 the District had termination benefits of \$247,046 payable from the Special Revenue, Management Levy Fund.
- At June 30, 2015, the District had a net pension liability of \$1,839,478. \$1,795,698 of this total is attributed to the District's governmental activities while \$43,780 is attributed to the District's business type activities.
- At June 30, 2015, the District had a net OPEB liability of \$61,511. \$60,355 of this total is attributed to the District's governmental activities while \$1,156 is attributed to the District's business type activities.

Figure A-7
Long-term Liabilities

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Capital loan note	\$ 2,465,000	-	-	-	2,465,000	-	100.00%
Termination benefits	247,046	61,031	-	-	247,046	61,031	304.79%
Net pension liability	1,795,698	-	43,780	-	1,839,478	-	100.00%
Net OPEB liability	60,355	30,343	1,156	581	61,511	30,924	98.91%
Total	\$ 4,568,099	91,374	44,936	581	4,613,035	91,955	4916.62%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment continues to be a trend for the district. The decline in enrollment, along with a large number of open enrolled out students and small increases in state supplemental aide create stagnant and declining revenue for the district. With no change in the immediate future in enrollment, the district could find itself in a trend of continued declining enrollment, and with that smaller revenue streams each year.

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 Adam Crigger, Business Manager, Easton Valley Community School District, 121 S Mitchell Street, Preston, Iowa, 52069.

BASIC FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,513,887	148,572	6,662,459
Receivables:			
Property tax:			
Delinquent	34,653	-	34,653
Succeeding year	3,252,573	-	3,252,573
Accounts	8,529	2,379	10,908
Due from other governments	211,731	-	211,731
Inventories	-	10,054	10,054
Capital assets, net of accumulated depreciation	2,249,261	7,025	2,256,286
TOTAL ASSETS	12,270,634	168,030	12,438,664
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	374,818	9,952	384,770
LIABILITIES			
Accounts payable	851,132	209	851,341
Salaries and benefits payable	471,771	2,459	474,230
Accrued interest payable	4,655	-	4,655
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	265,000	-	265,000
Termination benefits payable	102,692	-	102,692
Portion due after one year:			
Capital loan notes payable	2,200,000	-	2,200,000
Termination benefits payable	144,354	-	144,354
Net pension liability	1,795,698	43,780	1,839,478
Net OPEB liability	60,355	1,156	61,511
TOTAL LIABILITIES	5,895,657	47,604	5,943,261
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,252,573	-	3,252,573
Pension related deferred inflows	854,959	20,844	875,803
TOTAL DEFERRED INFLOWS OF RESOURCES	4,107,532	20,844	4,128,376
NET POSITION			
Net investment in capital assets	1,412,049	7,025	1,419,074
Restricted for:			
Categorical funding	417,025	-	417,025
Debt service	1,373	-	1,373
Management levy purposes	105,608	-	105,608
Student activities	177,852	-	177,852
School infrastructure	1,614,662	-	1,614,662
Physical plant and equipment	746,182	-	746,182
Unrestricted	(1,832,488)	102,509	(1,729,979)
TOTAL NET POSITION	\$ 2,642,263	109,534	2,751,797

SEE NOTES TO FINANCIAL STATEMENTS.

**EASTON VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Type Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,317,109	156,838	79,004	-	(3,081,267)	-	(3,081,267)
Special	1,281,973	-	39,956	-	(1,242,017)	-	(1,242,017)
Other	623,134	237,886	170,495	-	(214,753)	-	(214,753)
	<u>5,222,216</u>	<u>394,724</u>	<u>289,455</u>	<u>-</u>	<u>(4,538,037)</u>	<u>-</u>	<u>(4,538,037)</u>
Support services:							
Student	153,960	-	2,455	-	(151,505)	-	(151,505)
Instructional staff	254,754	-	-	-	(254,754)	-	(254,754)
Administration	787,928	18,425	-	-	(769,503)	-	(769,503)
Operation and maintenance of plant	457,735	-	-	5,008	(452,727)	-	(452,727)
Transportation	425,979	-	2,930	-	(423,049)	-	(423,049)
	<u>2,080,356</u>	<u>18,425</u>	<u>5,385</u>	<u>5,008</u>	<u>(2,051,538)</u>	<u>-</u>	<u>(2,051,538)</u>
Long-term debt interest	4,655	-	-	-	(4,655)	-	(4,655)
Other expenditures:							
AEA flowthrough	276,508	-	276,508	-	-	-	-
Depreciation(unallocated)*	151,045	-	-	-	(151,045)	-	(151,045)
	<u>427,553</u>	<u>-</u>	<u>276,508</u>	<u>-</u>	<u>(151,045)</u>	<u>-</u>	<u>(151,045)</u>
Total governmental activities	<u>7,734,780</u>	<u>413,149</u>	<u>571,348</u>	<u>5,008</u>	<u>(6,745,275)</u>	<u>-</u>	<u>(6,745,275)</u>
Business type activities:							
Instruction:							
Other	25,708	-	-	-	-	(25,708)	(25,708)
Support services:							
Administration	887	-	-	-	-	(887)	(887)
Operation and maintenance of plant	9,115	-	-	-	-	(9,115)	(9,115)
	<u>10,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,002)</u>	<u>(10,002)</u>
Non-instructional programs:							
Food service operations	192,031	114,365	135,812	-	-	58,146	58,146
Total business type activities	<u>227,741</u>	<u>114,365</u>	<u>135,812</u>	<u>-</u>	<u>-</u>	<u>22,436</u>	<u>22,436</u>
Total	\$ <u>7,962,521</u>	<u>527,514</u>	<u>707,160</u>	<u>5,008</u>	<u>(6,745,275)</u>	<u>22,436</u>	<u>(6,722,839)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,500,723	-		2,500,723
Capital outlay				364,742	-		364,742
Statewide sales, services and use tax				618,584	-		618,584
Nonspecific program federal grants				28,749	-		28,749
Unrestricted state grants				3,634,617	-		3,634,617
Unrestricted investment earnings				10,184	162		10,346
Other				39,960	1,669		41,629
Total general revenues				<u>7,197,559</u>	<u>1,831</u>		<u>7,199,390</u>
Change in net position				452,284	24,267		476,551
Net position beginning of year, as restated				2,189,979	85,267		2,275,246
Net position end of year				<u>\$ 2,642,263</u>	<u>109,534</u>		<u>2,751,797</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,659,751	4,302,240	546,367	6,508,358
Receivables:				
Property tax:				
Delinquent	27,987	4,411	2,255	34,653
Succeeding year	2,551,096	370,477	331,000	3,252,573
Accounts	3,579	-	4,950	8,529
Due from other governments	115,385	96,346	-	211,731
TOTAL ASSETS	\$ 4,357,798	4,773,474	884,572	10,015,844
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 419,729	414,365	17,038	851,132
Salaries and benefits payable	471,771	-	-	471,771
Total liabilities	891,500	414,365	17,038	1,322,903
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,551,096	370,477	331,000	3,252,573
Fund balances:				
Restricted for:				
Categorical funding	417,025	-	-	417,025
Debt service	-	-	6,028	6,028
Management levy purposes	-	-	352,654	352,654
Student activities	-	-	177,852	177,852
School infrastructure	-	3,242,450	-	3,242,450
Physical plant and equipment	-	746,182	-	746,182
Unassigned	498,177	-	-	498,177
Total fund balances	915,202	3,988,632	536,534	5,440,368
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,357,798	4,773,474	884,572	10,015,844

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	5,440,368
 <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.		2,249,261
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		5,529
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(4,655)
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	\$ 374,818	
Deferred inflows of resources	<u>(854,959)</u>	(480,141)
Long-term liabilities, including capital loan note payable, termination benefits payable, other postemployment benefits payable and the net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(4,568,099)</u>
Net position of governmental activities(page 18)	\$	<u><u>2,642,263</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,316,186	364,742	184,537	2,865,465
Tuition	155,779	-	-	155,779
Other	62,427	7,499	243,315	313,241
State sources	4,018,812	618,584	-	4,637,396
Federal sources	215,183	-	-	215,183
Total revenues	<u>6,768,387</u>	<u>990,825</u>	<u>427,852</u>	<u>8,187,064</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,183,319	-	119,494	3,302,813
Special	1,271,718	-	-	1,271,718
Other	382,036	-	258,500	640,536
	<u>4,837,073</u>	<u>-</u>	<u>377,994</u>	<u>5,215,067</u>
Support services:				
Student	187,789	-	-	187,789
Instructional staff	192,556	68,677	-	261,233
Administration	697,166	38,782	-	735,948
Operation and maintenance of plant	451,030	39,764	44	490,838
Transportation	326,766	91,503	912	419,181
	<u>1,855,307</u>	<u>238,726</u>	<u>956</u>	<u>2,094,989</u>
Capital outlay	-	926,396	-	926,396
Other expenditures:				
AEA flowthrough	276,508	-	-	276,508
Total expenditures	<u>6,968,888</u>	<u>1,165,122</u>	<u>378,950</u>	<u>8,512,960</u>
Excess(Deficiency) of revenues over(under) expenditures	(200,501)	(174,297)	48,902	(325,896)
Other financing sources:				
Proceeds from the issuance of capital loan note	-	2,465,000	-	2,465,000
Change in fund balances	(200,501)	2,290,703	48,902	2,139,104
Fund balances beginning of year	<u>1,115,703</u>	<u>1,697,929</u>	<u>487,632</u>	<u>3,301,264</u>
Fund balances end of year	<u>\$ 915,202</u>	<u>3,988,632</u>	<u>536,534</u>	<u>5,440,368</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 2,139,104

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

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

Capital outlay	\$ 1,106,478	
Depreciation expense	(289,018)	817,460

Net change in Internal Service Funds charged back against expenditures made for flex contributions at an entity-wide basis. 1

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. (2,465,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (4,655)

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. 276,054

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.

Other postemployment benefits	(30,012)	
Pension expense	(94,653)	
Termination benefits	(186,015)	(310,680)

Change in net position of governmental activities(page 19) \$ 452,284

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Day Care	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 134,219	14,353	148,572	5,529
Accounts receivable	2,379	-	2,379	-
Inventories	10,054	-	10,054	-
Total current assets	146,652	14,353	161,005	5,529
Noncurrent assets:				
Capital assets, net of accumulated depreciation	7,025	-	7,025	-
TOTAL ASSETS	153,677	14,353	168,030	5,529
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	9,952	-	9,952	-
LIABILITIES				
Current liabilities:				
Accounts payable	209	-	209	-
Salaries and benefits payable	2,459	-	2,459	-
Total current liabilities	2,668	-	2,668	-
Noncurrent liabilities				
Net pension liability	43,780	-	43,780	-
Net OPEB liability	1,156	-	1,156	-
Total noncurrent liabilities	44,936	-	44,936	-
TOTAL LIABILITIES	47,604	-	47,604	-
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	20,844	-	20,844	-
NET POSITION				
Net investment in capital assets	7,025	-	7,025	-
Unrestricted	88,156	14,353	102,509	5,529
TOTAL NET POSITION	\$ 95,181	14,353	109,534	5,529

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Daycare	Total	
OPERATING REVENUES:				
Local sources:				
Charges for service	\$ 114,365	-	114,365	-
Miscellaneous	1,669	-	1,669	-
TOTAL OPERATING REVENUES	116,034	-	116,034	-
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	18,482	-	18,482	-
Benefits	7,226	-	7,226	-
	25,708	-	25,708	-
Support services:				
Administration:				
Services	250	-	250	-
Other	637	-	637	-
	887	-	887	-
Operation and maintenance of plant:				
Salaries	5,087	-	5,087	-
Benefits	2,665	-	2,665	-
Services	1,129	-	1,129	-
Supplies	234	-	234	-
	9,115	-	9,115	-
Total support services	10,002	-	10,002	-
Non-instructional programs:				
Food service operations:				
Salaries	64,614	-	64,614	-
Benefits	7,493	-	7,493	-
Supplies	118,457	-	118,457	-
Depreciation	1,467	-	1,467	-
Total non-instructional programs	192,031	-	192,031	-
TOTAL OPERATING EXPENSES	227,741	-	227,741	-
OPERATING LOSS	(111,707)	-	(111,707)	-
NON-OPERATING REVENUES:				
State sources	2,280	-	2,280	-
Federal sources	133,532	-	133,532	-
Interest income	162	-	162	1
TOTAL NON-OPERATING REVENUES	135,974	-	135,974	1
Change in net position	24,267	-	24,267	1
Net position beginning of year, as restated	70,914	14,353	85,267	5,528
Net position end of year	\$ 95,181	14,353	109,534	5,529

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 113,621	-	113,621	-
Cash received from miscellaneous	1,669	-	1,669	-
Cash payments to employees for services	(110,969)	-	(110,969)	-
Cash payments to suppliers for goods or services	(92,949)	-	(92,949)	-
Net cash used in operating activities	(88,628)	-	(88,628)	-
Cash flows from non-capital financing activities:				
State grants received	2,280	-	2,280	-
Federal grants received	103,104	-	103,104	-
Net cash provided by non-capital financing activities	105,384	-	105,384	-
Cash flows from investing activities:				
Interest on investments	162	-	162	1
Net increase in cash and pooled investments	16,918	-	16,918	1
Cash and pooled investments beginning of year	117,301	14,353	131,654	5,528
Cash and pooled investments end of year	\$ 134,219	14,353	148,572	5,529
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (111,707)	-	(111,707)	-
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	30,428	-	30,428	-
Depreciation	1,467	-	1,467	-
Increase in inventories	(2,740)	-	(2,740)	-
Increase in accounts receivable	(744)	-	(744)	-
Increase in accounts payable	70	-	70	-
Decrease in salaries and benefits payable	(741)	-	(741)	-
Decrease in net pension liability	(22,579)	-	(22,579)	-
Decrease in deferred inflows of resources	(3,501)	-	(3,501)	-
Increase in deferred inflows of resources	20,844	-	20,844	-
Increase in other postemployment benefits	575	-	575	-
Net cash used in operating activities	\$ (88,628)	-	(88,628)	-

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$30,428 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 185,717	850
LIABILITIES		
Due to other groups	-	850
NET POSITION		
Held in trust for scholarships	\$ 185,717	-

SEE NOTES TO FINANCIAL STATEMENTS.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,429
Interest income	423
Total additions	<u>6,852</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>9,050</u>
Change in net position	(2,198)
Net position beginning of year	<u>187,915</u>
Net position end of year	<u>\$ 185,717</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Easton Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Preston, Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson 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, Easton Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Easton Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Unrestricted net position consists of net position 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for day to day daycare operations offered by the District. The Internal Service Fund is used to account for the employee flex benefits.

The District also reports a fiduciary fund which focuses on net position and changes in net position.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is 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 future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$92,552 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,297	-	-	18,297
Construction in progress	-	1,014,702	-	1,014,702
Total capital assets not being depreciated	18,297	1,014,702	-	1,032,999
Capital assets being depreciated:				
Buildings	2,930,092	-	68,439	2,861,653
Land improvements	831,979	42,880	-	874,859
Machinery and equipment	1,105,697	48,896	-	1,154,593
Total capital assets being depreciated	4,867,768	91,776	68,439	4,891,105
Less accumulated depreciation for:				
Buildings	2,298,796	76,114	68,439	2,306,471
Land improvements	374,730	74,931	-	449,661
Machinery and equipment	780,738	137,973	-	918,711
Total accumulated depreciation	3,454,264	289,018	68,439	3,674,843
Total capital assets being depreciated, net	1,413,504	(197,242)	68,439	1,216,262
Governmental activities capital assets, net	\$ 1,431,801	817,460	68,439	2,249,261
Business type activities:				
Machinery and equipment	\$ 84,600	-	1,780	82,820
Less accumulated depreciation	76,108	1,467	1,780	75,795
Business type activities capital assets, net	\$ 8,492	(1,467)	-	7,025
Governmental activities:				
Instruction:				
Regular			\$	52,495
Other				15,792
Support services:				
Instructional staff				938
Administration				25,416
Operation and maintenance of plant				8,646
Transportation				34,686
				137,973
Unallocated depreciation				151,045
Total depreciation expense - governmental activities			\$	289,018
Business type activities:				
Food service operations			\$	1,467

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects: Capital Loan Note Construction	Capital Projects: Physical, Plant and Equipment Levy	<u>\$ 2,465,000</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Capital Projects: Capital Loan Note Construction Fund was to move proceeds for the capital loan note issuance to the construction fund where costs associated with District construction projects will be spent and recorded.

Note 5. Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning			End of	Within
	of Year, Restated	Additions	Deletions	Year	One Year
Governmental activities:					
Capital loan note	\$ -	2,465,000	-	2,465,000	265,000
Termination benefits	61,031	216,530	30,515	247,046	102,692
Net pension liability	2,721,820	-	926,122	1,795,698	-
Net OPEB liability	30,343	30,012	-	60,355	-
Total	<u>\$ 2,813,194</u>	<u>2,711,542</u>	<u>956,637</u>	<u>4,568,099</u>	<u>367,692</u>
Business type activities:					
Net pension liability	\$ 66,359	-	22,579	43,780	-
Net OPEB liability	581	575	-	1,156	-
Total	<u>\$ 66,940</u>	<u>575</u>	<u>22,579</u>	<u>44,936</u>	<u>-</u>

Capital Loan Note

During fiscal year 2015 the District issued a \$2,465,000 capital loan to be used to finance the Elementary and High School renovation and remodel projects. The note is payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the indebtedness at June 30, 2015 are as follows:

Year Ending June 30,	Capital Loan Dated May 7, 2015				
	Interest Rates	Principal	Interest	Total	
2016	0.45 %	\$ 265,000	31,039	296,039	
2017	0.70	265,000	30,373	295,373	
2018	0.95	265,000	28,517	293,517	
2019	1.15	270,000	26,000	296,000	
2020	1.30	270,000	22,895	292,895	
2021-2024	1.50-1.90	1,130,000	50,795	1,180,795	
Total		<u>\$ 2,465,000</u>	<u>189,619</u>	<u>2,654,619</u>	

Termination Benefits

During the year ended June 30, 2015 the Easton Valley Community School District approved a voluntary early retirement plan for employees. This plan was only offered for only one year. Eligible employees must have completed at least fifteen years of service with the Easton Valley Community School

District including time served in the former East Central and Preston Community School Districts and each employee must have reached the age of 55 on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits include a cash incentive equal to 50% of the highest earned salary at Easton Valley Community School District, excluding substitute wages, overtime pay, extra duty pay, extra duty increments, Phase III monies, teacher salary supplement payments and extended contract days. This retirement incentive will be paid in three equal annual installments beginning on July 5, 2015.

Previously, during fiscal year 2013, the East Central Community School District approved a voluntary early retirement plan for employees. Now that East Central Community School District and the Preston Community School District have merged the terms of the early retirement plan become the liability of the Easton Valley Community School District. Early retirement benefits equaled one-half of the employee's regular annual salary in effect during the employee's last year of employment. The policy required benefits to be paid in six bi-annual installments over three years beginning January 1, 2014 with the final payment to be made by May 1, 2016.

At June 30, 2015, the District early retirement obligations to sixteen participants with a total retirement liability of \$247,046. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$30,515.

Note 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 information purposes only. Refer to the plan documents for more information.

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$283,598.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,839,478 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 0.045452 percent, which was an decrease of 0.003792 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$96,961. 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	\$ 19,992	\$ -
Changes of assumptions	81,180	-
Net difference between projected and actual earnings on pension plan investments	-	701,524
Changes in proportion and differences between District contributions and proportionate share of contributions	-	174,279
District contributions subsequent to the measurement date	283,598	-
Total	<u>\$ 384,770</u>	<u>\$ 875,803</u>

\$283,598 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (192,462)
2017	(192,462)
2018	(192,462)
2019	(192,462)
2020	(4,783)
	<u>\$ (774,631)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-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	\$ 3,475,642	\$ 1,839,478	\$ 458,386

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$31,010 legally required employer contributions and \$20,662 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 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 55 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 38,103
Interest on net OPEB obligation	773
Adjustment to annual required contribution	(2,554)
Annual OPEB cost	<u>36,322</u>
Contributions made	<u>(5,735)</u>
Increase in net OPEB obligation	30,587
Net OPEB obligation beginning of year, as restated	<u>30,924</u>
Net OPEB obligation end of year	<u><u>\$ 61,511</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2013. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 36,596	15.5%	\$ 30,924
2015	36,322	15.8%	61,511

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$248,866, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$248,866. The covered payroll (annual payroll of active employees covered by the plan) was \$2,380,443, and the ratio of the UAAL to covered payroll was 10.5%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2013 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Note 8. Risk Management

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

Note 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 \$276,508 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

Program	Amount
Gifted and Talented	\$ 59,127
Returning Dropouts and Dropout Prevention Programs	28,842
Beginning Teacher Mentoring and Induction Program	860
Teacher Salary Supplement	207,238
Market Factor	4,857
Professional Development for Model Core Curriculum	44,231
Professional Development	45,443
Market Factor Incentives	3,010
Successful Progression for Early Readers	18,868
Teacher Leadership Grants	4,549
Total	<u>\$ 417,025</u>

Note 11. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net Investment in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	352,654	3,242,450	6,028	498,177
Capital assets, net of accumulated depreciation	2,249,261	-	-	-	-
Capitalized capital loan note indebtedness	(837,212)	-	-	-	-
Unspent capital loan note proceeds	-	-	(1,627,788)	-	-
Termination benefits	-	(247,046)	-	-	-
Accrued interest payable	-	-	-	(4,655)	-
Internal service fund	-	-	-	-	5,529
Pension related deferred outflows	-	-	-	-	374,818
Net pension liability	-	-	-	-	(1,795,698)
Pension related deferred inflows	-	-	-	-	(854,959)
Net OPEB liability	-	-	-	-	(60,355)
Net position (Exhibit A)	<u>\$ 1,412,049</u>	<u>105,608</u>	<u>1,614,662</u>	<u>1,373</u>	<u>(1,832,488)</u>

Note 12. Deficit Balances

At June 30, 2015 the District’s governmental activities on the Statement of Net Position had deficit unrestricted net position of \$1,832,488.

Note 13. Construction Commitments

The District has entered into various construction contracts for building improvement projects on the District’s high school and elementary buildings. As of June 30, 2015 \$1,014,702 had been incurred against these contracts. The balances remaining on these contracts will be paid out as work on the projects progresses.

Note 14. Operating Leases

During fiscal year 2015, the Easton Valley Community School District entered into two operating leases with Santander Leasing LLC for four school buses. Annual lease payments from the Capital Projects: Statewide Sales, Services and Use Tax Fund are \$12,860 and \$32,139 for each lease respectively.

Note 15. 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:

	Governmental Activities	Business Type Activities		
		School Nutrition	Day Care	Total
Net position June 30, 2014, as previously reported	\$ 4,647,219	\$ 130,822	14,353	145,175
Net pension liability at June 30, 2014	(2,721,820)	(66,359)	-	(66,359)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	264,580	6,451	-	6,451
Net position July 1, 2014, as restated	<u>\$ 2,189,979</u>	<u>\$ 70,914</u>	<u>14,353</u>	<u>85,267</u>

Note 16. Subsequent Event

A lawsuit between the Northeast Community School District and the Easton Valley Community School District involving whole grade sharing agreements/contracts between Northeast Community School District and the former Preston Community School District was appealed to the Iowa Supreme Court. This case was settled by Northeast and Easton Valley Community School District’s with Easton Valley Community School District agreeing to pay Northeast Community School District \$450,000 in restitution and Northeast Community School District agreeing to dismiss the lawsuit against the District.

In October 2015, the Easton Valley Community School District paid \$450,000 to Northeast Community School District in accordance with this settlement. Easton Valley Community School District paid \$100,446 out of the District’s General Fund and \$349,554 out of the District’s Management Levy Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,334,485	116,196	3,450,681	4,046,564	4,046,564	(595,883)
State sources	4,637,396	2,280	4,639,676	4,063,757	4,063,757	575,919
Federal sources	215,183	133,532	348,715	273,000	273,000	75,715
Total revenues	8,187,064	252,008	8,439,072	8,383,321	8,383,321	55,751
Expenditures/Expenses:						
Instruction	5,215,067	25,708	5,240,775	5,281,260	5,281,260	40,485
Support services	2,094,989	10,002	2,104,991	2,470,780	2,470,780	365,789
Non-instructional programs	-	192,031	192,031	245,000	245,000	52,969
Other expenditures	1,202,904	-	1,202,904	649,640	1,966,508	763,604
Total expenditures/expenses	8,512,960	227,741	8,740,701	8,646,680	9,963,548	1,222,847
Excess(Deficiency) of revenues over(under) expenditures/expenses	(325,896)	24,267	(301,629)	(263,359)	(1,580,227)	1,278,598
Other financing sources, net	2,465,000	-	2,465,000	-	-	2,465,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	2,139,104	24,267	2,163,371	(263,359)	(1,580,227)	3,743,598
Balances beginning of year, as restated	3,301,264	85,267	3,386,531	3,429,067	3,429,067	(42,536)
Balances end of year	\$ 5,440,368	109,534	5,549,902	3,165,708	1,848,840	3,701,062

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,316,868.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR *
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.045452%
District's proportionate share of the net pension liability	\$ 1,839,478
District's covered-employee payroll	\$ 3,175,786
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.92%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TWO FISCAL YEARS*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014
Statutorily required contribution	\$ 283,598	270,907
Contributions in relation to the statutorily required contribution	(283,598)	(270,907)
Contribution deficiency (excess)	\$ -	-
District's covered-employee payroll	\$ 3,175,786	3,033,673
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

*The Preston Community School District merged with the East Central Community School District as of July 1, 2013 to form the Easton Valley Community School District. The District will present information for those years for which information is available until a full ten-year trend is compiled.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EASTON VALLEY 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.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

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)
2014	July 1, 2013	-	\$ 267,122	\$ 267,122	0.0%	\$ 2,398,069	11.1%
2015	July 1, 2013	-	248,866	248,866	0.0%	2,380,443	10.5%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 348,790	191,549	540,339	6,028	546,367
Receivables:					
Property tax:					
Delinquent	2,255	-	2,255	-	2,255
Succeeding year	331,000	-	331,000	-	331,000
Accounts	1,609	3,341	4,950	-	4,950
TOTAL ASSETS	\$ 683,654	194,890	878,544	6,028	884,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	17,038	17,038	-	17,038
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	331,000	-	331,000	-	331,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	6,028	6,028
Management levy purposes	352,654	-	352,654	-	352,654
Student activities	-	177,852	177,852	-	177,852
Total fund balances	352,654	177,852	530,506	6,028	536,534
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 683,654	194,890	878,544	6,028	884,572

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 184,537	-	184,537	-	184,537
Other	12,560	230,755	243,315	-	243,315
Total revenues	197,097	230,755	427,852	-	427,852
Expenditures:					
Current:					
Instruction:					
Regular	119,494	-	119,494	-	119,494
Other	-	258,500	258,500	-	258,500
Support services:					
Operation and maintenance of plant	44	-	44	-	44
Transportation	912	-	912	-	912
Total expenditures	120,450	258,500	378,950	-	378,950
Excess(Deficiency) of revenues over(under) expenditures	76,647	(27,745)	48,902	-	48,902
Fund balances beginning of year	276,007	205,597	481,604	6,028	487,632
Fund balances end of year	\$ 352,654	177,852	530,506	6,028	536,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Loan Note Construction	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 1,535,970	2,024,499	741,771	4,302,240
Receivables:				
Property tax:				
Delinquent	-	-	4,411	4,411
Succeeding year	-	-	370,477	370,477
Due from other governments	96,346	-	-	96,346
TOTAL ASSETS	\$ 1,632,316	2,024,499	1,116,659	4,773,474
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 17,654	396,711	-	414,365
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	370,477	370,477
Fund balances:				
Restricted for:				
School infrastructure	1,614,662	1,627,788	-	3,242,450
Physical plant and equipment	-	-	746,182	746,182
Total fund balances	1,614,662	1,627,788	746,182	3,988,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,632,316	2,024,499	1,116,659	4,773,474

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY 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	Capital Loan Note Construction	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	364,742	364,742
Other	6,563	-	936	7,499
State sources	618,584	-	-	618,584
Total revenues	625,147	-	365,678	990,825
Expenditures:				
Current:				
Support services:				
Instructional staff	68,677	-	-	68,677
Administration	-	38,782	-	38,782
Operation and maintenance of plant	39,764	-	-	39,764
Transportation	91,503	-	-	91,503
Capital outlay	125,366	798,430	2,600	926,396
Total expenditures	325,310	837,212	2,600	1,165,122
Excess(Deficiency) of revenues over(under) expenditures	299,837	(837,212)	363,078	(174,297)
Other financing sources(uses):				
Proceeds from the issuance of capital loan note	-	-	2,465,000	2,465,000
Transfer out	-	-	(2,465,000)	(2,465,000)
Transfer in	-	2,465,000	-	2,465,000
Total other financing sources(uses)	-	2,465,000	-	2,465,000
Net change in fund balances	299,837	1,627,788	363,078	2,290,703
Fund balances beginning of year	1,314,825	-	383,104	1,697,929
Fund balances end of year	\$ 1,614,662	1,627,788	746,182	3,988,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Interest	\$ 5,627	-	5,627	-	-
Drama - Thesbians	5,519	2,696	2,532	2,639	8,322
Dance club	336	11	-	-	347
Band, chorus, instrumental	353	164	304	-	213
PPAB	29,976	29,301	40,243	-	19,034
Co-ed athletics	785	42,872	64,338	24,940	4,259
Athletic wear	4,940	-	64	(4,876)	-
Boys and Girls Track	2,148	3,841	1,681	-	4,308
Boys basketball	4,479	8,112	7,948	-	4,643
Football	6,279	8,141	1,500	254	13,174
Baseball	5,349	1,184	1,762	1,209	5,980
Girls basketball	6,014	5,132	4,548	-	6,598
Volleyball	1,478	13,552	10,995	-	4,035
Softball	6,822	3,453	2,764	-	7,511
Golf	54	308	-	-	362
FBLA	2,117	67	-	-	2,184
Cheerleaders	1,020	3,543	2,455	-	2,108
Athletic boosters	59,001	57,837	42,375	(21,639)	52,824
SES	84	68	-	-	152
FCCLA	78	-	-	-	78
FFA	20,347	21,208	35,054	-	6,501
Spanish club	1,708	54	-	-	1,762
Class of 2014	126	-	-	-	126
Class of 2015	2,102	-	1,344	-	758
Class of 2016	1,598	12,099	12,700	-	997
Class of 2017	2,356	2,731	1,819	-	3,268
Class of 2018	-	2,524	1,438	-	1,086
National honor society	171	6,227	6,164	-	234
JH student council	8,299	1,081	1,443	-	7,937
Student council	2,580	1,301	1,825	-	2,056
Student activity	15,864	3,248	7,577	112	11,647
Speech and drama	2,639	-	-	(2,639)	-
Project graduation	4,349	-	-	-	4,349
Student of the month	132	-	-	-	132
Career day	261	-	-	-	261
German	380	-	-	-	380
Stand chapter	226	-	-	-	226
Total	\$ 205,597	230,755	258,500	-	177,852

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Beginning Balance	Increases	Decreases	Ending Balance
PLUM RIVER KIDS				
Assets:				
Cash and other investments	\$ 849	1	-	850
Liabilities:				
Due to other groups	\$ 849	1	-	850

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund								Total
	Wendell Scholarship	Carstensen Scholarship	Edwin Black Scholarship	Johnson/Faur Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	School Sponsored Scholarship	
ASSETS									
Cash and pooled investments	\$ 128,193	11,224	4,209	24,742	5,678	1,906	6,727	3,038	185,717
LIABILITIES									
	-	-	-	-	-	-	-	-	-
NET POSITION									
Held in trust for scholarships	\$ 128,193	11,224	4,209	24,742	5,678	1,906	6,727	3,038	185,717

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Private Purpose Trust - Scholarship Fund								Total
	Wendell Scholarship	Carstensen Scholarship	Edwin Black Scholarship	Johnson/Faur Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	School Sponsored Scholarship	
Additions:									
Local sources:									
Gifts and contributions	\$ -	-	-	-	-	-	-	6,429	6,429
Interest income	257	32	2	89	17	6	20	-	423
Total additions	257	32	2	89	17	6	20	6,429	6,852
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	900	100	-	1,500	600	-	200	5,750	9,050
Change in net position	(643)	(68)	2	(1,411)	(583)	6	(180)	679	(2,877)
Net position beginning of year	128,836	11,292	4,207	26,153	6,261	1,900	6,907	2,359	187,915
Net position end of year	\$ 128,193	11,224	4,209	24,742	5,678	1,906	6,727	3,038	185,717

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TWO FISCAL YEARS

	Modified Accrual Basis	
	2015	2014
Revenues:		
Local sources:		
Local tax	\$ 2,865,465	2,448,143
Tuition	155,779	143,093
Other	313,241	373,657
State sources	4,637,396	4,704,694
Federal sources	215,183	175,400
Total	<u>\$ 8,187,064</u>	<u>7,844,987</u>
Expenditures:		
Current:		
Instruction:		
Regular	\$ 3,302,813	3,195,587
Special	1,271,718	1,079,099
Other	640,536	695,893
Support services:		
Student	187,789	176,437
Instructional staff	261,233	371,536
Administration	735,948	711,146
Operation and maintenance of plant	490,838	594,042
Transportation	419,181	498,791
Capital outlay	926,396	117,868
Other expenditures:		
AEA flow-through	276,508	275,172
Total	<u>\$ 8,512,960</u>	<u>7,715,571</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

To the Board of Education of Easton Valley Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Easton Valley Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Easton Valley Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2016
Newton, Iowa

EASTON VALLEY 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 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - The district will continue to work on segregation of duties, and try to implement procedures to strengthen internal controls even with a limited staff.

Conclusion - Response accepted.

I-B-15 Activity Fund Accounts Payables Controls and Procedures - We noted during our audit that the District does not use a purchase order system in the Student Activity Fund. The District uses undated and unapproved check requisitions in place of purchase orders. This practice does not provide assurance that purchases are approved by administration before purchases are made from vendors.

As a result we noted the District reimbursed an employee who wrote a personal check a vendor to cover the District's costs of resale T-shirts as part of a dance fundraiser. The District then reimbursed the employee for the expense.

Recommendation - The advantage of using a purchase order system is that an approval of items being purchased is noted prior to ordering of the items. In addition, when items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchasing process should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the actual purchase takes place.

The District should also review its purchasing procedures with District employees. The District should not allow employees to cover the costs of District expenses and then seek reimbursement. This could subject the District to sales tax or other unnecessary expenses. All purchases which are District expenses should be paid directly by the District and not by the employee. This practice would allow the District to approve purchases prior to payment and helps ensure the District stays within budgeted amounts.

Response - The district is in the process of reviewing all areas of the student activity fund, focusing on implementing procedures to better account for transactions.

Conclusion - Response accepted.

OTHER MATTERS:

I-C-15 Deficit Lunch Account Balances - We noted during our audit that the Nutrition Fund is carrying numerous deficit student lunch account balances on the books and some of these balances appear to be excessive in amount.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming negative. The District may also wish to encourage alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The district will continue to monitor negative lunch accounts, and develop policy to limit the amounts of negative balances to keep them from becoming excessive.

Conclusion - Response accepted.

EASTON VALLEY 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 - District expenditures for the year ended June 30, 2015 did not exceed budgeted amounts.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund to give to students as incentive prizes for positive behavior. Giving gift cards for these purposes does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase 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. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives to meet public purpose requirements as defined in Attorney General’s opinion dated April 25, 1979.

Response - The district will continue to communicate to all staff that using gift cards as incentives is not appropriate.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Kathy Meier, Secretary Husband owns Comfort Heating and Cooling	Services	\$1,685

In accordance with the Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

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 that the coverage is adequate for current operations.

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

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 variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 1,314,825
Sales tax revenues	\$ 618,584	
Other revenues	<u>6,563</u>	<u>625,147</u>
		1,939,972
Expenditures/transfer out:		
School infrastructure construction	41,672	
Equipment	211,680	
Other	<u>71,958</u>	<u>325,310</u>
Ending balance		<u>\$ 1,614,662</u>

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

- II-M-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted net position of \$1,832,488 in its governmental activities on the Statement of Net Position. The deficit net positions are primarily due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The district's administration will communicate with the board regarding GASB 68 & 71, so the board can understand how these accounting statements impact the district's finances.

Conclusion - Response accepted.

- II-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts and revenues/ expenses within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys

in the Student Activity Fund should be used to support the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned accounts are as follows:

Instructional Items Purchased: We noted a diversity presentation and bullying prevention presentations and workshops were paid from the Student Activity Fund. These purchases would appear to be instructional in nature and more appropriately handled in the District's General Fund.

Recommendation - Iowa Administrative Code 281-98.60 states that the Student Activity Fund is not to be used as a clearing account for any other fund. The diversity and bullying preventions presentations and workshops appear to be instructional and would be more appropriately handled out of the District's General Fund. The District should review the revenues and expenses recorded in the Student Activity Fund to ensure they are in accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1).

Response - The district will review expenses coming out of the student activity fund, and find the appropriate fund for the expenses to be taken from.

Conclusion - Response accepted.

Questioned Account: We noted during our audit an account within the Student Activity Fund entitled "Student Activity" which appears to be administratively maintained.

Recommendation - The Student Activity account appears to be administratively maintained. The District should review this account and move remaining balance to the appropriate fund if the account is determined to not be Student Activity money. If it is Student Activity money the remaining balance should be allocated to appropriate accounts within the Student Activity Fund with approval of the District's Board of Directors.

Response - The district will move this account to another account within the student activity fund, and make sure the appropriate expenses are charged to that account.

Conclusion - Response accepted.