

MADRID COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Madrid Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Terry Ostendorf	President	2015
Marvin Ostrander	Vice-President	2015
Ken Williams	Board Member	2017
Ryan Santi	Board Member	2017
Doug Greufe	Board Member	2015

School Officials

Brian Horn	Superintendent	2015
Sandy Johnson	Business Manager/Board Secretary	2015
Drew Bracken	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Madrid 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 Madrid Community School District, Madrid, 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 Madrid Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 18 to the financial statements, Madrid 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, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 48 through 54 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 Madrid Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2016, on our consideration of Madrid 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 Madrid Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,431,940 in fiscal year 2014 to \$6,365,791 in fiscal year 2015, while General Fund expenditures increased from \$6,252,856 in fiscal year 2014 to \$6,589,056 in fiscal year 2015. This resulted in a decrease of the District's General Fund balance from \$1,346,033 at June 30, 2014 to \$1,122,768 at June 30, 2015, a 16.59% decrease from the prior year.
- The decrease in General Fund revenues was attributable to the decrease in state and local source revenues received compared to the prior year. The increase in expenditures was primarily due to the increase in negotiated salaries and benefits of District employees.

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 Madrid 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 Madrid 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 Madrid Community School District acts solely as an agent or custodial for the benefit of those outside of School 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 and Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

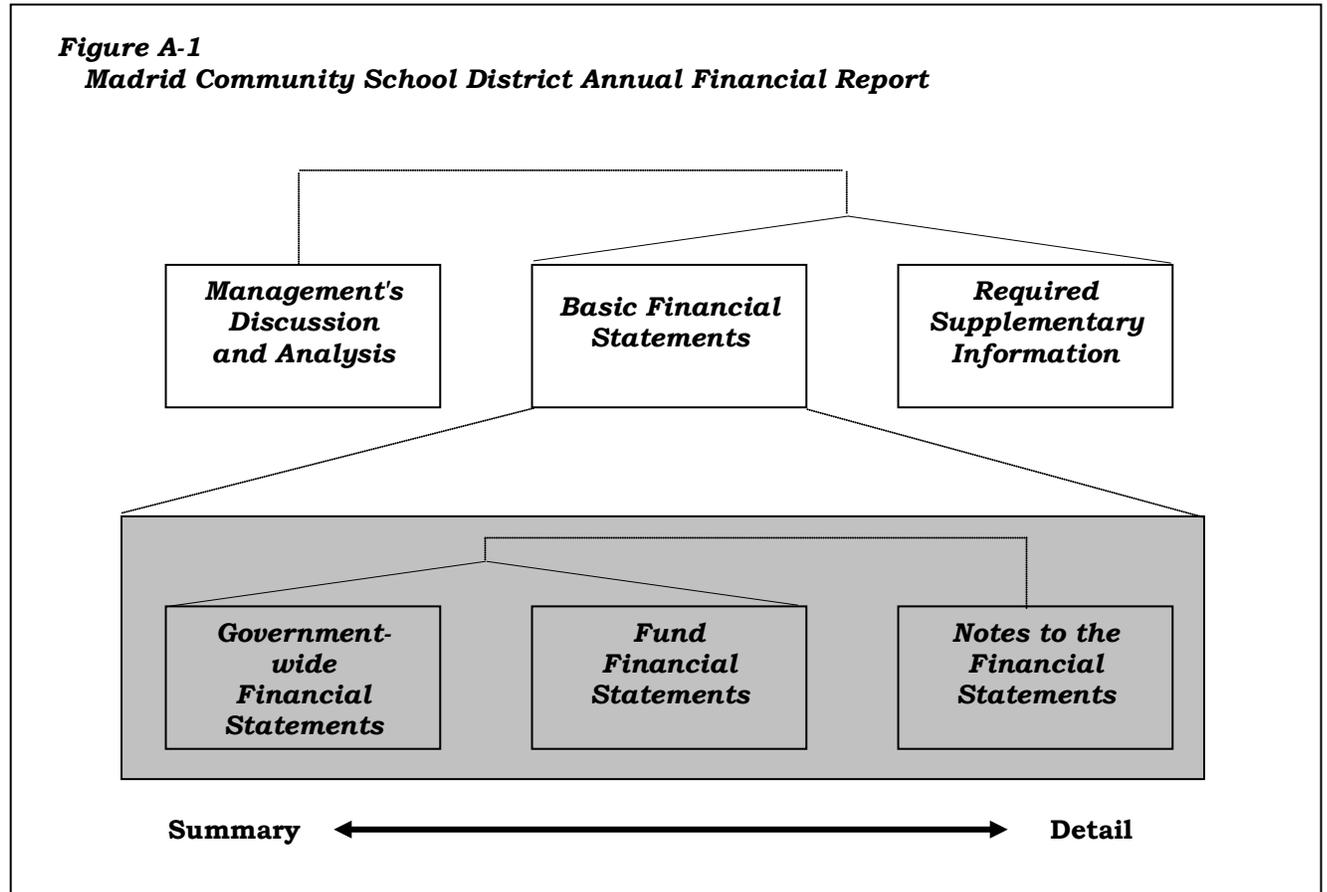


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show 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's Enterprise Fund is the School Nutrition Fund.

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, which accounts for outside donations for scholarships for individual students.

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.

	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
Current and other assets	\$ 7,085,383	5,788,605	25,172	25,073	7,110,555	5,813,678	22.31%
Capital assets	7,102,547	6,559,074	7,060	8,944	7,109,607	6,568,018	8.25%
Total assets	14,187,930	12,347,679	32,232	34,017	14,220,162	12,381,696	14.85%
Deferred outflows of resources	453,441	-	15,017	-	468,458	-	100.00%
Long-term liabilities	6,523,724	3,347,840	146,596	55,551	6,670,320	3,403,391	95.99%
Other liabilities	1,138,936	816,282	219,426	189,359	1,358,362	1,005,641	35.07%
Total liabilities	7,662,660	4,164,122	366,022	244,910	8,028,682	4,409,032	82.10%
Deferred inflows of resources	3,072,713	1,941,789	35,811	-	3,108,524	1,941,789	60.09%
Net position:							
Net investment in capital assets	4,823,007	4,217,074	7,060	8,944	4,830,067	4,226,018	14.29%
Restricted	1,869,981	1,600,973	-	-	1,869,981	1,600,973	16.80%
Unrestricted	(2,786,990)	423,721	(361,644)	(219,837)	(3,148,634)	203,884	-1644.33%
Total net position	\$ 3,905,998	6,241,768	(354,584)	(210,893)	3,551,414	6,030,875	-41.11%

The District's combined net position decreased by 41.11%, or \$2,479,461 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$269,008, or 16.80% from the prior year. The increase in restricted net position was primarily due to the increase in amounts restricted from management levy purposes and physical plant and equipment compared to the prior year.

Unrestricted net position - is 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 \$3,352,518 or 1,644.33%. The decrease in unrestricted net position is 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 \$2,819,667 and \$97,733 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 year ended June 30, 2014.

	Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 615,902	542,820	197,187	183,900	813,089	726,720	11.88%	
Operating grants, contributions and restricted interest	425,054	597,102	155,450	144,096	580,504	741,198	-21.68%	
Capital grants, contributions and restricted interest	175,000	15,000	-	-	175,000	15,000	1066.67%	
General revenues:								
Property tax	1,958,638	1,961,522	-	-	1,958,638	1,961,522	-0.15%	
Statewide sales, services and use tax	614,757	591,753	-	-	614,757	591,753	3.89%	
Income surtax	232,120	250,541	-	-	232,120	250,541	-7.35%	
Unrestricted state grants	3,837,697	3,762,392	-	-	3,837,697	3,762,392	2.00%	
Nonspecific program federal grants	2,844	-	-	-	2,844	-	100.00%	
Unrestricted investment earnings	1,160	882	6	4	1,166	886	31.60%	
Other	14,285	13,703	8,567	7,411	22,852	21,114	8.23%	
Total revenues	<u>7,877,457</u>	<u>7,735,715</u>	<u>361,210</u>	<u>335,411</u>	<u>8,238,667</u>	<u>8,071,126</u>	<u>2.08%</u>	
Program expenses:								
Instruction	5,015,943	4,769,104	-	-	5,015,943	4,769,104	5.18%	
Support services	1,834,323	1,645,327	-	-	1,834,323	1,645,327	11.49%	
Non-instructional programs	-	-	407,168	409,348	407,168	409,348	-0.53%	
Other expenses	543,294	542,168	-	-	543,294	542,168	0.21%	
Total expenses	<u>7,393,560</u>	<u>6,956,599</u>	<u>407,168</u>	<u>409,348</u>	<u>7,800,728</u>	<u>7,365,947</u>	<u>5.90%</u>	
Excess(Deficiency) of revenues over(under) expenses	483,897	779,116	(45,958)	(73,937)	437,939	705,179	-37.90%	
Transfers	-	(4,586)	-	4,586	-	-	0.00%	
Change in net position	483,897	774,530	(45,958)	(69,351)	437,939	705,179	-37.90%	
Net position beginning of year, as restated	<u>3,422,101</u>	<u>5,467,238</u>	<u>(308,626)</u>	<u>(141,542)</u>	<u>3,113,475</u>	<u>5,325,696</u>	<u>-41.54%</u>	
Net position end of year	<u>\$ 3,905,998</u>	<u>6,241,768</u>	<u>(354,584)</u>	<u>(210,893)</u>	<u>3,551,414</u>	<u>6,030,875</u>	<u>-41.11%</u>	

In fiscal year 2015, property tax and unrestricted state grants accounted for 73.58% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 97.63% of the revenue from business type activities.

The District's total revenues were approximately \$8.24 million, of which approximately \$7.88 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.08% increase in revenues and a 5.90% increase in expenses. The increase in revenues is primarily due to an increase in capital grants, contributions and restricted interest received as compared to the prior year. The increase in expenses is primarily due to an increase in instructional expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$7,877,457 and expenses were \$7,393,560 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.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 5,015,943	4,769,104	5.18%	4,280,657	3,885,855	10.16%
Support services	1,834,323	1,645,327	11.49%	1,608,307	1,628,114	-1.22%
Other expenses	543,294	542,168	0.21%	288,640	287,708	0.32%
Totals	<u>\$ 7,393,560</u>	<u>6,956,599</u>	<u>6.28%</u>	<u>6,177,604</u>	<u>5,801,677</u>	<u>6.48%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$615,902.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$600,054.
- The net cost of governmental activities was financed with \$1,958,638 in property tax, \$614,757 in statewide sales, services and use tax, \$232,120 in income surtax, \$3,837,697 in unrestricted state grants, \$2,844 in nonspecific program federal grants, \$1,160 in interest income and \$14,285 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$361,210 and expenses were \$407,168 for the year ended June 30, 2015. The District's business type activities include the School Nutrition 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 Madrid Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,737,189, above last year's ending fund balances of a \$2,842,361. The primary reason for the increase in combined fund balances is due to the issuance of \$1,035,000 in new general obligation bond debt which will be used to finance the parking lot projects and other improvement projects throughout the District. The remaining unspent bond proceeds are accounted for in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The District's General Fund balance decreased from \$1,346,033 at June 30, 2014 to \$1,122,768 at June 30, 2015. A decrease in state and local tax funding can be attributed to the decrease in total revenues while an increase in negotiated salaries and benefits can be attributed to the increase in total expenditures. Total expenditures outpaced total revenues ensuring a decrease in fund balance.
- The Capital Projects Fund balance increased from \$1,131,475 at June 30, 2014 to \$2,161,029 at June 30, 2015. This increase is primarily due to the issuance of \$1,035,000 in new general obligation bond debt during the year which will be used to finance the District's parking lot projects and other improvement projects throughout the District.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a restated deficit \$308,626 at July 1, 2014, to a deficit \$354,584 at June 30, 2015, representing a decrease of 14.89%. Total revenues did increase as compared to the prior year while total expenses decreased compared to the prior year, yet total expenses still outpaced total revenues ensuring a decrease in ending net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$361,352 less than budgeted revenues, a variance of 4.19%. The most significant variances resulted from the District receiving more in state sources and less from intermediate sources than originally anticipated.

Total expenditures were less than budgeted, 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 manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas for the year ended June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$7,109,607 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.25% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$257,597.

The original cost of the District's capital assets was \$12,502,529. Governmental funds accounted for \$12,426,118 with the remainder of \$76,411 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$12,162 reported at June 30, 2014, compared to \$702,089 at June 30, 2015. The increase in construction in progress is attributable to continued expenses incurred on the District's track project, bleacher project and parking lot project during the year. These projects will be capitalized and reclassified in the District's official capital asset listing upon completion.

	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	\$ 112,126	112,126	-	-	112,126	112,126	0.00%
Construction in progress	702,089	12,162	-	-	702,089	12,162	5672.81%
Buildings	5,628,126	5,799,141	-	-	5,628,126	5,799,141	-2.95%
Land improvements	427,743	366,260	-	-	427,743	366,260	16.79%
Machinery and equipment	232,463	269,385	7,060	8,944	239,523	278,329	-13.94%
Total	<u>\$ 7,102,547</u>	<u>6,559,074</u>	<u>7,060</u>	<u>8,944</u>	<u>7,109,607</u>	<u>6,568,018</u>	<u>8.25%</u>

Long-Term Debt

At June 30, 2015, the District had \$6,670,320 general obligation bond and other long-term debt outstanding. This represents an increase of 95.99% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,595,000 at June 30, 2015 payable from the Debt Service Fund

The District had outstanding revenue bonds of \$1,567,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding compensated absences of \$11,237 at June 30, 2015 payable from the General Fund.

The District had an outstanding early retirement pension liability of \$111,874 at June 30, 2015.

The District had a net IPERS pension liability of \$2,046,814 at June 30, 2015. \$1,978,246 is accounted for in the District's governmental activities while \$68,568 is accounted for in the District's business type activities.

The District had a net OPEB liability of \$1,338,395 at June 30, 2015. \$1,260,367 is accounted for in the District's governmental activities while \$78,028 is accounted for in the District's business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15
General obligation bonds	\$ 1,595,000	690,000	-	-	1,595,000	690,000	131.16%
Revenue bonds	1,567,000	1,652,000	-	-	1,567,000	1,652,000	-5.15%
Compensated absences	11,237	7,813	-	-	11,237	7,813	43.82%
Net pension liability - early retirement	111,874	100,729	-	-	111,874	100,729	11.06%
Net pension liability - IPERS	1,978,246	-	68,568	-	2,046,814	-	100.00%
Net OPEB liability	1,260,367	897,298	78,028	55,551	1,338,395	952,849	40.46%
Totals	\$ 6,523,724	3,347,840	146,596	55,551	6,670,320	3,403,391	95.99%

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:

- The district purchase chrome books for all 7th & 8th grade students, additional chrome books will be purchased so every 7-12 student will have a chrome book.
- Continued housing growth in the district has increased the district's enrollment.
- Work was started on the new high school track and stadium bleachers, and the parking lot projects during the 2014-2015 school year and all projects are scheduled to be completed during the 2015-2016 school 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 Sandra R. Johnson, Business Manager/Board Secretary, Madrid Community School District, 201 North Main St., Madrid, Iowa, 50156.

BASIC FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,360,878	14,853	4,375,731
Receivables:			
Property tax:			
Delinquent	17,102	-	17,102
Succeeding year	2,039,543	-	2,039,543
Income surtax	206,416	-	206,416
Accounts	2,242	-	2,242
Due from other funds	214,874	-	214,874
Due from other governments	244,328	-	244,328
Inventories	-	10,319	10,319
Capital assets, net of accumulated depreciation	7,102,547	7,060	7,109,607
TOTAL ASSETS	14,187,930	32,232	14,220,162
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred outflows	453,441	15,017	468,458
LIABILITIES			
Due to other funds	-	214,874	214,874
Accounts payable	456,396	-	456,396
Salaries and benefits payable	645,839	-	645,839
Accrued interest payable	36,701	-	36,701
Unearned revenue	-	4,552	4,552
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Revenue bonds payable	88,000	-	88,000
Compensated absences payable	11,237	-	11,237
Portion due after one year:			
General obligation bonds payable	1,450,000	-	1,450,000
Revenue bonds payable	1,479,000	-	1,479,000
Net pension liability - early retirement	111,874	-	111,874
Net pension liability - IPERS	1,978,246	68,568	2,046,814
Net OPEB liability	1,260,367	78,028	1,338,395
TOTAL LIABILITIES	7,662,660	366,022	8,028,682
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	2,039,543	-	2,039,543
Pension related deferred inflows	1,033,170	35,811	1,068,981
TOTAL DEFERRED INFLOWS OF RESOURCES	3,072,713	35,811	3,108,524
NET POSITION			
Net investment in capital assets	4,823,007	7,060	4,830,067
Restricted for:			
Categorical funding	174,721	-	174,721
Debt service	69,910	-	69,910
Management levy purposes	295,623	-	295,623
Student activities	51,158	-	51,158
School infrastructure	949,279	-	949,279
Physical plant and equipment	329,290	-	329,290
Unrestricted	(2,786,990)	(361,644)	(3,148,634)
TOTAL NET POSITION	\$ 3,905,998	(354,584)	3,551,414

SEE NOTES TO FINANCIAL STATEMENTS

**MADRID 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	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,516,516	467,929	24,762	-	(3,023,825)	-	(3,023,825)
Special	820,382	-	29,249	-	(791,133)	-	(791,133)
Other	679,045	147,973	65,373	-	(465,699)	-	(465,699)
	<u>5,015,943</u>	<u>615,902</u>	<u>119,384</u>	<u>-</u>	<u>(4,280,657)</u>	<u>-</u>	<u>(4,280,657)</u>
Support services:							
Student	194,042	-	-	-	(194,042)	-	(194,042)
Instructional staff	170,009	-	48,307	-	(121,702)	-	(121,702)
Administration	674,392	-	-	-	(674,392)	-	(674,392)
Operation and maintenance of plant	567,779	-	-	175,000	(392,779)	-	(392,779)
Transportation	228,101	-	2,709	-	(225,392)	-	(225,392)
	<u>1,834,323</u>	<u>-</u>	<u>51,016</u>	<u>175,000</u>	<u>(1,608,307)</u>	<u>-</u>	<u>(1,608,307)</u>
Long-term debt interest	89,983	-	-	-	(89,983)	-	(89,983)
Other expenditures:							
AEA flowthrough	254,654	-	254,654	-	-	-	-
Depreciation(unallocated)*	198,657	-	-	-	(198,657)	-	(198,657)
	<u>453,311</u>	<u>-</u>	<u>254,654</u>	<u>-</u>	<u>(198,657)</u>	<u>-</u>	<u>(198,657)</u>
Total governmental activities	<u>7,393,560</u>	<u>615,902</u>	<u>425,054</u>	<u>175,000</u>	<u>(6,177,604)</u>	<u>-</u>	<u>(6,177,604)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	407,168	197,187	155,450	-	-	(54,531)	(54,531)
Total	<u>\$ 7,800,728</u>	<u>813,089</u>	<u>580,504</u>	<u>175,000</u>	<u>(6,177,604)</u>	<u>(54,531)</u>	<u>(6,232,135)</u>
General Revenues:							
General revenues:							
Local tax for:							
General purposes				\$ 1,646,494	-		1,646,494
Debt service				156,147	-		156,147
Capital outlay				155,997	-		155,997
Statewide sales, services and use tax				614,757	-		614,757
Income surtax				232,120	-		232,120
Unrestricted state grants				3,837,697	-		3,837,697
Nonspecific program federal grants				2,844	-		2,844
Unrestricted investment earnings				1,160	6		1,166
Other				14,285	8,567		22,852
Total general revenues				<u>6,661,501</u>	<u>8,573</u>		<u>6,670,074</u>
Change in net position				483,897	(45,958)		437,939
Net position beginning of year, as restated				<u>3,422,101</u>	<u>(308,626)</u>		<u>3,113,475</u>
Net position end of year				<u>\$ 3,905,998</u>	<u>(354,584)</u>		<u>3,551,414</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,576,597	2,334,479	449,802	4,360,878
Receivables:				
Property tax:				
Delinquent	12,250	1,262	3,590	17,102
Succeeding year	1,422,725	161,795	455,023	2,039,543
Income surtax	206,416	-	-	206,416
Accounts	2,242	-	-	2,242
Due from other funds	214,874	-	-	214,874
Due from other governments	148,633	95,695	-	244,328
TOTAL ASSETS	\$ 3,583,737	2,593,231	908,415	7,085,383
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 185,989	270,407	-	456,396
Salaries and benefits payable	645,839	-	-	645,839
Total liabilities	831,828	270,407	-	1,102,235
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,422,725	161,795	455,023	2,039,543
Income surtax	206,416	-	-	206,416
Total deferred inflows of resources	1,629,141	161,795	455,023	2,245,959
Fund balances:				
Restricted for:				
Categorical funding	174,721	-	-	174,721
Debt service	-	-	106,611	106,611
Management levy purposes	-	-	295,623	295,623
Student activities	-	-	51,158	51,158
School infrastructure	-	1,831,739	-	1,831,739
Physical plant and equipment	-	329,290	-	329,290
Unassigned	948,047	-	-	948,047
Total fund balances	1,122,768	2,161,029	453,392	3,737,189
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,583,737	2,593,231	908,415	7,085,383

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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)		\$ 3,737,189
 <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.		7,102,547
Income surtax is not yet available to pay current year expenditures and therefore, is recognized as deferred inflows of resources in the governmental funds		206,416
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.		(36,701)
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	\$ 453,441	
Deferred inflows of resources	<u>(1,033,170)</u>	(579,729)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences payable, other postemployment benefits payable, the net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,523,724)</u>
Net position of governmental activities(page 18)		<u><u>\$ 3,905,998</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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	\$ 1,614,815	155,997	438,085	2,208,897
Tuition	442,913	-	-	442,913
Other	48,717	175,489	139,974	364,180
State sources	4,116,765	616,197	4,063	4,737,025
Federal sources	142,581	-	-	142,581
Total revenues	<u>6,365,791</u>	<u>947,683</u>	<u>582,122</u>	<u>7,895,596</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,226,969	-	183,844	3,410,813
Special	813,331	-	-	813,331
Other	553,961	-	126,138	680,099
	<u>4,594,261</u>	<u>-</u>	<u>309,982</u>	<u>4,904,243</u>
Support services:				
Student	193,031	-	-	193,031
Instructional staff	169,632	-	-	169,632
Administration	697,484	15,000	-	712,484
Operation and maintenance of plant	488,022	7,850	22,046	517,918
Transportation	191,972	-	4,843	196,815
	<u>1,740,141</u>	<u>22,850</u>	<u>26,889</u>	<u>1,789,880</u>
Capital outlay	-	833,929	-	833,929
Long-term debt:				
Principal	-	-	775,000	775,000
Interest and fiscal charges	-	-	89,664	89,664
	<u>-</u>	<u>-</u>	<u>864,664</u>	<u>864,664</u>
Other expenditures:				
AEA flowthrough	254,654	-	-	254,654
Total expenditures	<u>6,589,056</u>	<u>856,779</u>	<u>1,201,535</u>	<u>8,647,370</u>
Excess(Deficiency) of revenues over(under) expenditures	(223,265)	90,904	(619,413)	(751,774)
Other financing sources(uses):				
Transfer in	-	-	147,952	147,952
Transfer out	-	(147,952)	-	(147,952)
Proceeds from general obligation bond issuance	-	1,035,000	560,000	1,595,000
Premium on general obligation bond issuance	-	61,929	-	61,929
Discount on general obligation bond issuance	-	(10,327)	-	(10,327)
Total other financing sources(uses)	<u>-</u>	<u>938,650</u>	<u>707,952</u>	<u>1,646,602</u>
Change in fund balances	(223,265)	1,029,554	88,539	894,828
Fund balances beginning of year	<u>1,346,033</u>	<u>1,131,475</u>	<u>364,853</u>	<u>2,842,361</u>
Fund balances end of year	<u>\$ 1,122,768</u>	<u>2,161,029</u>	<u>453,392</u>	<u>3,737,189</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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) \$ 894,828

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

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

Capital outlay	\$ 799,609	
Depreciation expense	<u>(256,136)</u>	543,473

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (18,139)

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

Issued	(1,595,000)	
Repaid	<u>775,000</u>	(820,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (319)

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. 344,636

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.

Compensated absences	(3,424)	
Other postemployment benefits	(363,069)	
Pension expense - IPERS	(82,944)	
Pension expense - early retirement	<u>(11,145)</u>	<u>(460,582)</u>

Change in net position of governmental activities(page 19) \$ 483,897

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2015

	<u>School Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 14,853
Inventories	10,319
Total current assets	<u>25,172</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	7,060
TOTAL ASSETS	<u>32,232</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>15,017</u>
LIABILITIES	
Current liabilities:	
Due to other funds	214,874
Unearned revenue	4,552
Total current liabilities	<u>219,426</u>
Noncurrent liabilities	
Net pension liability	68,568
Net OPEB liability	78,028
Total noncurrent liabilities	<u>146,596</u>
TOTAL LIABILITIES	<u>366,022</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>35,811</u>
NET POSITION	
Net investment in capital assets	7,060
Unrestricted	(361,644)
TOTAL NET POSITION	<u>\$ (354,584)</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 197,187
Miscellaneous	8,567
Total operating revenues	205,754
Operating expenses:	
Non-instructional programs:	
Salaries	124,405
Benefits	67,804
Supplies	213,075
Depreciation	1,461
Total operating expenses	406,745
Operating loss	(200,991)
Non-operating revenues(expenses):	
State sources	3,171
Federal sources	152,279
Loss on disposal of capital assets	(423)
Interest on investments	6
Total non-operating revenues(expenses)	155,033
Change in net position	(45,958)
Net position beginning of year, as restated	(308,626)
Net position end of year	\$ (354,584)

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 195,802
Cash received from miscellaneous	8,567
Cash payments to employees for services	(178,103)
Cash payments to suppliers for goods or services	(179,708)
Net cash used in operating activities	(153,442)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	31,452
State grants received	3,171
Federal grants received	129,013
Net cash provided by non-capital financing activities	163,636
Cash flows from investing and other activities:	
Interest on investments	6
Net increase in cash and pooled investments	10,200
Cash and pooled investments beginning of year	4,653
Cash and pooled investments end of year	\$ 14,853
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (200,991)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,266
Depreciation	1,461
Decrease in inventories	10,101
Increase in other postemployment benefits	22,477
Decrease in net pension liability	(39,268)
Increase in deferred outflows of resources	(4,914)
Increase in deferred inflows of resources	35,811
Decrease in unearned revenue	(1,385)
Net cash used in operating activities	\$ (153,442)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$23,266 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 14,706
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 14,706</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 22,225</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>15,225</u>
Change in net position	7,000
Net position beginning of year	<u>7,706</u>
Net position end of year	<u><u>\$ 14,706</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

Madrid 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 City of Madrid, Iowa, and the predominate agricultural territory in Boone, Dallas, and Polk 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, Madrid 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 Madrid 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 Boone, Dallas and Polk 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental 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 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the two 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund 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 and Due to Other Funds - To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund accounts receivable or payable have been recorded.

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

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

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

Asset Class	Amount
Land	\$ 1,200
Buildings	1,200
Land improvements	1,200
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Capital assets are depreciated using the straight line method 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	5-15 years

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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.

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

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

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

Deferred revenue on 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 classification.

E. Budgets and Budgetary Accounting

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

(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. The District had no such investments as of June 30, 2015.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,126	-	-	112,126
Construction in progress	12,162	689,927	-	702,089
Total capital assets not being depreciated	<u>124,288</u>	<u>689,927</u>	<u>-</u>	<u>814,215</u>
Capital assets being depreciated:				
Buildings	9,539,071	-	-	9,539,071
Land improvements	865,356	89,125	-	954,481
Machinery and equipment	1,097,794	20,557	-	1,118,351
Total capital assets being depreciated	<u>11,502,221</u>	<u>109,682</u>	<u>-</u>	<u>11,611,903</u>
Less accumulated depreciation for:				
Buildings	3,739,930	171,015	-	3,910,945
Land improvements	499,096	27,642	-	526,738
Machinery and equipment	828,409	57,479	-	885,888
Total accumulated depreciation	<u>5,067,435</u>	<u>256,136</u>	<u>-</u>	<u>5,323,571</u>
Total capital assets being depreciated, net	<u>6,434,786</u>	<u>(146,454)</u>	<u>-</u>	<u>6,288,332</u>
Governmental activities capital assets, net	<u>\$ 6,559,074</u>	<u>543,473</u>	<u>-</u>	<u>7,102,547</u>
Business type activities:				
Machinery and equipment	\$ 116,944	-	40,533	76,411
Less accumulated depreciation	108,000	1,461	40,110	69,351
Business type activities capital assets, net	<u>\$ 8,944</u>	<u>(1,461)</u>	<u>423</u>	<u>7,060</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,816
Support services:	
Operation and maintenance of plant	5,318
Transportation	34,345
	<u>57,479</u>
Unallocated depreciation	<u>198,657</u>
Total governmental activities depreciation expense	<u>\$ 256,136</u>
Business type activities:	
Food service operations	<u>\$ 1,461</u>

(4) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	<u>\$ 214,874</u>

The Enterprise, School Nutrition Fund is repaying the General Fund \$153,422 used to pay salaries and benefits of the School Nutrition Fund in prior years and \$61,452 during fiscal year 2015. (See Comment II-N-15 for details.) The School Nutrition Fund repaid \$30,000 to the General Fund during fiscal year 2015 for amounts owed from prior fiscal years.

(5) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	<u>\$ 147,952</u>

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

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 690,000	1,595,000	690,000	1,595,000	145,000
Revenue bonds	1,652,000	-	85,000	1,567,000	88,000
Compensated absences	7,813	11,237	7,813	11,237	11,237
Net OPEB liability	897,298	363,069	-	1,260,367	-
Net pension liability - IPERS	3,111,144	-	1,132,898	1,978,246	-
Net pension liability - early retirement	100,729	11,145	-	111,874	-
Total	<u>\$ 6,458,984</u>	<u>1,980,451</u>	<u>1,915,711</u>	<u>6,523,724</u>	<u>244,237</u>
Business type activities:					
Net OPEB liability	\$ 55,551	22,477	-	78,028	-
Net pension liability - IPERS	107,836	-	39,268	68,568	-
Total	<u>\$ 163,387</u>	<u>22,477</u>	<u>39,268</u>	<u>146,596</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 30, 2015				
	Interest Rate		Principal	Interest	Total
2016	1.50	% \$	145,000	36,965	181,965
2017	1.50		150,000	34,687	184,687
2018	2.00		150,000	32,436	182,436
2019	2.00		155,000	29,437	184,437
2020	2.50		155,000	26,338	181,338
2021-2025	2.50-2.85		840,000	69,914	909,914
Total			<u>\$ 1,595,000</u>	<u>229,777</u>	<u>1,824,777</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond dated April 1, 2013				
	Interest Rate		Principal	Interest	Total
2016	3.90	% \$	88,000	60,275	148,275
2017	3.90		90,000	56,803	146,803
2018	3.90		92,000	53,294	145,294
2019	3.90		95,000	49,666	144,666
2020	3.90		100,000	45,903	145,903
2021-2025	3.90		562,000	167,252	729,252
2026-2029	3.90		540,000	48,516	588,516
Total			<u>\$ 1,567,000</u>	<u>481,709</u>	<u>2,048,709</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,750,000 of bonds issued April 1, 2013. The bonds were issued for the purpose of financing a portion of the costs of upgrading the high school roof and building as well as adding a new addition to the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 24 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,048,709. For the current year, \$85,000 in principal and \$63,609 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$614,757.

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

- a) The holder of these bonds, City State Bank, does not require a debt reserve account.
- b) Monthly transfers will be made from the statewide sales, services and use tax account at City State Bank to a sinking account at the same bank to make the semi-annual payments for the bonds.

(7) Current Refunding

On April 30, 2015, the District issued \$1,595,000 of general obligation bonds with interest rates ranging from 1.50 percent to 2.85 percent. \$1,035,000 of this bond issue was used to finance District construction projects. \$560,000 of this issuance was used to refund the remaining portion of the general obligation bonds issued April 1, 2009 with interest rates from 3.40 to 4.00 percent. The new general obligation bonds have been added to the appropriate financial statements and schedules.

(8) 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 \$355,882.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,046,814 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 0.050575 percent, which was a decrease of 0.006277 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$85,819. 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	\$ 22,245	\$ -
Changes of assumptions	90,331	-
Net difference between projected and actual earnings on pension plan investments	-	780,596
Changes in proportion and differences between District contributions and proportionate share of contributions	-	288,385
District contributions subsequent to the measurement date	355,882	-
Total	<u>\$ 468,458</u>	<u>\$ 1,068,981</u>

\$355,882 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	\$ (236,226)
2017	(236,226)
2018	(236,226)
2019	(236,226)
2020	(11,501)
	<u>\$ (956,405)</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	\$ 3,867,398	\$ 2,046,814	\$ 510,053

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 \$43,284 for legally required employer contributions and \$28,840 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 76 active and 14 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65, the District pays the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Also included are explicit benefits which include single monthly health insurance premiums for District retirees, these result in an explicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 500,262
Interest on net OPEB obligation	23,821
Adjustment to annual required contribution	(58,830)
Annual OPEB cost	<u>465,253</u>
Contributions made	<u>(79,707)</u>
Increases in net OPEB obligation	385,546
Net OPEB obligation beginning of year	<u>952,849</u>
Net OPEB obligation end of year	<u>\$ 1,338,395</u>

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

For the year ended June 30, 2015, the District contributed \$79,707 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2013	\$ 443,170	20.65%	\$ 601,099
2014	446,615	21.24%	952,849
2015	465,253	17.13%	1,338,395

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,846,720, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,846,720. The covered payroll (annual payroll of active employees covered by the plan) was \$3,607,318 and the ratio of the UAAL to covered payroll was 51.19%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 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 health cost 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 probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full time employees who attain age 55, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year.

There are 77 active members in the plan as of June 30, 2015. The pension benefit is defined as 35% of the retiree’s regular contracted salary.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Special Revenue, Management Levy fund.

Annual Pension Cost and Net Pension Obligation - The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 51,501
Interest on net pension obligation	2,518
Adjustment to annual required contribution	<u>(5,361)</u>
Annual pension cost	48,658
Contributions made	<u>(37,513)</u>
Increases in net pension obligation	11,145
Net pension obligation beginning of year	<u>100,729</u>
 Net pension obligation end of year	 <u><u>\$ 111,874</u></u>

For calculation of the net pension obligation, the actuary has set the transition date as July 1, 2012. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$37,513 to the pension plan.

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

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2013	\$ 197,336	48.88%	\$ 100,876
2014	37,366	100.39%	100,729
2015	48,658	77.10%	111,874

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 approximately \$373,899 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$373,899. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$970,425 and the ratio of the UAAL to covered payroll was 38.53%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and 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 Supplemental Pension 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 at each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the entry age actuarial cost method as a percent of pay was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3.0% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(11) Risk Management

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

(12) 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 \$254,654 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.

(13) Deficit Balances

At June 30, 2015, the District had deficit unrestricted net position of \$361,644 and deficit total net position of 354,584 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position of \$2,786,990 in the District's governmental activities.

(14) Budget Overexpenditure

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

(15) Categorical Funding

The District's ending balances for categorical funding by program as of June 30, 2015 are as follows:

<u>Program</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 1,294
Home school assistance program	36,747
Returning dropout and dropout prevention program	2,009
Beginning teacher mentoring and induction program	806
Teacher salary supplement	2,361
Beginning administrator mentoring and induction program	1,500
Four-year-old preschool state aid	18,123
Successful progression for early readers	29,261
Professional development for model core curriculum	44,198
Professional development	25,563
Market factor incentives	2,144
Teacher leadership grants	6,715
Model core curriculum	4,000
Total	<u>\$ 174,721</u>

(16) Construction Commitments

During the year ended June 30, 2015, the District entered into various contracts for a track renovation project, bleacher project, and parking lot projects totaling \$1,499,049. Costs of \$702,089 have been incurred against these contracts. The remaining balances will be paid out as work on the projects progresses. Upon completion these projects will be capitalized as part of the District's official capital asset listing.

(17) Detailed Reconciliation of Certain Governmental Fund Balances to Net Position

The following is a detailed reconciliation of certain governmental fund balances to net position.

	<u>Net Investment in Capital Assets</u>	<u>School Infrastructure</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	1,831,739	106,611	948,047
Capital assets, net of accumulated depreciation	7,102,547	-	-	-
Capitalized general obligation bond indebtedness	(712,540)	-	-	-
Capitalized revenue bond indebtedness	(1,567,000)	-	-	-
Unspent general obligation bond proceeds	-	(882,460)	-	-
Accrued interest payable	-	-	(36,701)	-
Income surtax	-	-	-	206,416
Accrued compensated absences	-	-	-	(11,237)
Net pension liability - early retirement	-	-	-	(111,874)
Pension related deferred outflows	-	-	-	453,441
Net pension liability - IPERS	-	-	-	(1,978,246)
Pension related deferred inflows	-	-	-	(1,033,170)
Net OPEB liability	-	-	-	(1,260,367)
Net position (Exhibit A)	<u>\$ 4,823,007</u>	<u>949,279</u>	<u>69,910</u>	<u>(2,786,990)</u>

(18) Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 6,241,768	\$ (210,893)
Net pension liability at June 30, 2014	(3,111,144)	(107,836)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	291,477	10,103
Net position July 1, 2014, as restated	<u>\$ 3,422,101</u>	<u>\$ (308,626)</u>



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,015,990	205,760	3,221,750	3,596,935	3,596,935	(375,185)
Intermediate sources	-	-	-	550,789	550,789	(550,789)
State sources	4,737,025	3,171	4,740,196	4,142,449	4,142,449	597,747
Federal sources	142,581	152,279	294,860	327,985	327,985	(33,125)
Total revenues	<u>7,895,596</u>	<u>361,210</u>	<u>8,256,806</u>	<u>8,618,158</u>	<u>8,618,158</u>	<u>(361,352)</u>
Expenditures/Expenses:						
Instruction	4,904,243	-	4,904,243	4,710,000	4,710,000	(194,243)
Support services	1,789,880	-	1,789,880	2,795,000	2,795,000	1,005,120
Non-instructional programs	-	407,168	407,168	525,000	525,000	117,832
Other expenditures	1,953,247	-	1,953,247	1,629,190	1,629,190	(324,057)
Total expenditures/expenses	<u>8,647,370</u>	<u>407,168</u>	<u>9,054,538</u>	<u>9,659,190</u>	<u>9,659,190</u>	<u>604,652</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(751,774)	(45,958)	(797,732)	(1,041,032)	(1,041,032)	243,300
Other financing sources(uses), net	<u>1,646,602</u>	<u>-</u>	<u>1,646,602</u>	<u>-</u>	<u>-</u>	<u>(1,646,602)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	894,828	(45,958)	848,870	(1,041,032)	(1,041,032)	1,889,902
Balances beginning of year, as restated	<u>2,842,361</u>	<u>(308,626)</u>	<u>2,533,735</u>	<u>2,157,881</u>	<u>2,157,881</u>	<u>375,854</u>
Balances end of year	<u>\$ 3,737,189</u>	<u>(354,584)</u>	<u>3,382,605</u>	<u>1,116,849</u>	<u>1,116,849</u>	<u>2,265,756</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID 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 the 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 ended June 30, 2015, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

MADRID 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	0.050575%
District's proportionate share of the net pension liability	\$ 2,046,814
District's covered-employee payroll	\$ 3,985,238
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.36%
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.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 355,882	301,307	318,864	294,105	236,442	227,474	212,280	188,397	168,995	161,884
Contributions in relation to the statutorily required contribution	(355,882)	(301,307)	(318,864)	(294,105)	(236,442)	(227,474)	(212,280)	(188,397)	(168,995)	(161,884)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,985,238	3,374,099	3,677,785	3,644,424	3,402,043	3,273,007	3,342,992	3,114,000	2,939,043	2,815,374
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MADRID 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.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 672,326	\$ 672,326	0.0%	\$ 3,102,329	21.67%
2011	July 1, 2009	-	672,326	672,326	0.0%	2,983,186	22.54%
2012	July 1, 2009	-	672,326	672,326	0.0%	2,767,268	24.30%
2013	July 1, 2012	-	2,236,790	2,236,790	0.0%	3,456,549	64.71%
2014	July 1, 2012	-	2,042,075	2,042,075	0.0%	3,063,118	66.67%
2015	July 1, 2012	-	1,846,720	1,846,720	0.0%	3,607,318	51.19%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	July 1, 2012	-	\$ 400,143	400,143	0.0%	2,677,118	14.95%
2014	July 1, 2013	-	331,417	331,417	0.0%	750,901	44.14%
2015	July 1, 2013	-	373,899	373,899	0.0%	970,425	38.53%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 293,297	51,158	344,455	105,347	449,802
Receivables:					
Property tax:					
Delinquent	2,326	-	2,326	1,264	3,590
Succeeding year	270,000	-	270,000	185,023	455,023
TOTAL ASSETS	\$ 565,623	51,158	616,781	291,634	908,415
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities	\$ -	-	-	-	-
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	270,000	-	270,000	185,023	455,023
Fund balances:					
Restricted for:					
Student activities	-	51,158	51,158	-	51,158
Management levy purposes	295,623	-	295,623	-	295,623
Debt service	-	-	-	106,611	106,611
Total fund balances	295,623	51,158	346,781	106,611	453,392
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 565,623	51,158	346,781	291,634	908,415

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 281,938	-	281,938	156,147	438,085
Other	4,997	134,937	139,934	40	139,974
State sources	2,621	-	2,621	1,442	4,063
Total revenues	<u>289,556</u>	<u>134,937</u>	<u>424,493</u>	<u>157,629</u>	<u>582,122</u>
Expenditures:					
Current:					
Instruction:					
Regular	183,844	-	183,844	-	183,844
Other	-	126,138	126,138	-	126,138
Support services:					
Operation and maintenance of plant	22,046	-	22,046	-	22,046
Transportation	4,843	-	4,843	-	4,843
Long-term debt:					
Principal	-	-	-	775,000	775,000
Interest and fiscal charges	-	-	-	89,664	89,664
Total expenditures	<u>210,733</u>	<u>126,138</u>	<u>336,871</u>	<u>864,664</u>	<u>1,201,535</u>
Excess(Deficiency) of revenues over(under) expenditures	78,823	8,799	87,622	(707,035)	(619,413)
Other financing sources:					
Transfer in	-	-	-	147,952	147,952
Proceeds from general obligation bond issuance	-	-	-	560,000	560,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,952</u>	<u>707,952</u>
Change in fund balances	78,823	8,799	87,622	917	88,539
Fund balances beginning of year	<u>216,800</u>	<u>42,359</u>	<u>259,159</u>	<u>105,694</u>	<u>364,853</u>
Fund balances end of year	<u>\$ 295,623</u>	<u>51,158</u>	<u>346,781</u>	<u>106,611</u>	<u>453,392</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Service and Use Tax	GO Bond Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 1,033,991	972,460	328,028	2,334,479
Receivables:				
Property tax:				
Delinquent	-	-	1,262	1,262
Succeeding year	-	-	161,795	161,795
Due from other governments	95,695	-	-	95,695
TOTAL ASSETS	\$ 1,129,686	972,460	491,085	2,593,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 180,407	90,000	-	270,407
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	161,795	161,795
Fund balances:				
Restricted for:				
School infrastructure	949,279	882,460	-	1,831,739
Physical plant and equipment	-	-	329,290	329,290
Total fund balances	949,279	882,460	329,290	2,161,029
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,129,686	972,460	491,085	2,593,231

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Service and Use Tax	GO Bond Construction	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	155,997	155,997
Other	175,340	59	90	175,489
State sources	614,757	-	1,440	616,197
Total revenues	<u>790,097</u>	<u>59</u>	<u>157,527</u>	<u>947,683</u>
Expenditures:				
Current:				
Support services:				
Administration	-	15,000	-	15,000
Operation and maintenance of plant	-	-	7,850	7,850
Capital outlay	595,499	189,201	49,229	833,929
Total expenditures	<u>595,499</u>	<u>204,201</u>	<u>57,079</u>	<u>856,779</u>
Excess(Deficiency) of revenues over(under) expenditures	194,598	(204,142)	100,448	90,904
Other financing sources(uses):				
Transfer out	(147,952)	-	-	(147,952)
Proceeds from general obligation bond issuance	-	1,035,000	-	1,035,000
Premium on general obligation bond issuance	-	61,929	-	61,929
Discount on general obligation bond issuance	-	(10,327)	-	(10,327)
Total other financing sources(uses)	<u>(147,952)</u>	<u>1,086,602</u>	<u>-</u>	<u>938,650</u>
Change in fund balances	46,646	882,460	100,448	1,029,554
Fund balances beginning of year	902,633	-	228,842	1,131,475
Fund balances end of year	<u>\$ 949,279</u>	<u>882,460</u>	<u>329,290</u>	<u>2,161,029</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID 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	Balance End of Year
Drama	\$ 1,597	1,058	739	1,916
7-12 Music Trip	2,375	9,657	9,414	2,618
7-12 Instrumental Music	451	-	-	451
Elementary Music	108	298	-	406
7-12 Activities	126	868	677	317
Yearbook	354	480	-	834
HS Student Council	182	1,675	892	965
JH Student Council	498	-	-	498
K-6 Student Council	274	-	-	274
K-6 Building	1,485	1,508	1,784	1,209
Athletic Uniforms	-	14,729	14,729	-
Activity Passes	-	3,630	3,630	-
Boys Basketball	355	5,033	5,152	236
Boys Basketball Camp	777	2,774	2,507	1,044
Football	292	18,082	16,690	1,684
Baseball	-	5,154	4,465	689
Boys Track	-	2,772	2,772	-
Golf	-	2,421	2,421	-
Girls Basketball	683	6,911	7,236	358
Volleyball	660	9,672	6,302	4,030
Softball	489	3,725	2,694	1,520
Girls Track	-	3,953	3,953	-
FCCLA	1,900	30	120	1,810
Spanish Club	613	-	-	613
Java Jungle	413	514	172	755
HS Cheerleaders	3,101	6,630	8,471	1,260
JH Cheerleaders	334	-	-	334
Student Pride Club	1,431	2,913	1,644	2,700
Special Olympics	33	560	292	301
Archery Club	-	992	727	265
K-12 Guidance Counselor	-	100	-	100
7-12 Activity Awards	-	2,084	2,084	-
Team Tigers	18,122	22,590	20,694	20,018
Class of 2015	2,144	99	2,243	-
Class of 2016	1,439	4,025	3,634	1,830
Class of 2017	1,543	-	-	1,543
Class of 2018	541	-	-	541
Class of 2019	39	-	-	39
Total	<u>\$ 42,359</u>	<u>134,937</u>	<u>126,138</u>	<u>51,158</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,208,897	2,202,065	2,553,921	2,409,654	2,296,222	2,126,882	2,087,555	1,955,185	1,952,969	1,698,266
Tuition	442,913	358,782	303,193	301,690	290,362	240,222	241,925	202,345	173,929	177,624
Other	364,180	214,560	203,613	224,956	223,534	247,727	248,380	265,845	314,214	231,728
State sources	4,737,025	4,807,371	3,951,865	3,983,160	3,608,229	3,024,596	3,374,291	3,248,506	2,883,277	2,700,463
Federal sources	142,581	142,939	146,039	301,456	237,069	500,455	192,811	128,854	143,103	182,767
Total	\$ 7,895,596	7,725,717	7,158,631	7,220,916	6,655,416	6,139,882	6,144,962	5,800,735	5,467,492	4,990,848
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,410,813	3,108,201	3,006,747	2,995,658	2,693,765	2,687,857	2,601,546	2,420,174	2,165,517	2,044,434
Special	813,331	752,493	624,743	543,324	625,324	608,764	619,247	529,503	524,670	506,964
Other	680,099	699,300	612,524	620,900	593,624	592,104	517,616	537,375	515,255	527,272
Support services:										
Student	193,031	184,157	165,854	189,281	132,284	129,294	117,730	111,518	128,272	117,223
Instructional staff	169,632	165,260	203,877	199,840	221,920	181,813	134,805	151,619	143,674	202,236
Administration	712,484	654,938	557,141	583,600	569,338	553,073	549,483	523,941	548,187	494,642
Operation and maintenance of plant	517,918	603,640	428,455	470,323	507,326	463,686	430,363	463,548	453,402	440,722
Transportation	196,815	250,647	192,753	306,466	179,109	244,019	147,956	185,104	163,896	176,373
Non-instructional programs	-	-	-	-	-	9,373	6,638	6,000	5,432	4,177
Capital outlay	833,929	1,168,804	1,235,956	229,666	89,516	332,135	478,403	393,693	211,712	182,030
Long-term debt:										
Principal	775,000	223,000	188,192	184,827	176,460	110,000	95,000	95,000	90,000	85,000
Interest	89,664	79,081	35,723	41,789	47,521	42,412	82,787	67,868	72,408	76,233
Other expenditures:										
AEA flow-through	254,654	254,460	236,932	231,651	242,504	230,760	207,737	194,028	177,033	163,191
Total	\$ 8,647,370	8,143,981	7,488,897	6,597,325	6,078,691	6,185,290	5,989,311	5,679,371	5,199,458	5,020,497

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 Madrid 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 Madrid 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 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madrid 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 Madrid Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Madrid 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 Madrid 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.

Madrid Community School District's Responses to Findings

Madrid Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Madrid 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 Madrid 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 22, 2016
Newton, Iowa

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Transfers - preparing and approving.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) Journal entries - preparing, approving and posting journal entries to the accounting records.

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.

Response - The District will continue to review procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Booster Club and PAC Accounts - We noted during our audit, that the District's Booster Club and PAC uses the District's Federal Identification Number. We also noted the District Board Secretary is signing checks on behalf of these organizations but the District has no control over what the funds are spent on. Because the Booster Club and PAC are using the District's Federal Identification Number, the District should be accounting for the Booster Club and PAC within the District's Student Activity Fund. The Booster Club and PAC accounts and transactions should be included in the District's financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation - The District should contact officials of the Booster Club and PAC and request the accounts to be turned over to the District. The groups in question may establish a 501(c)(3) organization with a federal identification number separate that of the District, however the current accounts are District assets and should be turned over to the District for proper recording.

In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - These organizations have been contacted to establish their own 501(c)(3) organization.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, exceed the amounts budgeted in the instruction and other expenditures functional areas.

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

Response - District will watch expenditures in instruction and other expenditures functions and amend the budget as needed in the future.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted items purchased by the District which included sales tax for items purchased at retailers for District fundraisers. As the District is a tax-exempt entity and should not be paying sales tax on its purchases. The payment or reimbursement for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - District has contacted vendors and submitted tax exempt paperwork to vendors to help ensure purchases made by the District do not include sales tax.

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 or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Williams, Board Member Owner Wilco Printing & Publishing	Publications	\$1,920

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with the board member of the District 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 - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 1.00 students for the fall 2014 count date.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.406 for the fall of 2014.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

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

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

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

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

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

Beginning balance		\$	902,633
Revenues:			
Sales tax revenues	\$	614,757	
Other local revenues		175,340	790,097
			<u>1,692,730</u>
Expenditures/transfers out:			
School infrastructure		477,802	
Equipment		13,926	
Other		103,771	
Transfers to other funds:			
Debt service fund		147,952	743,451
			<u>743,451</u>
Ending balance		\$	<u>949,279</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 \$361,644 and deficit total net position of \$354,584 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position of \$2,786,990 in the District's governmental activities. The primary reason for the deficit net position in the governmental activities is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The deficit in the School Nutrition is due in part to the implementation of GASB Statements No. 68 and No. 71, but is also due to the large interfund loan owed to the General Fund.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should also continue to review the School Nutrition Fund and develop a plan to make this fund solvent each year.

Response - The District will educate its administration and board of education about GASB Statements No. 68 and No. 71 and how they will affect the District's financials moving forward. The District has also reduced staff in the school nutrition fund and raised prices to help bring this fund back towards a positive balance.

Conclusion - Response accepted.

II-N-15 Interfund Loan - In fiscal year 2012 we noted a permanent transfer of \$86,813 from the General Fund to the Nutrition Fund to cover cash shortages at year end. We had requested a corrective transfer from Nutrition Fund to General Fund for this transfer that was completed by the District without permission from the School Budget Review Committee.

The District created an interfund loan between the General Fund and the Nutrition Fund of \$64,773 without approval from the District's Board of Directors to cover cash shortages created during the year ended June 30, 2013. The District created additional additional interfund loans of \$31,836, and \$61,452 during the years ended June 30, 2014 and June 30, 2015 respectively, without approval from the District's Board of Directors to cover cash shortages. We did not the District paid \$30,000 against this loan in fiscal year 2015. Additionally, as of the date of this report, the interfund loan between the General Fund and the Nutrition Fund had not been repaid.

Recommendation - According to a Declaratory Order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be approved by the District's Board of Directors and be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

The District should contact the Iowa Department of Education to create a workout plan to eliminate the interfund loan. The Iowa Department of Education would work with the District to develop ideas of how to manage the Nutrition Fund budget on the revenues collected.

Additionally, the District needs to review program costs compared to sales, labor costs of staff, and possible issues with internal controls and reporting. The District should consider cutting staff and staff benefits to bring the Nutrition Fund back to a level of self-sustainability. District staff may also need additional training to gain the knowledge needed to properly manage costs to revenues.

Response - The District has decreased the number of nutrition staff and has also increased student lunch prices as a step to bring this fund back to being self-sustaining.

Conclusion - Response accepted.