

MAQUOKETA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Schedule of the District's Proportionate Share of the Net Pension Liability		47
Schedule of District Contributions		48
Notes to Required Supplementary Information - Pension Liability		49-50
Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56-57
Schedule of Changes in Special Revenue Fund, Support Trust Accounts	6	58
Schedule of Changes in Fiduciary Net Position, Fiduciary Fund, Private Purpose Trust Accounts	7	59
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	60
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	61
Schedule of Expenditures of Federal Awards	10	62
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-70

Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Michael Hayward	President	2015
David Sybesma	Vice President	2015
Deb Lane	Board Member	2015
Tanya Roeder	Board Member	2017
Brian Tabor	Board Member	2017
School Officials		
Chris Hoover	Superintendent	2015
Barbara McKeon	District Secretary/Treasurer and Business Manager (Retired May 18, 2015)	2015
Kristy Weiss Haxmeier	District Secretary/Treasurer and Business Manager (Appointed May 18, 2015)	2015
Steve Kahler	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Maquoketa 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 Maquoketa Community School District, Maquoketa 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 Maquoketa 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 12 to the financial statements, Maquoketa Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 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 the 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 required supplementary 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 Maquoketa 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 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 15, 2016, on our consideration of Maquoketa 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 reports 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 and should be considered in assessing the results of our audit.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa 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 \$16,343,816 in fiscal year 2014 to \$16,259,036 in fiscal year 2015, while General Fund expenditures increased from \$15,786,841 in fiscal year 2014 to \$16,092,404 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$3,227,290 at June 30, 2014 to \$3,393,922 at June 30, 2015, a 5.16% increase from the prior year.
- The decrease in General Fund revenues was primarily a result of decreases in state sources in fiscal year 2015. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits.

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 Maquoketa 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 Maquoketa 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 Maquoketa Community School District acts solely as an agent or custodial for the benefit of those outside of the 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.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

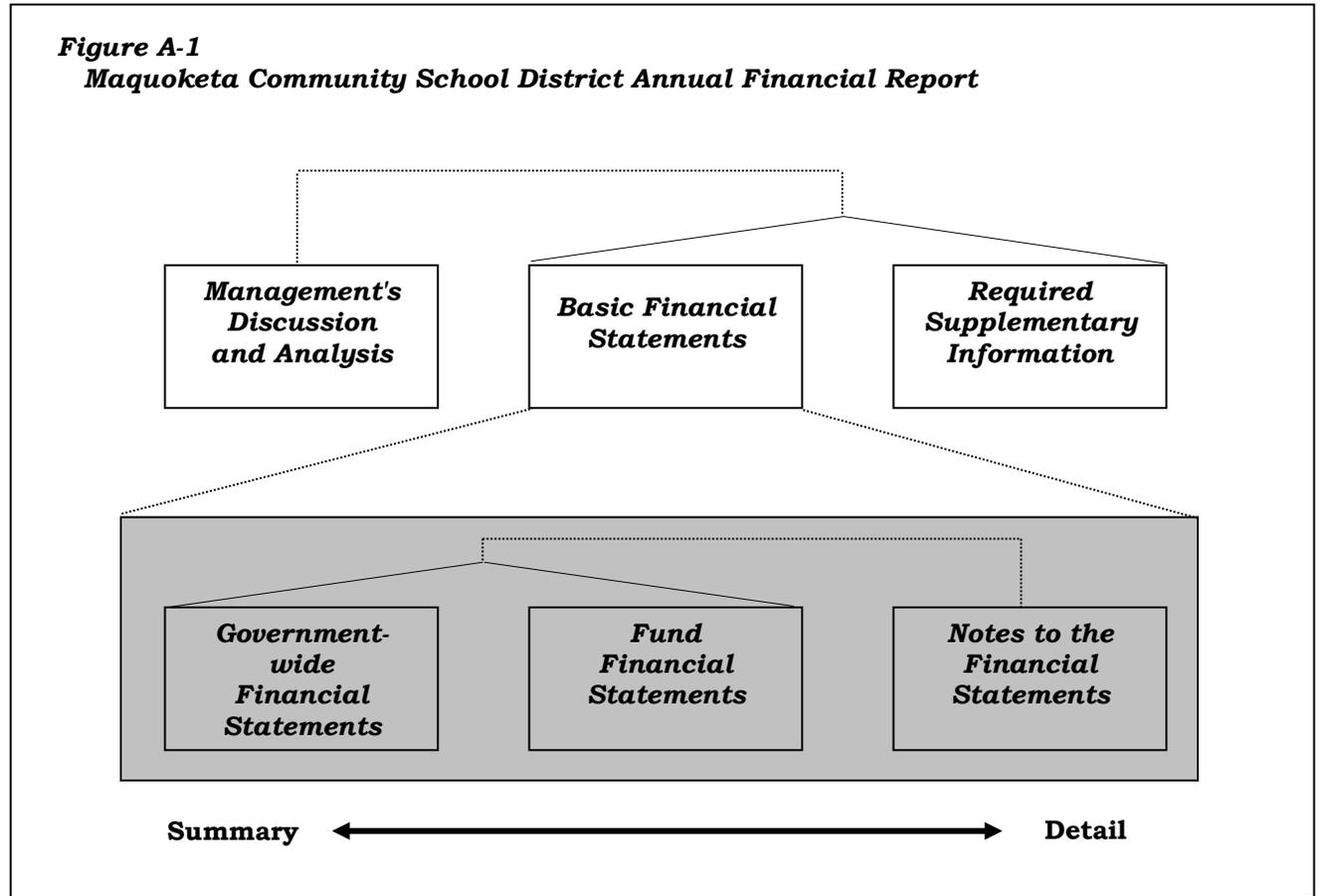


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, the Special Revenue Funds, the Capital Project Funds and the Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses an internal service fund to account for the self-insured health and dental plan of the District.

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 are the Private Purpose Trust Fund, and the Agency Fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for certain revenue collected for other groups.

The District is responsible for ensuring that 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 the Statement of Changes in Fiduciary Net Position.

Reconciliation 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, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	2014-15
Current and other assets	\$18,287,371	17,937,686	61,230	42,717	18,348,601	17,980,403	2.05%
Capital assets	15,253,625	15,497,130	88,042	95,529	15,341,667	15,592,659	-1.61%
Total assets	33,540,996	33,434,816	149,272	138,246	33,690,268	33,573,062	0.35%
Deferred outflows of resources	1,196,775	-	27,340	-	1,224,115	-	100.00%
Long-term liabilities	10,529,604	5,996,545	142,591	12,766	10,672,195	6,009,311	77.59%
Other liabilities	1,895,003	2,165,026	18,669	17,815	1,913,672	2,182,841	-12.33%
Total liabilities	12,424,607	8,161,571	161,260	30,581	12,585,867	8,192,152	53.63%
Deferred inflows of resources	7,013,584	4,978,797	46,355	-	7,059,939	4,978,797	41.80%
Net position:							
Net investment in capital assets	10,477,625	9,974,130	88,042	95,529	10,565,667	10,069,659	4.93%
Restricted	3,861,691	3,199,461	-	-	3,861,691	3,199,461	20.70%
Unrestricted	960,264	7,120,857	(119,045)	12,136	841,219	7,132,993	-88.21%
Total net position	\$15,299,580	20,294,448	(31,003)	107,665	15,268,577	20,402,113	-25.16%

The District's combined net position decreased by 25.16% or \$5,133,536 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 invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$662,230 or 20.70% from the prior year. The increase was primarily due to an increase in the Management Levy Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement - decreased \$6,291,774 or 88.21%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,478,501 and \$148,444, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 2,258,688	2,215,162	223,800	219,095	2,482,488	2,434,257	1.98%
Operating grants, contributions and restricted interest	1,634,964	1,801,573	504,591	483,291	2,139,555	2,284,864	-6.36%
Capital grants, contributions and restricted interest	53,800	35,395	-	-	53,800	35,395	52.00%
General revenues:							
Property tax	5,075,565	4,824,162	-	-	5,075,565	4,824,162	5.21%
Income surtax	571,335	642,988	-	-	571,335	642,988	-11.14%
Statewide sales, services and use tax	1,277,413	1,207,056	-	-	1,277,413	1,207,056	5.83%
Unrestricted state grants	8,050,422	8,180,612	-	-	8,050,422	8,180,612	-1.59%
Unrestricted investment earnings	26,039	25,119	20	19	26,059	25,138	3.66%
Other	235,895	108,090	2,681	2,681	238,576	110,771	115.38%
Total revenues	19,184,121	19,040,157	731,092	705,086	19,915,213	19,745,243	0.86%
Program expenses:							
Instruction	11,828,912	11,780,784	-	-	11,828,912	11,780,784	0.41%
Support services	4,707,937	5,021,009	22,206	21,320	4,730,143	5,042,329	-6.19%
Non-instructional programs	289	336	709,759	714,655	710,048	714,991	-0.69%
Other expenses	1,152,701	1,156,683	-	-	1,152,701	1,156,683	-0.34%
Total expenses	17,689,839	17,958,812	731,965	735,975	18,421,804	18,694,787	-1.46%
Excess(Deficiency) of revenues over(under) expenditures	1,494,282	1,081,345	(873)	(30,889)	1,493,409	1,050,456	42.17%
Transfers	(10,649)	(5,396)	10,649	5,396	-	-	0.00%
Change in net position	1,483,633	1,075,949	9,776	(25,493)	1,493,409	1,050,456	42.17%
Net position beginning of year, as restated	13,815,947	19,218,499	(40,779)	133,158	13,775,168	19,351,657	-28.82%
Net position end of year	\$ 15,299,580	20,294,448	(31,003)	107,665	15,268,577	20,402,113	-25.16%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 78.06% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.63% of the revenue from business type activities.

The District's total revenues were approximately \$19.91 million of which approximately \$19.18 million was for governmental activities and approximately \$0.73 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.86% increase in revenues and a 1.46% decrease in expenses. The increase in revenues is attributable to the increase in local sources received during the year.

Governmental Activities

Revenues for governmental activities were \$19,184,121 and expenses were \$17,689,839 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, non-instructional programs 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	\$ 11,828,912	11,780,784	0.41%	8,557,238	8,384,575	2.06%
Support services	4,707,937	5,021,009	-6.24%	4,618,453	4,948,558	-6.67%
Non-instructional programs	289	336	100.00%	289	336	-13.99%
Other expenses	1,152,701	1,156,683	-0.34%	566,407	573,213	-1.19%
Totals	<u>\$ 17,689,839</u>	<u>17,958,812</u>	<u>-1.50%</u>	<u>13,742,387</u>	<u>13,906,682</u>	<u>-1.18%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$2,258,688.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,688,764.
- The net cost of governmental activities was financed with \$5,075,565 in property taxes, \$571,335 in income surtax, \$1,277,413 in statewide sales, services and use tax, \$8,050,422 in unrestricted state grants, \$26,039 in interest income and \$235,895 in other general revenues.

Business Type Activities

Revenues for the District's business type activities were \$731,092 and expenses were \$731,965. The District's business type activities include the School Nutrition Fund. Revenues were comprised of charges for service, federal and state reimbursements, unrestricted investment earnings and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa 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 \$6,973,215, above last year's ending fund balances of \$6,284,170.

Governmental Fund Highlights

- The District's General Fund balance increased from \$3,227,290 on June 30, 2014 to \$3,393,922 on June 30, 2015. The increase in the District's General Fund financial position is the product of many factors. Local source revenues increased compared to the prior year to help limit the decrease in total revenues. The increase in expenditures was related to an increase in expenditures in the instruction functional area. Revenues outpaced the increase in expenditures ensuring the increase in the District's General Fund balance.
- The Management Levy Fund balance increased from \$469,187 on June 30, 2014 to \$784,460 on June 30, 2015. Local source revenues increased compared to the prior year and outpaced expenditures ensuring the increase Management Levy Fund balance.
- The Capital Projects Fund balance increased from \$2,212,506 at June 30, 2014 to \$2,410,507 at June 30, 2015. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$1,712,333 at June 30, 2014 to \$1,907,463 at June 30, 2015. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$500,173 at June 30, 2014 to \$503,044 at June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position increased from deficit \$40,779 restated at July 1, 2014 to deficit \$31,003 at June 30, 2015, representing an increase of 23.97% due to increases in lunch sales revenue received compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Maquoketa Community School District amended its budget one time to reflect additional expenditures in the support services, non-instructional programs and other expenditures functional areas. It also reflected a decrease in expenditures in the instruction functional area.

The District's revenues were \$476,068 more than budgeted revenues, a variance of 2.45%. The most significant variances resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2015 the District did amend their certified budget in all functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$15.34 million, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$653,215.

The original cost of the District's capital assets was approximately \$27.45 million. Governmental funds accounted for approximately \$27.13 million, with the remainder of approximately \$0.32 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$30,294 reported at June 30, 2014, compared to \$0 reported at June 30, 2015. This decrease resulted from the completion of a Middle School Door project by the District during the year, and capitalizing the project as part of the District's capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 285,211	285,211	-	-	285,211	285,211	0.00%
Construction in progress	-	30,294	-	-	-	30,294	-100.00%
Buildings	13,545,288	13,722,615	-	-	13,545,288	13,722,615	-1.29%
Land improvements	652,530	638,061	-	-	652,530	638,061	2.27%
Machinery and equipment	770,596	820,949	88,042	95,529	858,638	916,478	-6.31%
Total	\$ 15,253,625	15,497,130	88,042	95,529	15,341,667	15,592,659	-1.61%

Long-Term Debt

At June 30, 2015, the District had \$10,672,195 in revenue bonds and other long-term debt outstanding. This represents an increase of 77.59% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- At June 30, 2015, the District had revenue bonds payable of \$4,776,000. These bonds are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable of \$6,453 at June 30, 2015 payable from the General Fund.
- The District had net pension liability of \$5,426,258 at June 30, 2015. Of this amount \$5,304,709 is attributed to governmental activities and \$121,549 is attributed to business type activities.
- The District had net OPEB liability of \$463,484 at June 30, 2015. Of this amount \$442,442 is attributed to governmental activities and \$21,042 is attributed to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	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
		(Not restated)		(Not restated)		(Not restated)	
Revenue bonds	\$ 4,776,000	5,523,000	-	-	4,776,000	5,523,000	-13.53%
Termination benefits	-	103,302	-	-	-	103,302	-100.00%
Compensated absences	6,453	7,679	-	-	6,453	7,679	-15.97%
Net pension liability	5,304,709	-	121,549	-	5,426,258	-	100.00%
Net OPEB liability	442,442	362,564	21,042	12,766	463,484	375,330	23.49%
Total	\$ 10,529,604	5,996,545	142,591	12,766	10,672,195	6,009,311	77.59%

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:

- Certified Enrollment count for October 2014 is up by 2 students. The District anticipates the enrollment to remain level for a couple of years.
- The District is reviewing HVAC needs at the High School and Middle School. Updating these systems may require financing by means of a voted general obligation school bonds funded with property taxes.
- The District's voters approved extending the Voted Levy for Physical Plant and Equipment for another 10 years. This increased the maximum property tax levy from \$0.67 per thousand dollar valuation to up to \$1.00 per thousand dollar valuation effective during the 2017/18 school year
- If the Board of Education continues to offer an Early Retirement Incentive Program, the District will be required to report an explicit benefit liability under GASB Statement 45. The Board has offered the incentive as a means to reduce salary and benefit expenses in the general fund due to declining enrollment and low allowable growth set the State Legislators.
- If the State of Iowa continues to annually set low (0-4%) Regular Program State Percent of Growth combined with the declining or steady enrollment, the District will receive less funding from the State.
- The federally mandated Affordable Care Act will add health care expenditures to the District that we currently do not have.

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 Kristy Weiss Haxmeier, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060, (563) 652-4984.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 11,508,143	39,904	11,548,047
Receivables:			
Property tax:			
Delinquent	65,953	-	65,953
Succeeding year	4,990,521	-	4,990,521
Income surtax	548,892	-	548,892
Accounts	105,779	77	105,856
Due from other governments	1,068,083	-	1,068,083
Inventories	-	21,249	21,249
Capital assets, net of accumulated depreciation	15,253,625	88,042	15,341,667
Total assets	33,540,996	149,272	33,690,268
Deferred outflows of resources			
Pension related deferred outflows	1,196,775	27,340	1,224,115
Liabilities			
Accounts payable	435,202	300	435,502
Salaries and benefits payable	1,095,446	12,911	1,108,357
Advances from grantors	27,308	-	27,308
Incurred but not reported claims	337,047	-	337,047
Unearned revenue	-	5,458	5,458
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	756,000	-	756,000
Compensated absences	6,453	-	6,453
Portion due after one year:			
Revenue bonds	4,020,000	-	4,020,000
Net pension liability	5,304,709	121,549	5,426,258
Net OPEB liability	442,442	21,042	463,484
Total liabilities	12,424,607	161,260	12,585,867
Deferred inflows of resources			
Pension related deferred inflows	2,023,063	46,355	2,069,418
Unavailable property tax revenue	4,990,521	-	4,990,521
Total deferred inflows of resources	7,013,584	46,355	7,059,939
Net position			
Net investment in capital assets	10,477,625	88,042	10,565,667
Restricted for:			
Categorical funding	282,398	-	282,398
Debt service	74,869	-	74,869
Management levy purposes	784,460	-	784,460
Student activities	182,495	-	182,495
Support trust	126,962	-	126,962
School infrastructure	1,907,463	-	1,907,463
Physical plant and equipment	503,044	-	503,044
Unrestricted	960,264	(119,045)	841,219
Total net position	\$ 15,299,580	(31,003)	15,268,577

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,355,402	997,037	161,801	-	(5,196,564)	-	(5,196,564)
Special	3,212,746	808,070	194,462	-	(2,210,214)	-	(2,210,214)
Other	2,260,764	446,494	663,810	-	(1,150,460)	-	(1,150,460)
	11,828,912	2,251,601	1,020,073	-	(8,557,238)	-	(8,557,238)
Support services:							
Student	482,356	-	775	-	(481,581)	-	(481,581)
Instructional staff	468,804	-	7,393	-	(461,411)	-	(461,411)
Administration	1,542,625	-	-	-	(1,542,625)	-	(1,542,625)
Operation and maintenance of plant	1,556,251	-	-	53,800	(1,502,451)	-	(1,502,451)
Transportation	657,901	7,087	20,429	-	(630,385)	-	(630,385)
	4,707,937	7,087	28,597	53,800	(4,618,453)	-	(4,618,453)
Non-instructional programs:							
Food service operations	289	-	-	-	(289)	-	(289)
Long-term debt interest							
	114,717	-	-	-	(114,717)	-	(114,717)
Other expenditures:							
AEA flowthrough	586,294	-	586,294	-	-	-	-
Depreciation(unallocated)*	451,690	-	-	-	(451,690)	-	(451,690)
	1,037,984	-	586,294	-	(451,690)	-	(451,690)
Total governmental activities							
	17,689,839	2,258,688	1,634,964	53,800	(13,742,387)	-	(13,742,387)
Business type activities:							
Support services:							
Administration	20,319	-	-	-	-	(20,319)	(20,319)
Operation and maintenance of plant	1,887	-	-	-	-	(1,887)	(1,887)
Total support services	22,206	-	-	-	-	(22,206)	(22,206)
Non-instructional programs:							
Food service operations	709,759	223,800	504,591	-	-	18,632	18,632
Total business type activities	731,965	223,800	504,591	-	-	(3,574)	(3,574)
Total							
	\$ 18,421,804	2,482,488	2,139,555	53,800	(13,742,387)	(3,574)	(13,745,961)
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 4,683,403	-		4,683,403
Capital outlay				392,162	-		392,162
Income surtax				571,335	-		571,335
Statewide sales, services and use tax				1,277,413	-		1,277,413
Unrestricted state grants				8,050,422	-		8,050,422
Unrestricted investment earnings				26,039	20		26,059
Other				235,895	2,681		238,576
Transfers				(10,649)	10,649		-
Total general revenues & transfers				15,226,020	13,350		15,239,370
Change in net position							
				1,483,633	9,776		1,493,409
Net position beginning of year, as restated							
				13,815,947	(40,779)		13,775,168
Net position end of year							
				\$ 15,299,580	(31,003)		15,268,577

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,920,243	776,823	2,228,075	403,863	7,329,004
Receivables:					
Property tax:					
Delinquent	52,535	8,670	4,748	-	65,953
Succeeding year	3,853,126	750,002	387,393	-	4,990,521
Income surtax	548,892	-	-	-	548,892
Accounts	42,567	-	942	11,162	54,671
Due from other governments	869,124	-	198,959	-	1,068,083
Total assets	\$ 9,286,487	1,535,495	2,820,117	415,025	14,057,124
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 377,537	1,033	22,217	29,499	430,286
Salaries and benefits payable	1,085,702	-	-	1,200	1,086,902
Advances from grantors	27,308	-	-	-	27,308
Total liabilities	1,490,547	1,033	22,217	30,699	1,544,496
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,853,126	750,002	387,393	-	4,990,521
Income surtax	548,892	-	-	-	548,892
Total deferred inflows of resources	4,402,018	750,002	387,393	-	5,539,413
Fund balances:					
Restricted for:					
Categorical funding	282,398	-	-	-	282,398
Debt service	-	-	-	74,869	74,869
Management levy purposes	-	784,460	-	-	784,460
Student activities	-	-	-	182,495	182,495
Support trust	-	-	-	126,962	126,962
School infrastructure	-	-	1,907,463	-	1,907,463
Physical plant and equipment	-	-	503,044	-	503,044
Unassigned	3,111,524	-	-	-	3,111,524
Total fund balances	3,393,922	784,460	2,410,507	384,326	6,973,215
Total liabilities, deferred inflows of resources and fund balances	\$ 9,286,487	1,535,495	2,820,117	415,025	14,057,124

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA 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)		\$ 6,973,215
<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.		15,253,625
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,879,740
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		548,892
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,196,775	
Deferred inflows of resources	<u>(2,023,063)</u>	(826,288)
Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(10,529,604)</u>
Net position of governmental activities (page 18)		<u><u>\$ 15,299,580</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,618,305	662,779	392,162	-	5,673,246
Tuition	1,725,307	-	-	-	1,725,307
Other	320,486	16,007	99,818	460,440	896,751
Intermediate sources	7,942	-	-	-	7,942
State sources	8,940,019	425	1,277,643	-	10,218,087
Federal sources	639,134	-	50,000	-	689,134
Total revenues	16,251,193	679,211	1,819,623	460,440	19,210,467
Expenditures:					
Current:					
Instruction:					
Regular	6,246,454	99,323	149,602	420	6,495,799
Special	3,202,310	-	-	-	3,202,310
Other	1,882,106	-	-	405,728	2,287,834
	11,330,870	99,323	149,602	406,148	11,985,943
Support services:					
Student	488,270	10,953	-	-	499,223
Instructional staff	473,167	11,526	-	-	484,693
Administration	1,522,868	73,620	1,928	2,179	1,600,595
Operation and maintenance of plant	1,180,819	127,096	13,630	15,082	1,336,627
Transportation	510,116	40,631	88,051	23,440	662,238
	4,175,240	263,826	103,609	40,701	4,583,376
Non-instructional programs:					
Food service operations	-	289	-	-	289
Capital outlay	-	-	511,146	-	511,146
Long-term debt:					
Principal	-	-	-	747,000	747,000
Interest and fiscal charges	-	-	-	114,717	114,717
	-	-	-	861,717	861,717
Other expenditures:					
AEA flowthrough	586,294	-	-	-	586,294
Total expenditures	16,092,404	363,438	764,357	1,308,566	18,528,765
Excess(Deficiency)of revenues over(under) expenditures	158,789	315,773	1,055,266	(848,126)	681,702
Other financing sources(uses):					
Transfer in	500	-	3,886	861,151	865,537
Transfer out	-	(500)	(861,151)	(3,886)	(865,537)
Compensation for loss of capital assets	3,906	-	-	-	3,906
Sale of capital assets	3,437	-	-	-	3,437
Total other financing sources(uses)	7,843	(500)	(857,265)	857,265	7,343
Change in fund balances	166,632	315,273	198,001	9,139	689,045
Fund balances beginning of year	3,227,290	469,187	2,212,506	375,187	6,284,170
Fund balances end of year	\$ 3,393,922	784,460	2,410,507	384,326	6,973,215

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA 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) \$ 689,045

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. Depreciation expense and capital outlay expenditures of capital assets in the current year are as follows:

Capital outlay	\$ 391,574	
Depreciation expense	<u>(635,079)</u>	(243,505)

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. 747,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (26,346)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (54,715)

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. 774,938

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Termination benefits	103,302	
Pension expense	(427,434)	
Compensated absences	1,226	
Other postemployment benefits	<u>(79,878)</u>	<u>(402,784)</u>

Changes in net position of governmental activities (page 19) \$ 1,483,633

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 39,904	4,179,139
Accounts receivable	77	51,108
Inventories	21,249	-
	<u>61,230</u>	<u>4,230,247</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	88,042	-
Total assets	<u>149,272</u>	<u>4,230,247</u>
Deferred outflows of resources		
Pension related deferred outflows	27,340	-
Liabilities		
Current liabilities:		
Accounts payable	300	4,916
Salaries and benefits payable	12,911	8,544
Incurred but not reported claims	-	337,047
Unearned revenue	5,458	-
	<u>18,669</u>	<u>350,507</u>
Noncurrent liabilities:		
Net pension liability	121,549	-
Net OPEB liability	21,042	-
	<u>142,591</u>	<u>-</u>
Total liabilities	<u>161,260</u>	<u>350,507</u>
Deferred inflows of resources		
Pension related deferred inflows	46,355	-
Net position		
Net investment in capital assets	88,042	-
Unrestricted	(119,045)	3,879,740
Total net position	<u>\$ (31,003)</u>	<u>3,879,740</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 223,800	-
Miscellaneous	2,681	2,141,006
Total operating revenues	<u>226,481</u>	<u>2,141,006</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	9,880	-
Benefits	4,311	-
Services	6,054	-
Supplies	74	-
	<u>20,319</u>	<u>-</u>
Operation and maintenance of plant:		
Services	1,887	-
Total support services	<u>22,206</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	189,600	-
Benefits	111,590	-
Services	8	-
Supplies	390,425	-
Depreciation	18,136	-
	<u>709,759</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	2,143,810
Services	-	37,221
Supplies	-	13,992
Other	-	698
	<u>-</u>	<u>2,195,721</u>
Total non-instructional programs	<u>709,759</u>	<u>2,195,721</u>
Total operating expenses	<u>731,965</u>	<u>2,195,721</u>
Operating loss	<u>(505,484)</u>	<u>(54,715)</u>
Non-operating revenues:		
Interest income	20	-
State sources	6,546	-
Federal sources	498,045	-
Total non-operating revenues	<u>504,611</u>	<u>-</u>
Change in net position before other financing sources	(873)	(54,715)
Other financing sources:		
Capital contributions	10,649	-
Change in net position	9,776	(54,715)
Net position beginning of year, as restated	<u>(40,779)</u>	<u>3,934,455</u>
Net position end of year	<u>\$ (31,003)</u>	<u>3,879,740</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 224,211	-
Cash received from miscellaneous operating activities	2,681	2,089,898
Cash payments to employees for services	(314,594)	(2,173,969)
Cash payments to suppliers for goods or services	(352,844)	(51,911)
Net cash used in operating activities	<u>(440,546)</u>	<u>(135,982)</u>
Cash flows from non-capital financing activities:		
State grants received	6,546	-
Federal grants received	438,823	-
Net cash provided by non-capital financing activities	<u>445,369</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	20	-
Net increase(decrease) in cash and pooled investments	4,843	(135,982)
Cash and pooled investments at beginning of year	35,061	4,315,121
Cash and pooled investments at end of year	<u>\$ 39,904</u>	<u>4,179,139</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (505,484)	(54,715)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	59,222	-
Depreciation	18,136	-
Increase in inventories	(13,706)	-
Decrease(Increase) in accounts receivable	36	(51,108)
(Decrease)Increase in accounts payable	88	(32,850)
(Decrease)Increase in salaries and benefits payable	391	(600)
Increase in other postemployment benefits	8,276	-
Increase in incurred but not reported claims	-	3,291
Decrease in net pension liability	(44,804)	-
Increase in deferred outflows of resources	(9,431)	-
Increase in deferred inflows of resources	46,355	-
Increase in unearned revenue	375	-
Net cash used in operating activities	<u>\$ (440,546)</u>	<u>(135,982)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received Federal commodities valued at \$59,222.

During the year ended June 30, 2015, the Capital Projects: Physical Plant and Equipment Levy Fund contributed \$10,649 of capital contributions to the Nutrition Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 331,275	18,685
Interest receivable	473	-
Total assets	<u>331,748</u>	<u>18,685</u>
Liabilities		
Due to other groups	<u>-</u>	<u>18,685</u>
Net position		
Held in trust for scholarships	<u>\$ 331,748</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,848
Interest income	1,641
Total additions	<u>4,489</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>6,250</u>
Change in net position	(1,761)
Net position beginning of year	<u>333,509</u>
Net position end of year	<u>\$ 331,748</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Maquoketa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-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 Maquoketa, Iowa, and the predominate agricultural territory in Dubuque, Clinton, and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Maquoketa 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 Maquoketa 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dubuque, Clinton, and Jackson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 the following categories:

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

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

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

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

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds are as follows:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 governmental funds is accounted for using the modified accrual basis of accounting.

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment	5-15 years

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

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.

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use. 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 July 1, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$200,218 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 861,151
Capital Projects: Construction Projects	Support Trust	3,886
General	Management Levy	500
		<u>\$ 865,537</u>

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

The transfer from the Support Trust Fund to the Capital Projects: Construction Projects Fund for payment of vendors for the District’s construction project.

The transfer from the Management Levy Fund to the General Fund was to cover a deductible.

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 313,313	10,649	4,100	319,862
Less accumulated depreciation	217,784	18,136	4,100	231,820
Business type activities capital assets, net	<u>\$ 95,529</u>	<u>(7,487)</u>	<u>-</u>	<u>88,042</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 285,211	-	-	285,211
Construction in progress	30,294	129,696	159,990	-
Total capital assets not being depreciated	315,505	129,696	159,990	285,211
Capital assets being depreciated:				
Buildings	21,425,353	210,505	-	21,635,858
Land improvements	1,482,869	78,327	-	1,561,196
Machinery and equipment	3,555,739	133,036	44,642	3,644,133
Total capital assets being depreciated	26,463,961	421,868	44,642	26,841,187
Less accumulated depreciation for:				
Buildings	7,702,738	387,832	-	8,090,570
Land improvements	844,808	63,858	-	908,666
Machinery and equipment	2,734,790	183,389	44,642	2,873,537
Total accumulated depreciation	11,282,336	635,079	44,642	11,872,773
Total capital assets being depreciated, net	15,181,625	(213,211)	-	14,968,414
Governmental activities capital assets, net	\$ 15,497,130	(83,515)	159,990	15,253,625

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 48,138
Other		9,684
Support services:		
Administration		11,496
Operation and maintenance of plant		12,349
Transportation		101,722
		183,389
Unallocated depreciation		451,690
Total governmental activities depreciation expense		\$ 635,079
Business type activities:		
Food services operations		\$ 18,136

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 5,523,000	-	747,000	4,776,000	756,000
Termination benefits*	103,302	-	103,302	-	-
Compensated absences	7,679	6,453	7,679	6,453	6,453
Net pension liability	7,260,103	-	1,955,394	5,304,709	-
Net OPEB liability	362,564	79,878	-	442,442	-
Total	\$ 13,256,648	86,331	2,813,375	10,529,604	762,453
Business type activities:					
Net pension liability	166,353	-	44,804	121,549	-
Net OPEB liability	12,766	8,276	-	21,042	-
Total	\$ 179,119	8,276	44,804	142,591	-

* The termination benefits liability is now recorded based on actuarial valuation and is reflected in the net OPEB liability.

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,	Bonds issued April 25, 2012			Bonds issued February 26, 2013			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2016	2.55%	\$ 296,000	48,348	1.80%	\$ 460,000	49,770	756,000	98,118	854,118
2017	2.55	306,000	40,800	1.80	460,000	41,490	766,000	82,290	848,290
2018	2.55	312,000	32,997	1.80	480,000	33,210	792,000	66,207	858,207
2019	2.55	318,000	25,041	1.80	500,000	24,390	818,000	49,431	867,431
2020	2.55	330,000	16,932	1.80	500,000	15,390	830,000	32,322	862,322
2021	2.55	334,000	8,517	1.80	480,000	6,480	814,000	14,997	828,997
Total		<u>\$ 1,896,000</u>	<u>172,635</u>		<u>\$ 2,880,000</u>	<u>170,730</u>	<u>4,776,000</u>	<u>343,365</u>	<u>5,119,365</u>

The District has pledged future statewide sales, services and use tax to repay the \$6,310,000 bonds issued in April 2012 and February 2013. The bonds were issued for the purpose of financing a portion of the costs of high school renovation and HVAC projects and for refinancing previously issued bonds. 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 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 67% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,119,365. For the current year, \$747,000 in principal and \$113,717 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,277,413.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 6. Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must

be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$792,613.

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 \$5,426,258 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 0.134078 percent, which was an increase of 0.002915 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$437,229. 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	\$ 58,973	\$ -
Changes of assumptions	239,473	-
Net difference between projected and actual earnings on pension plan investments	-	2,069,418
Changes in proportion and differences between District contributions and proportionate share of contributions	133,056	-
District contributions subsequent to the measurement date	792,613	-
Total	<u>\$ 1,224,115</u>	<u>\$ 2,069,418</u>

\$792,613 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (416,536)
2017	(416,536)
2018	(416,536)
2019	(416,536)
2020	28,228
	<u>\$ (1,637,916)</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	\$ 10,252,761	\$ 5,426,258	\$ 1,352,188

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 \$69,993 for legally required employer contributions and \$46,636 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees and their spouses. There are 161 active and 12 retired members in the plan. Retired participants must be 55 or older at retirement.

The medical, prescription drug, and dental coverage is provided through a District self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers an early retirement incentive to all eligible employees who have attained age 55 and have fifteen or more years of service 50% of the employees' current contracted salary paid in four equal installments to a AUL special trust, which results 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 415,343
Interest on net OPEB obligation	9,383
Adjustment to annual required contribution	<u>(25,227)</u>
Annual OPEB cost	399,499
Contributions made	<u>(311,345)</u>
Increase in net OPEB obligation	88,154
Net OPEB obligation beginning of year	<u>375,330</u>
Net OPEB obligation end of year	<u><u>\$ 463,484</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 113,661	9.17 %	\$ 262,227
2014	123,570	8.47	375,330
2015	399,499	77.93	463,484

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,439,371, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,439,371. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,962,737, and the ratio of the UAAL to covered payroll was 18.08%. As of June 30, 2015, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy and the projected annual medical trend rate is 6%.

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

Note 8. Risk Management

The District has a self-funded health and self-funded dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$60,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,879,740 at June 30, 2015. The incurred but not recorded and unpaid claims liability of \$337,047 reported in the plan at June 30, 2015 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$586,294 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements

Note 10. Categorical Funding

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

Program	Amount
Limited english proficient	\$ 15,400
Home school assistance program	25,903
Weighted at-risk programs	5,596
Gifted and talented programs	1,048
Successful progression for early readers	39,256
Beginning teacher mentoring and induction program	5,536
Teacher salary supplement	688
Teacher leadership grants	6,025
Professional development for model core curriculum	66,446
Professional development	28,441
Textbook aid for nonpublic students	3
Four-year-old preschool state aid	88,056
Total	\$ 282,398

Note 11. Deficit Net Position

The Enterprise, School Nutrition Fund had deficit unrestricted net position of \$119,045 and deficit total net position of \$31,003 at June 30, 2015.

Note 12. 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	\$ 20,294,448	\$ 107,665
Net pension liability at June 30, 2014	(7,260,103)	(166,353)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	781,602	17,909
Net position July 1, 2014, as restated	<u>\$ 13,815,947</u>	<u>\$ (40,779)</u>

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

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

	<u>Net Investment in Capital Assets</u>	<u>Unassigned/ Unrestricted</u>
Fund Balance (Exhibit C)	\$ -	3,111,524
Capital assets, net of accumulated depreciation	15,253,625	-
Revenue Bond capitalized indebtedness	(4,776,000)	-
Internal service fund	-	3,879,740
Compensated absences	-	(6,453)
Net OPEB liability	-	(442,442)
Net pension liability	-	(5,304,709)
Pension related deferred outflows of resources	-	1,196,775
Pension related deferred inflows of resources	-	(2,023,063)
Income surtax	-	548,892
Net Position (Exhibit A)	<u>\$ 10,477,625</u>	<u>960,264</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total			Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 8,295,304	226,501	8,521,805	8,102,622	8,102,622	419,183
Intermediate sources	7,942	-	7,942	10,000	10,000	(2,058)
State sources	10,218,087	6,546	10,224,633	10,336,301	10,336,301	(111,668)
Federal sources	689,134	498,045	1,187,179	1,016,568	1,016,568	170,611
Total revenues	19,210,467	731,092	19,941,559	19,465,491	19,465,491	476,068
Expenditures/Expenses:						
Instruction	11,985,943	-	11,985,943	12,918,152	12,547,795	561,852
Support services	4,583,376	22,206	4,605,582	4,627,648	4,846,440	240,858
Non-instructional programs	289	709,759	710,048	747,751	775,751	65,703
Other expenditures	1,959,157	-	1,959,157	1,974,249	2,236,211	277,054
Total expenditures/expenses	18,528,765	731,965	19,260,730	20,267,800	20,406,197	1,145,467
Excess(Deficiency)of revenues over(under)expenditures/expenses	681,702	(873)	680,829	(802,309)	(940,706)	1,621,535
Other financing sources(uses), net	7,343	10,649	17,992	6,000	6,000	11,992
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	689,045	9,776	698,821	(796,309)	(934,706)	1,633,527
Balances beginning of year, as restated	6,284,170	(40,779)	6,243,391	4,983,644	4,983,644	1,259,747
Balances end of year	\$ 6,973,215	(31,003)	6,942,212	4,187,335	4,048,938	2,893,274

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA 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 functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures in the support services functional area by \$218,792, non-instructional programs functional area by \$28,000, and other expenditures functional area by \$261,962. The District decreased budgeted expenditures in the instruction functional area by \$370,357.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING 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)
2009	July 1, 2008	\$ -	\$ 1,043,000	\$ 1,043,000	0.00%	\$ 7,192,573	14.50%
2010	July 1, 2008	-	1,043,000	1,043,000	0.00	8,448,713	12.35
2011	July 1, 2008	-	1,043,000	1,043,000	0.00	7,909,596	13.19
2012	July 1, 2011	-	909,900	909,900	0.00	7,956,435	11.44
2013	July 1, 2011	-	905,447	905,447	0.00	7,824,697	11.57
2014	July 1, 2011	-	859,355	859,355	0.00	7,677,427	11.19
2015	July 1, 2014	-	1,439,371	1,439,371	0.00	7,962,737	18.08

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA 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	0.134078%
District's proportionate share of the net pension liability	\$ 5,426,258
District's covered-employee payroll	\$ 8,875,845
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.14%
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.

MAQUOKETA 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	\$ 792,613	799,520	735,556	721,059	619,169	620,127	593,595	510,301	476,697	480,406
Contributions in relation to the statutorily required contribution	(792,613)	(799,520)	(735,556)	(721,059)	(619,169)	(620,127)	(593,595)	(510,301)	(476,697)	(480,406)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,875,845	8,953,191	8,483,922	8,935,056	8,908,906	8,922,691	9,347,953	8,434,727	8,290,383	8,354,887
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.

MAQUOKETA 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.

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

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

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

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total
	Student Activity	Support Trust	Total		
Assets					
Cash and pooled investments	\$ 202,032	126,962	328,994	74,869	403,863
Accounts receivable	11,162	-	11,162	-	11,162
Total assets	<u>\$ 213,194</u>	<u>126,962</u>	<u>340,156</u>	<u>74,869</u>	<u>415,025</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 29,499	-	29,499	-	29,499
Salaries and benefits payable	1,200	-	1,200	-	1,200
Total liabilities	<u>30,699</u>	<u>-</u>	<u>30,699</u>	<u>-</u>	<u>30,699</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	74,869	74,869
Student activities	182,495	-	182,495	-	182,495
Support trust	-	126,962	126,962	-	126,962
Total fund balances	<u>182,495</u>	<u>126,962</u>	<u>309,457</u>	<u>74,869</u>	<u>384,326</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 213,194</u>	<u>126,962</u>	<u>340,156</u>	<u>74,869</u>	<u>415,025</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Student Activity	Support Trust	Total		
Revenues:					
Local sources:					
Other	\$ 458,330	2,092	460,422	18	460,440
Expenditures:					
Current:					
Instruction:					
Regular	-	420	420	-	420
Other	403,239	2,489	405,728	-	405,728
	403,239	2,909	406,148	-	406,148
Support services:					
Administration	2,179	-	2,179	-	2,179
Operation and maintenance of plant	630	14,452	15,082	-	15,082
Transportation	23,214	226	23,440	-	23,440
	26,023	14,678	40,701	-	40,701
Long-term debt:					
Principal	-	-	-	747,000	747,000
Interest and fiscal charges	-	-	-	114,717	114,717
	-	-	-	861,717	861,717
Total expenditures	429,262	17,587	446,849	861,717	1,308,566
Excess(Deficiency)of revenues over(under)expenditures	29,068	(15,495)	13,573	(861,699)	(848,126)
Other financing sources(uses):					
Transfer in	-	-	-	861,151	861,151
Transfer out	-	(3,886)	(3,886)	-	(3,886)
Total other financing sources(uses)	-	(3,886)	(3,886)	861,151	857,265
Change in fund balances	29,068	(19,381)	9,687	(548)	9,139
Fund balances beginning of year	153,427	146,343	299,770	75,417	375,187
Fund balances end of year	\$ 182,495	126,962	309,457	74,869	384,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,711,464	516,611	2,228,075
Receivables:			
Property tax:			
Delinquent	-	4,748	4,748
Succeeding year	-	387,393	387,393
Accounts	-	942	942
Due from other governments	198,959	-	198,959
Total assets	\$ 1,910,423	909,694	2,820,117
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 2,960	19,257	22,217
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	387,393	387,393
Fund balances:			
Restricted for:			
School infrastructure	1,907,463	-	1,907,463
Physical plant and equipment	-	503,044	503,044
Total fund balances	1,907,463	503,044	2,410,507
Total liabilities, deferred inflows of resources and fund balances	\$ 1,910,423	909,694	2,820,117

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA 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, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	392,162	392,162
Other	86,161	-	13,657	99,818
State sources	1,277,413	-	230	1,277,643
Federal sources	50,000	-	-	50,000
Total revenues	<u>1,413,574</u>	<u>-</u>	<u>406,049</u>	<u>1,819,623</u>
Expenditures:				
Current:				
Instruction:				
Regular	147,903	-	1,699	149,602
Support services:				
Administration	1,928	-	-	1,928
Operation and maintenance of plant	-	-	13,630	13,630
Transportation	-	-	88,051	88,051
Capital outlay	207,462	3,886	299,798	511,146
Total expenditures	<u>357,293</u>	<u>3,886</u>	<u>403,178</u>	<u>764,357</u>
Excess(Deficiency)of revenues over(under)expenditures	1,056,281	(3,886)	2,871	1,055,266
Other financing sources(uses):				
Transfer in	-	3,886	-	3,886
Transfer out	(861,151)	-	-	(861,151)
Total other financing sources(uses)	<u>(861,151)</u>	<u>3,886</u>	<u>-</u>	<u>(857,265)</u>
Change in fund balances	195,130	-	2,871	198,001
Fund balances beginning of year	<u>1,712,333</u>	<u>-</u>	<u>500,173</u>	<u>2,212,506</u>
Fund balances end of year	<u>\$ 1,907,463</u>	<u>-</u>	<u>503,044</u>	<u>2,410,507</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drug testing	\$ 891	-	-	(891)	-
Weight room	-	11,250	8,778	-	2,472
Interest	-	527	-	(527)	-
HS activity tickets	-	16,610	46	(11,087)	5,477
Activities control	3,909	-	-	(1,204)	2,705
HS speech	-	1,255	2,061	806	-
Speech fundraiser	5,338	971	2,477	1,200	5,032
HS vocal music	-	8,744	9,153	409	-
Harm helpers	2,601	5,393	4,726	-	3,268
HS band	-	1,086	3,329	2,243	-
HS band tour	1,164	33,474	34,858	220	-
Athletic control	14,747	3,854	8,134	(1,309)	9,158
Athletic pass	2,856	1,685	205	(4,336)	-
Athletic awards	-	-	-	587	587
Coed cross country	-	-	1,565	1,565	-
Cross country fundraiser	157	470	1,189	600	38
Tennis fundraiser	1,510	2,657	3,217	(282)	668
Bowling	-	-	680	680	-
Bowl	767	2,062	2,249	-	580
HS cheerleaders	-	-	302	302	-
Dance squad	1,053	450	2,760	1,707	450
Cheerleaders fundraiser	-	15,965	14,963	-	1,002
Dance squad fundraiser	1,255	6,468	7,302	-	421
HS boys basketball	-	11,519	8,148	(3,371)	-
Boys basketball fundraiser	7,481	12,292	15,457	-	4,316
HS football	-	15,044	13,337	(1,707)	-
Football fundraiser	8,789	23,840	22,292	-	10,337
HS boys soccer	-	2,132	2,733	961	360
Boys soccer fundraiser	524	1,349	1,462	-	411
HS baseball	-	3,466	8,216	4,750	-
Baseball fundraiser	1,957	13,761	5,379	900	11,239
HS boys track	-	1,315	2,296	1,031	50
Track fundraiser	934	2,268	2,617	300	885
Boys tennis	-	38	261	223	-
HS boys golf	-	621	1,822	1,201	-
Boys golf fundraiser	1,975	225	1,300	321	1,221
HS wrestling	-	6,061	7,996	1,935	-
Wrestling fundraiser	1,770	5,955	4,669	300	3,356
HS girls basketball	-	8,777	8,630	(147)	-
Girls basketball fundraiser	5,165	5,612	7,959	-	2,818
HS volleyball	-	4,684	3,366	(1,318)	-
Volleyball fundraiser	3,893	11,069	11,705	-	3,257
HS girls soccer	-	1,170	3,178	2,008	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS girls soccer fundraiser	1,659	653	696	-	1,616
HS softball	-	1,258	4,547	3,289	-
Softball fundraiser	1,396	4,572	1,455	-	4,513
HS girls track	-	1,430	2,918	1,488	-
Girls track fundraiser	1,138	2,957	3,912	-	183
Girls tennis	-	-	482	482	-
HS girls golf	-	-	1,428	1,428	-
Girls golf fundraiser	159	-	-	-	159
Club hope	7,806	75,199	59,110	2,171	26,066
HS yearbook	4,032	5,718	6,205	8	3,553
Diversity club	1,432	-	-	4	1,436
HS winter concessions	1,178	30,935	21,159	(9,590)	1,364
HS class of 2015	1,889	-	-	(1,889)	-
HS class of 2016	2,990	5,927	8,931	904	890
HS class of 2017	1,213	-	1,100	602	715
HS class of 2018	1,041	230	18	3	1,256
HS class of 2019	-	3,504	-	306	3,810
HS post grads	3,114	-	-	1,902	5,016
HS BPA	2,808	-	-	(272)	2,536
HOSA	10,515	10,452	5,912	1,239	16,294
FCCLA	128	571	383	281	597
FFA	-	33,374	30,862	(125)	2,387
National honor society	-	314	546	601	369
Student senate	2,268	3,227	3,877	5	1,623
Spanish club	8,568	-	-	23	8,591
French club	1,985	10	690	(1,305)	-
Maquetan	240	-	-	-	240
HS SADD	4,025	2,239	1,230	12	5,046
MS chorus	27	563	76	1	515
MS band	1,700	7,637	8,213	5	1,129
MS boys athletics	8,410	10,642	10,318	21	8,755
MS mat refurbishing	2,530	-	-	7	2,537
MS girls athletics	8,216	5,927	6,996	318	7,465
MS awards	1,711	1,403	1,355	4	1,763
MS student council	1,752	2,615	2,636	5	1,736
MS concessions	269	2,854	3,005	1	119
MS card club	385	-	385	-	-
Elementary chorus	107	-	-	1	108
Total	\$ 153,427	458,330	429,262	-	182,495

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Stoddard Donation	\$ 108,517	6	3,135	-	105,388
Jan Donation	28,030	13	14,452	-	13,591
Paver Project	3,420	-	-	-	3,420
Jack Marlowe Project	6,376	2,073	-	(3,886)	4,563
Total	<u>\$ 146,343</u>	<u>2,092</u>	<u>17,587</u>	<u>(3,886)</u>	<u>126,962</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Wendell scholarship	\$ 130,585	662	600	130,647
Joiner scholarship	5,022	6	1,000	4,028
Schuman scholarship	10,493	50	-	10,543
Other scholarship	-	500	800	(300)
Zimmerman scholarship	272	128	400	-
Bothwell scholarship	2,305	600	-	2,905
Marcucci scholarship	46,925	215	1,500	45,640
Greene scholarship	2,782	10	500	2,292
Wolf scholarship	188	200	200	188
Hute scholarship	3,268	1,430	500	4,198
Shimanek scholarship	130,919	688	500	131,107
Dwain scholarship	750	-	250	500
Total	<u>\$ 333,509</u>	<u>4,489</u>	<u>6,250</u>	<u>331,748</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 11,364	36,692	29,371	18,685
Liabilities				
Due to other groups	\$ 11,364	36,692	29,371	18,685

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 5,673,246	5,373,049	5,843,641	5,842,743	5,586,873	5,561,028	5,630,705	5,540,702	5,677,215	5,275,463
Tuition	1,725,307	1,732,446	1,800,579	1,595,271	1,536,714	1,519,869	1,471,389	1,382,562	1,417,048	1,310,925
Other	896,751	749,357	753,058	771,680	882,570	927,688	875,159	1,153,884	882,531	894,134
Intermediate sources	7,942	10,425	5,993	3,945	8,888	-	-	-	165	67,380
State sources	10,218,087	10,434,528	9,361,577	9,431,099	9,525,342	7,829,985	8,718,009	8,759,891	8,015,028	7,382,870
Federal sources	689,134	646,251	549,921	940,067	1,443,571	1,913,682	961,826	512,234	555,941	616,074
Total	\$ 19,210,467	18,946,056	18,314,769	18,584,805	18,983,958	17,752,252	17,657,088	17,349,273	16,547,928	15,546,846
Expenditures:										
Instruction:										
Regular	\$ 6,495,799	6,078,347	6,432,237	6,382,639	6,145,416	6,247,444	5,763,001	5,494,974	5,313,578	5,232,550
Special	3,202,310	3,050,978	3,166,801	3,053,502	3,238,042	3,140,524	3,252,054	3,118,967	2,868,397	2,695,274
Other	2,287,834	2,475,336	2,472,005	2,453,580	2,525,186	2,538,482	2,060,548	1,966,120	1,992,986	1,910,065
Support services:										
Student	499,223	524,396	490,347	564,543	794,653	787,424	765,681	494,118	478,759	468,581
Instructional staff	484,693	563,944	472,851	433,112	409,756	459,228	585,951	501,442	472,364	533,538
Administration	1,600,595	1,505,857	1,454,273	1,449,187	1,408,476	1,527,286	1,539,072	1,369,717	1,414,106	1,294,067
Operation and maintenance of plant	1,336,627	1,322,255	1,248,967	1,252,879	1,355,051	1,281,385	1,238,015	1,161,128	1,080,629	1,100,601
Transportation	662,238	668,861	543,782	750,136	571,108	726,336	616,934	585,469	623,958	709,457
Non-instructional programs	289	336	777	2,438	12,907	4,115	12,544	12,688	12,698	9,002
Capital outlay	511,146	809,317	1,490,217	1,466,594	463,282	354,726	476,721	5,120,874	1,593,675	202,500
Long-term debt:										
Principal	747,000	705,000	502,000	630,000	300,000	290,000	500,000	295,000	815,000	785,000
Interest and fiscal charges	114,717	152,891	260,238	303,350	216,400	228,200	244,153	135,612	135,957	45,255
Other expenditures:										
AEA flow-through	586,294	583,470	565,757	565,100	627,756	615,579	559,978	539,094	504,377	462,476
Total	\$ 18,528,765	18,440,988	19,100,252	19,307,060	18,068,033	18,200,729	17,614,652	20,795,203	17,306,484	15,448,366

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 95,719
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	402,326 *
			<u>498,045</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-G	304,459
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-GC	12,717
			<u>317,176</u>
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>13,393</u> **
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>24,101</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 14	17,014
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 15	32,986
			<u>50,000</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>74,231</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>7,871</u>
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES			
	84.027	FY 15	<u>69,276</u> **
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 15	<u>650</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAL RESERVE CORPS SMALL GRANT PROGRAM	93.008	FY 15	<u>3,500</u>
HOSPITAL PREPAREDNESS PROGRAM(HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS(PHEP) ALIGNED COOPERATIVE AGREEMENTS			
	93.074	FY 15	<u>3,750</u>
			<u>\$ 1,061,993</u>

* Includes \$59,222 of non-cash awards.

** Total for Special Education (IDEA) is \$82,669.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maquoketa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Maquoketa Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Maquoketa 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 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting.

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 and Questioned Costs, we identified deficiencies in internal control we consider to be 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Maquoketa Community School District's Responses to Findings

Maquoketa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Maquoketa Community School District's responses 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 Maquoketa 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 15, 2016
Newton, Iowa

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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Maquoketa Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Maquoketa Community School District's major federal programs for the year ended June 30, 2015. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Maquoketa Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maquoketa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Maquoketa Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Maquoketa Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Maquoketa Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Maquoketa Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2016
Newton, Iowa

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered Programs:
 - School Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual Program:
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Ordering - We noted during our audit that the District set up a Special Friends and Family account with US Foods for employees, churches and the fire department to purchase items through US Foods. This group pays US Foods directly, however, the school is the billing contact.

Recommendation - The District should not allow individuals or groups to make purchases with US Foods through a school account. If these individuals would like to continue to purchase from US Foods, they should each set up their own separate account separate from the school account.

Response - The District will no longer allow individuals to make purchases with US Foods through the school account. However, the District will still allow community groups whom

have tax exempt status to purchase through the school account as a civic service. These groups will make payment prior to ordering and payable directly to vendor.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Fuel	\$ 97,245
Joanie Bowman, Teacher Spouse owns Bowman's Body Shop & Wreckage Services	Repairs	783
Kathy Klocke, Nurse Spouse owns Klocke Excavating	Landscaping Services	4,250
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Parts and Equipment	1,931
Tara Michel, Teacher Mother-in-law provided catering	Catering	1,450
Louie Clasen, Coach Owns Timber Lanes	Purchased Services	728
James Manderscheid, Substitute bus driver	Key & lock Services	2,436

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions with employees' spouses and mother-in-law do not appear to be a conflict of interest.

In accordance with an Attorney General's opinion dated July 2, 1990, the transactions with District employees do not appear to be a conflict of interest.

IV-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.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We noted that the board minutes were not signed by the Board Secretary or Board President.

Recommendation - The Board President and Board Secretary should sign all approved Board minutes as recommended in Chapter 3 of the Uniform Administrative Procedures for Iowa School Districts and AEA Officials.

Response - The District will ensure all approved minutes are signed in accordance with Chapter 3 of the Uniform Administrative Procedures for Iowa School Districts and AEA Officials.

Conclusion - Response accepted.

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

IV-H-15 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.

IV-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.

IV-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.

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

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

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

Beginning Balance		\$ 1,712,333
Revenues/transfers in:		
Sales tax revenues	\$ 1,277,413	
Other local revenues	86,161	
Federal revenues	50,000	1,413,574
		<u>3,125,907</u>
Expenditures/transfers out:		
School infrastructure construction	155,234	
Equipment	144,050	
Other	58,009	
Transfers to other funds:		
Debt service fund	861,151	1,218,444
		<u>1,218,444</u>
Ending balance		<u>\$ 1,907,463</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.

IV-M-15 Deficit Accounts - The Enterprise, School Nutrition Fund had deficit unrestricted net position of \$119,045 and deficit total net position of \$31,003 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District's School Nutrition Fund went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.