

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
John Zietlow	President	2015
Chris Huber	Vice President	2017
Donna Kunde	Board Member	2015
Doug Dabroski	Board Member	2017
Mike Feldmann	Board Member	2017
School Officials		
Doug Tuetken	Superintendent	2015
Erika Imler	District Secretary/ Business Manager	2015
Lynch & Dallas, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District, Delhi, 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 Valley Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2016 on our consideration of Maquoketa Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Maquoketa Valley Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,208,314 during fiscal year 2014 to \$7,611,986 during fiscal year 2015, while General Fund expenditures decreased from \$7,376,892 during fiscal year 2014 to \$7,016,718 during fiscal year 2015. The District's fund balance increased from \$1,088,756 at June 30, 2014 to \$1,684,024 at June 30, 2015, which was a 54.67% increase.
- The increase in General Fund revenues was mainly due to an increase in local sources received as compared to the previous year. The decrease in expenditures was due primarily from a decrease in instruction expenditures incurred compared to the prior year.

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 Valley Community School District as a whole and present an overall view of the District's finances.

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

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

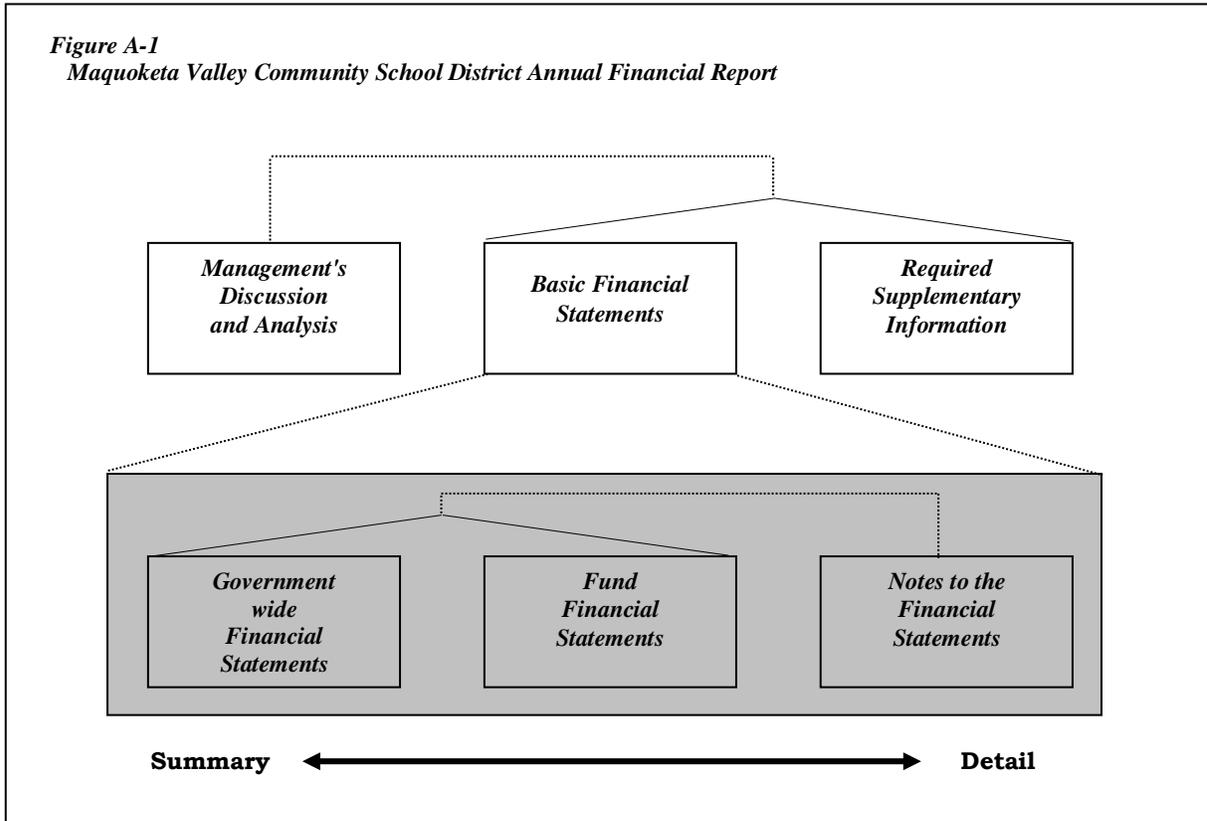


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and 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 required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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 a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 10,939,154	9,370,790	180,647	146,430	11,119,801	9,517,220	16.84%
Capital assets	8,002,975	8,131,684	16,724	20,576	8,019,699	8,152,260	-1.63%
Total assets	18,942,129	17,502,474	197,371	167,006	19,139,500	17,669,480	8.32%
Deferred outflows of resources	458,619	-	21,477	-	480,096	-	100.00%
Long-term liabilities	4,271,949	2,195,000	112,620	-	4,384,569	2,195,000	99.75%
Other liabilities	833,594	269,079	40,071	8,065	873,665	277,144	215.24%
Total liabilities	5,105,543	2,464,079	152,691	8,065	5,258,234	2,472,144	112.70%
Deferred inflows of resources	5,579,893	4,228,304	53,933	-	5,633,826	4,228,304	33.24%
Net Position:							
Net investment in capital assets	6,322,975	5,936,684	16,724	20,576	6,339,699	5,957,260	6.42%
Restricted	4,477,262	4,065,497	-	-	4,477,262	4,065,497	10.13%
Unrestricted	(2,084,925)	807,910	(4,500)	138,365	(2,089,425)	946,275	-320.81%
Total net position	\$ 8,715,312	10,810,091	12,224	158,941	8,727,536	10,969,032	-20.43%

The District's combined net position decreased by 20.43% or \$2,241,496 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 10.13% or \$411,765 from the prior year. The increase can be attributed to the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by 320.81% or \$3,035,700 from the prior year. The decrease 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 \$3,515,199 and \$154,495, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2014		2014		2014		2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)		
Revenues:								
Program revenues:								
Charges for service	\$ 797,733	653,365	247,920	247,527	1,045,653	900,892	16.07%	
Operating grants, contributions and restricted interest	677,772	701,296	209,427	199,966	887,199	901,262	-1.56%	
Capital grants, contributions and restricted interest	-	43,475	-	-	-	43,475	-100.00%	
General revenues:								
Property tax	4,248,765	3,958,239	-	-	4,248,765	3,958,239	7.34%	
Statewide sales, services and use tax	656,075	631,186	-	-	656,075	631,186	3.94%	
Unrestricted state grants	3,204,362	3,427,282	-	-	3,204,362	3,427,282	-6.50%	
Unrestricted investment earnings	72,624	68,584	332	393	72,956	68,977	5.77%	
Other	86,998	57,132	-	-	86,998	57,132	52.28%	
Total revenues	9,744,329	9,540,559	457,679	447,886	10,202,008	9,988,445	2.14%	
Program expenses:								
Instruction	5,490,047	5,711,125	-	-	5,490,047	5,711,125	-3.87%	
Support services	2,199,158	2,247,587	37,652	15,704	2,236,810	2,263,291	-1.17%	
Non-instructional programs	-	-	412,249	412,179	412,249	412,179	0.02%	
Other expenses	634,704	648,649	-	-	634,704	648,649	-2.15%	
Total expenses	8,323,909	8,607,361	449,901	427,883	8,773,810	9,035,244	-2.89%	
Change in net position	1,420,420	933,198	7,778	20,003	1,428,198	953,201	49.83%	
Net position beginning of year, as restated	7,294,892	9,876,893	4,446	138,938	7,299,338	10,015,831	-27.12%	
Net position end of year	\$ 8,715,312	10,810,091	12,224	158,941	8,727,536	10,969,032	-20.43%	

In fiscal year 2015, property tax and unrestricted state grants accounted for 76.49% of the revenue from governmental activities, while charges for service and operating grants and contributions accounted for 99.93% of the revenue from business type activities.

The District's total revenues were approximately \$10.20 million, of which approximately \$9.74 million was for governmental activities and approximately \$0.46 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.14% in revenues and a 2.89% decrease in expenditures as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$9,744,329 and expenses were \$8,323,909 for the year ended June 30, 2015.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 5,490,047	5,711,125	-3.87%	4,415,485	4,658,764	-5.22%
Support services	2,199,158	2,247,587	-2.15%	2,092,370	2,195,809	-4.71%
Other expenses	634,704	648,649	-2.15%	340,549	354,652	-3.98%
Total	\$ 8,323,909	8,607,361	-3.29%	6,848,404	7,209,225	-5.00%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$797,733.
- Federal and state governments along with local sources subsidized certain programs with operating grants and contributions totaling \$677,772.
- The net cost of governmental activities was financed with \$4,248,765 in property tax, \$656,075 in statewide sales, services and use tax, \$3,204,362 in unrestricted state grants, \$72,624 in unrestricted investment earnings and \$86,998 in other general revenue.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$457,679 and expenses were \$449,901. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$5,756,111, above last year's ending fund balances of \$4,872,997. This increase is primarily attributable to the increase of the General Fund balance during fiscal year 2015.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The General Fund balance increased from \$1,088,756 at June 30, 2014 to \$1,684,024 at June 30, 2015, representing an increase of 54.67%. The increase in the General Fund balance is primarily due to increased revenue from local sources as compared to the previous year.
- The Capital Projects Fund balance increased from \$1,933,637 at June 30, 2014 to \$2,122,686 at June 30, 2015, a 9.78% increase. Although revenues decreased 0.96%, they still exceed expenditures which increased 68.66%, creating the increase in fund balance.

- The Management Levy Fund balance increased from \$1,468,619 at June 30, 2014 to \$1,535,681 at June 30, 2015, a 4.57% increase from the prior year.
- The Debt Service Fund balance increased from \$293,264 at June 30, 2014 to \$300,087 at June 30, 2015.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$4,446 restated at July 1, 2014 to \$12,224 at June 30, 2015, representing an increase of 174.94%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$110,282 more than budgeted revenues, a variance of 1.09%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$8,019,699, 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) There is more detailed information about the District’s capital assets presented in Note 4 to the financial statements. Depreciation expense for the year was \$427,864.

The original cost of the District’s capital assets was \$14,594,578. Governmental funds account for \$14,330,627, with the remainder of \$263,951 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District’s machinery and equipment totaled \$521,591 at June 30, 2015, compared to \$376,783 reported at June 30, 2014. The increase in machinery and equipment is mainly due to vehicle additions during the year.

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	\$ 99,421	99,421	-	-	99,421	99,421	0.00%
Buildings	7,021,936	7,254,944	-	-	7,021,936	7,254,944	-3.21%
Land improvements	376,751	421,112	-	-	376,751	421,112	-10.53%
Machinery and equipment	504,867	356,207	16,724	20,576	521,591	376,783	38.43%
Total	\$ 8,002,975	8,131,684	16,724	20,576	8,019,699	8,152,260	-1.63%

Long-Term Debt

At June 30, 2015, the District had \$4,384,569 in long-term debt outstanding consisting of general obligation bonds payable. This represents an increase of 99.75%. (See Figure A-7) Of the total long-term debt remaining, \$535,000 is due within one year. Additional information about the District’s long-term debt is presented in Note 3 to the financial statements.

The District had \$1,680,000 of outstanding general obligation bonded debt at June 30, 2015, payable from the Debt Service Fund.

The District had a net pension liability of \$2,675,037 at June 30, 2015. \$2,562,417 was attributed to governmental activities and \$112,620 was attributed to business type activities.

The District had a \$29,532 net OPEB liability at June 30, 2015, all attributed to governmental 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,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
General obligation bonds	\$ 1,680,000	2,195,000	-	-	1,680,000	2,195,000	-23.46%
Net pension liability	2,562,417	-	112,620	-	2,675,037	-	100.00%
Net OPEB liability	29,532	-	-	-	29,532	-	100.00%
Total	\$ 4,271,949	2,195,000	112,620	-	4,384,569	2,195,000	99.75%

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District continues to see a decrease in certified enrollment. A steady decline is expected in the future.
- A significant increase in utility and transportation costs continue to be a concern for the District.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property tax.

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 Erika Imler, District Secretary/Business Manager, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

Maquoketa Valley Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,273,025	158,160	6,431,185
Receivables:			
Property tax:			
Delinquent	71,835	-	71,835
Succeeding year	4,352,773	-	4,352,773
Accounts	180	5,171	5,351
Due from other governments	241,341	-	241,341
Inventories	-	17,316	17,316
Capital assets, net of accumulated depreciation	8,002,975	16,724	8,019,699
Total assets	18,942,129	197,371	19,139,500
Deferred outflows of resources			
Pension related deferred outflows	458,619	21,477	480,096
Liabilities			
Accounts payable	239,702	-	239,702
Salaries and benefits payable	590,568	34,904	625,472
Accrued interest payable	3,324	-	3,324
Unearned revenue	-	5,167	5,167
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	535,000	-	535,000
Portion due after one year:			
General obligation bonds payable	1,145,000	-	1,145,000
Net pension liability	2,562,417	112,620	2,675,037
Net OPEB liability	29,532	-	29,532
Total liabilities	5,105,543	152,691	2,553,665
Deferred inflows of resources			
Unavailable property tax revenues	4,352,773	-	4,352,773
Pension related deferred inflows	1,227,120	53,933	1,281,053
Total deferred inflows of resources	5,579,893	53,933	5,633,826
Net position			
Net investment in capital assets	6,322,975	16,724	6,339,699
Restricted for:			
Categorical funding	408,499	-	408,499
Management levy purposes	1,535,681	-	1,535,681
School infrastructure	2,003,398	-	2,003,398
Physical plant and equipment	119,288	-	119,288
Student activities	113,633	-	113,633
Debt service	296,763	-	296,763
Unrestricted	(2,084,925)	(4,500)	(2,089,425)
Total net position	\$ 8,715,312	12,224	8,727,536

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY 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	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,612,556	266,871	39,520	(3,306,165)	-	(3,306,165)
Special	768,925	56,675	71,836	(640,414)	-	(640,414)
Other	1,108,566	375,633	264,027	(468,906)	-	(468,906)
	<u>5,490,047</u>	<u>699,179</u>	<u>375,383</u>	<u>(4,415,485)</u>	<u>-</u>	<u>(4,415,485)</u>
Support services:						
Student	181,839	-	-	(181,839)	-	(181,839)
Instructional staff	223,464	51,054	-	(172,410)	-	(172,410)
Administration	824,781	47,500	-	(777,281)	-	(777,281)
Operation and maintenance of plant	621,757	-	-	(621,757)	-	(621,757)
Transportation	347,317	-	8,234	(339,083)	-	(339,083)
	<u>2,199,158</u>	<u>98,554</u>	<u>8,234</u>	<u>(2,092,370)</u>	<u>-</u>	<u>(2,092,370)</u>
Long-term debt interest	47,653	-	-	(47,653)	-	(47,653)
Other Expenditures:						
AEA flowthrough	294,155	-	294,155	-	-	-
Depreciation(unallocated)*	292,896	-	-	(292,896)	-	(292,896)
	<u>587,051</u>	<u>-</u>	<u>294,155</u>	<u>(292,896)</u>	<u>-</u>	<u>(292,896)</u>
Total governmental activities	<u>8,323,909</u>	<u>797,733</u>	<u>677,772</u>	<u>(6,848,404)</u>	<u>-</u>	<u>(6,848,404)</u>
Business type activities:						
Support services:						
Administration	22,461	-	-	-	(22,461)	(22,461)
Operation and maintenance of plant	15,191	-	-	-	(15,191)	(15,191)
	<u>37,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,652)</u>	<u>(37,652)</u>
Non-instructional programs:						
Food service operations	412,249	247,920	209,427	-	45,098	45,098
Total business type activities	<u>449,901</u>	<u>247,920</u>	<u>209,427</u>	<u>-</u>	<u>7,446</u>	<u>7,446</u>
Total	<u>\$ 8,773,810</u>	<u>1,045,653</u>	<u>887,199</u>	<u>(6,848,404)</u>	<u>7,446</u>	<u>(6,840,958)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,590,399	-	3,590,399
Debt service				565,942	-	565,942
Capital outlay				92,424	-	92,424
Statewide sales, services and use tax				656,075	-	656,075
Unrestricted state grants				3,204,362	-	3,204,362
Unrestricted investment earnings				72,624	332	72,956
Other				86,998	-	86,998
Total general revenues				<u>8,268,824</u>	<u>332</u>	<u>8,269,156</u>
Change in net position				1,420,420	7,778	1,428,198
Net position beginning of year, as restated				7,294,892	4,446	7,299,338
Net position end of year				<u>\$ 8,715,312</u>	<u>12,224</u>	<u>8,727,536</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 2,309,962	1,529,779	2,024,493	290,289	118,502	6,273,025
Receivables:						
Property tax:						
Delinquent	54,535	5,902	1,600	9,798	-	71,835
Succeeding year	3,233,150	449,999	94,763	574,861	-	4,352,773
Accounts	-	-	-	-	180	180
Due from other governments	139,199	-	101,657	-	485	241,341
Total assets	\$ 5,736,846	1,985,680	2,222,513	874,948	119,167	10,939,154
Liabilities, deferred inflows of resources and fund balances						
Liabilities:						
Accounts payable	\$ 229,847	-	5,064	-	4,791	239,702
Salaries and benefits payable	589,825	-	-	-	743	590,568
Total liabilities	819,672	-	5,064	-	5,534	830,270
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	3,233,150	449,999	94,763	574,861	-	4,352,773
Fund balances:						
Restricted for:						
Categorical funding	408,499	-	-	-	-	408,499
Management levy purposes	-	1,535,681	-	-	-	1,535,681
School infrastructure	-	-	2,003,398	-	-	2,003,398
Physical plant and equipment	-	-	119,288	-	-	119,288
Student activities	-	-	-	-	113,633	113,633
Debt service	-	-	-	300,087	-	300,087
Unassigned	1,275,525	-	-	-	-	1,275,525
Total fund balances	1,684,024	1,535,681	2,122,686	300,087	113,633	5,756,111
Total liabilities, deferred inflows of resources and fund balances	\$ 5,736,846	1,985,680	2,222,513	874,948	119,167	10,939,154

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	5,756,111
 <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.		8,002,975
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(3,324)
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	\$ 458,619	
Deferred inflows of resources	<u>(1,227,120)</u>	(768,501)
Long-term liabilities including general obligation bonds payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(4,271,949)</u>
Net position of governmental activities(page 18)	\$	<u><u>8,715,312</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 3,238,677	351,722	92,424	565,942	-	4,248,765
Tuition	289,979	-	-	-	-	289,979
Other	237,405	29,282	27,709	4,238	404,951	703,585
State sources	3,658,961	-	656,075	-	-	4,315,036
Federal sources	186,964	-	-	-	-	186,964
Total revenues	7,611,986	381,004	776,208	570,180	404,951	9,744,329
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,201,046	241,069	218,170	-	-	3,660,285
Special	814,191	-	-	-	-	814,191
Other	686,002	-	-	-	380,039	1,066,041
	4,701,239	241,069	218,170	-	380,039	5,540,517
Support services:						
Student	190,051	-	-	-	-	190,051
Instructional staff	223,700	-	-	-	-	223,700
Administration	776,618	-	71,727	-	-	848,345
Operation and maintenance of plant	554,454	66,688	1,862	-	-	623,004
Transportation	276,501	6,185	200,645	-	-	483,331
	2,021,324	72,873	274,234	-	-	2,368,431
Capital outlay	-	-	94,755	-	-	94,755
Long-term debt:						
Principal	-	-	-	515,000	-	515,000
Interest and fiscal charges	-	-	-	48,357	-	48,357
	-	-	-	563,357	-	563,357
Other expenditures:						
AEA flowthrough	294,155	-	-	-	-	294,155
Total expenditures	7,016,718	313,942	587,159	563,357	380,039	8,861,215
Change in fund balances	595,268	67,062	189,049	6,823	24,912	883,114
Fund balances beginning of year	1,088,756	1,468,619	1,933,637	293,264	88,721	4,872,997
Fund balances end of year	\$ 1,684,024	1,535,681	2,122,686	300,087	113,633	5,756,111

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 883,114

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 exceeded capital outlay expenditures in the current year as follows:

Capital outlay	\$ 295,303	
Depreciation expense	(424,012)	(128,709)

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. 515,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 704

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. 317,686

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:

Pension expense	(133,405)	
Other postemployment benefits	(33,970)	(167,375)

Change in net position of governmental activities(page 19) \$ 1,420,420

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

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 158,160
Accounts receivable	5,171
Inventories	17,316
	180,647
Noncurrent assets:	
Capital assets, net of accumulated depreciation	16,724
Total assets	197,371
Deferred outflows of resources	
Pension related deferred outflows	21,477
Liabilities	
Current liabilities:	
Salaries and benefits payable	34,904
Unearned revenue	5,167
	40,071
Noncurrent liabilities:	
Net pension liability	112,620
Total liabilities	152,691
Deferred inflows of resources	
Pension related deferred inflows	53,933
Net position	
Net investment in capital assets	16,724
Unrestricted	(4,500)
Total net position	\$ 12,224

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 247,920
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	19,433
Benefits	2,923
Other	105
	22,461
Operation and maintenance of plant:	
Services	9,215
Supplies	5,976
	15,191
Total support services	37,652
Non-instructional programs:	
Food service operations:	
Salaries	180,070
Benefits	20,687
Services	352
Supplies	205,267
Other	2,021
Depreciation	3,852
Total non-instructional programs	412,249
TOTAL OPERATING EXPENSES	449,901
OPERATING LOSS	(201,981)
NON-OPERATING REVENUES:	
State sources	3,950
Federal sources	205,477
Interest income	332
TOTAL NON-OPERATING REVENUES	209,759
Change in net position	7,778
Net position beginning of year, as restated	4,446
Net position end of year	\$ 12,224

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 248,339
Cash payments to employees for services	(197,628)
Cash payments to suppliers for goods or services	(194,282)
Net cash used by operating activities	(143,571)
Cash flows from non-capital financing activities:	
State grants received	3,950
Federal grants received	176,201
Net cash provided by non-capital financing activities	180,151
Cash flows from investing activities:	
Interest on investments	332
Net increase in cash and pooled investments	36,912
Cash and pooled investments beginning of year	121,248
Cash and pooled investments end of year	\$ 158,160
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (201,981)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	29,314
Depreciation	3,852
Increase in inventories	(660)
Decrease in accounts receivable	3,317
Increase in salaries and benefits payable	34,904
Increase in deferred outflows of resources	(4,884)
Decrease in net pension liability	(58,468)
Increase in deferred inflows of resources	53,933
Decrease in unearned revenue	(2,898)
Net cash used by operating activities	\$ (143,571)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$29,314 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 5,047
Liabilities	<u>-</u>
Net position	
Held in trust for scholarships	<u>\$ 5,047</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY 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:	
Interest income	<u>\$ 19</u>
Deductions	<u>-</u>
Change in net position	19
Net position beginning of year	<u>5,028</u>
Net position end of year	<u><u>\$ 5,047</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The Maquoketa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Delhi, Earlville and Hopkinton, Iowa, and the predominately agricultural territory in Delaware county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

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

The District reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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 - restricted 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 Inflow 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in bank 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 no such investments.

(3) 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	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,195,000	-	515,000	1,680,000	535,000
Net pension liability	3,892,749	-	1,330,332	2,562,417	-
Net OPEB liability	-	29,532	-	29,532	-
Total	<u>\$ 6,087,749</u>	<u>29,532</u>	<u>1,845,332</u>	<u>4,271,949</u>	<u>535,000</u>
Business type activities:					
Net pension liability	\$ 171,088	-	58,468	112,620	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of March 5, 2012			
	Interest Rates	Principal	Interest	Total
2016	2.15%	\$ 535,000	39,860	574,860
2017	2.40	560,000	28,358	588,356
2018	2.55	585,000	14,917	599,916
Total		<u>\$ 1,680,000</u>	<u>83,135</u>	<u>1,763,132</u>

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 99,421	-	-	99,421
Total capital assets not being depreciated	<u>99,421</u>	<u>-</u>	<u>-</u>	<u>99,421</u>
Capital assets being depreciated:				
Buildings	11,073,731	12,000	-	11,085,731
Land improvements	1,201,655	3,526	-	1,205,181
Machinery and equipment	1,398,359	279,777	93,842	1,940,294
Total capital assets being depreciated	<u>14,029,745</u>	<u>295,303</u>	<u>93,842</u>	<u>14,231,206</u>
Less accumulated depreciation for:				
Buildings	3,818,787	245,008	-	4,063,795
Land improvements	780,543	47,887	-	828,430
Machinery and equipment	1,398,152	131,117	93,842	1,435,427
Total accumulated depreciation	<u>5,997,482</u>	<u>424,012</u>	<u>93,842</u>	<u>6,327,652</u>
Total capital assets being depreciated, net	<u>8,032,263</u>	<u>(128,709)</u>	<u>-</u>	<u>7,903,554</u>
Governmental activities capital assets, net	<u>\$ 8,131,684</u>	<u>(128,709)</u>	<u>-</u>	<u>8,002,975</u>
Business type activities:				
Machinery and equipment	\$ 263,951	-	-	263,951
Less accumulated depreciation	243,375	3,852	-	247,227
Business type activities capital assets, net	<u>\$ 20,576</u>	<u>(3,852)</u>	<u>-</u>	<u>16,724</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 31,946
Other	13,467
Support services:	
Administration	10,132
Operation and maintenance of plant	5,969
Transportation	69,602
	<u>131,116</u>
Unallocated depreciation	<u>292,896</u>
Total governmental activities depreciation expense	<u>\$ 424,012</u>
Business type activities:	
Food service operations	<u>\$ 3,852</u>

(5) 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 76 active and 18 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers early retirement benefits in the form of insurance benefits resulting in an explicit rate subsidy to the 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 of the District (ARC), 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 June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 124,000
Interest on net OPEB obligation	(200)
Adjustment to annual required contribution	170
Annual OPEB cost	<u>123,970</u>
Contributions made	<u>(90,000)</u>
Increase in net OPEB obligation	33,970
Net OPEB obligation - beginning of year	<u>(4,438)</u>
Net OPEB obligation - end of year	<u>\$ 29,532</u>

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

For the year ended June 30, 2015, the District contributed \$90,000 to the medical plan. Plan members eligible for benefits contributed \$84,000 or 48.28% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation 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	\$ 124,263	79.67%	\$ (26,263)
2014	123,825	82.37%	(4,438)
2015	123,970	72.60%	29,532

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,330,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,330,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,433,281, and the ratio of the UAAL to the covered payroll was 38.74%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from Table 1 in GASB 45 paragraph 35(b) and applying the termination factors used in Table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan for retirees less than age 65 are \$769 per month for the Classic 100 plan, \$748 per month for the Classic 200 plan and \$702 per month for the Classic 500 plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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 \$332,969.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,675,037 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 0.066098 percent, which was a decrease of 0.005676 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$139,269. 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	\$ 29,072	\$ -
Changes of assumptions	118,055	-
Net difference between projected and actual earnings on pension plan investments	-	1,020,182
Changes in proportion and differences between District contributions and proportionate share of contributions	-	260,871
District contributions subsequent to the measurement date	332,969	-
Total	\$ 480,096	\$ 1,281,053

\$332,969 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	\$ (281,621)
2017	(281,621)
2018	(281,621)
2019	(281,621)
2020	(7,442)
Total	\$ (1,133,926)

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	\$ 5,054,408	\$ 2,675,037	\$ 666,602

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 \$47,409 for legally required employer contributions and \$31,588 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Risk Management

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

(8) 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 \$294,155 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.

(9) Categorical Funding

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

Program	Amount
Limited english proficient	\$ 10,997
Home school assistance program	20,322
Returning dropouts and dropout prevention programs	17,096
Four-year-old preschool state aid	160,306
Beginning teacher mentoring and induction program	1,398
Teacher salary supplement	138,179
Market factor	4,024
Succesful progression for early readers	2,091
Professional development for model core curriculum	24,654
Professional development	27,884
Market factor incentives	1,548
Total	\$ 408,499

(10) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	300,087	1,275,525
Capital assets, net of accumulated depreciation	8,002,975	-	-
General obligation bond capitalized indebtedness	(1,680,000)	-	-
Accrued interest payable	-	(3,324)	-
Pension related deferred outflows	-	-	458,619
Net pension liability	-	-	(2,562,417)
Pension related deferred inflows	-	-	(1,227,120)
Net OPEB asset	-	-	(29,532)
Net position (Exhibit A)	\$ 6,322,975	296,763	(2,084,925)

(11) Deficit Unrestricted Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$2,084,925 in its governmental activities and \$4,500 in its School Nutrition Fund/business type activities.

(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	\$ 10,810,091	\$ 158,941
Net pension liability at June 30, 2014	(3,892,749)	(171,088)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>377,550</u>	<u>16,593</u>
Net position July 1, 2014, as restated	<u><u>\$ 7,294,892</u></u>	<u><u>\$ 4,446</u></u>

Maquoketa Valley Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,242,329	248,252	5,490,581	5,922,901	5,922,901	(432,320)
State sources	4,315,036	3,950	4,318,986	3,708,825	3,708,825	610,161
Federal sources	186,964	205,477	392,441	460,000	460,000	(67,559)
Total revenues	9,744,329	457,679	10,202,008	10,091,726	10,091,726	110,282
Expenditures/expenses:						
Instruction	5,540,517	-	5,540,517	7,320,500	7,320,500	1,779,983
Support services	2,368,431	37,652	2,406,083	4,250,000	4,250,000	1,843,917
Non-instructional programs	-	412,249	412,249	554,000	554,000	141,751
Other expenditures	952,267	-	952,267	1,587,308	1,587,308	635,041
Total expenditures/expenses	8,861,215	449,901	9,311,116	13,711,808	13,711,808	4,400,692
Excess(Deficiency) of revenues over(under) expenditures/expenses	883,114	7,778	890,892	(3,620,082)	(3,620,082)	4,510,974
Balances beginning of year, as restated	4,872,997	4,446	4,877,443	4,838,375	4,838,375	39,068
Balances end of year	\$ 5,756,111	12,224	5,768,335	1,218,293	1,218,293	4,550,042

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

	2015
District's proportion of the net pension liability	0.066098%
District's proportionate share of the net pension liability	\$ 2,675,037
District's covered-employee payroll	\$ 3,728,652
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.74%
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 VALLEY 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	\$ 332,969	394,143	402,469	364,973	306,618	290,388	295,252	274,686	244,069	238,086
Contributions in relation to the statutorily required contribution	(332,969)	(394,143)	(402,469)	(364,973)	(306,618)	(290,388)	(295,252)	(274,686)	(244,069)	(238,086)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,728,652	4,413,695	4,642,088	4,522,590	4,411,770	4,178,245	4,649,638	4,540,264	4,244,678	4,140,626
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 VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms

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

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

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

Changes of assumptions

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

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

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

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

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

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

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

MAQUOKETA VALLEY 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)
2010	July 1, 2009	-	\$ 1,576,000	1,576,000	0.0%	\$ 3,594,000	43.9%
2011	July 1, 2009	-	1,576,000	1,576,000	0.0	3,437,768	45.8
2012	July 1, 2009	-	1,576,000	1,576,000	0.0	3,647,300	43.2
2013	July 1, 2012	-	1,330,000	1,330,000	0.0	3,753,403	35.4
2014	July 1, 2012	-	1,330,000	1,330,000	0.0	3,605,019	36.9
2015	July 1, 2012	-	1,330,000	1,330,000	0.0	3,433,281	38.7

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY 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	\$ 1,906,805	117,688	2,024,493
Receivables:			
Property taxes:			
Delinquent	-	1,600	1,600
Succeeding year	-	94,763	94,763
Due from other governments	101,657	-	101,657
Total assets	\$ 2,008,462	214,051	2,222,513
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 5,064	-	5,064
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	94,763	94,763
Fund balances:			
Restricted for:			
School infrastructure	2,003,398	-	2,003,398
Physical plant and equipment	-	119,288	119,288
Total fund balances	2,003,398	119,288	2,122,686
Total liabilities, deferred inflows of resources and fund balances	\$ 2,008,462	214,051	2,222,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	92,424	92,424
Other	21,222	6,487	27,709
State sources	656,075	-	656,075
Total revenues	<u>677,297</u>	<u>98,911</u>	<u>776,208</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	218,170	-	218,170
Support services:			
Administration	-	71,727	71,727
Operation and maintenance of plant	-	1,862	1,862
Transportation	200,645	-	200,645
Capital outlay	16,687	78,068	94,755
Total expenditures	<u>435,502</u>	<u>151,657</u>	<u>587,159</u>
Change in fund balances	241,795	(52,746)	189,049
Fund balances beginning of year	<u>1,761,603</u>	<u>172,034</u>	<u>1,933,637</u>
Fund balances end of year	<u>\$ 2,003,398</u>	<u>119,288</u>	<u>2,122,686</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama & Speech	\$ 3,157	18,239	19,632	-	1,764
Fall Musical	4,099	5,148	2,877	-	6,370
Vocal	4,020	4,977	5,017	-	3,980
Instrumental Music	3,419	3,650	1,864	2,029	7,234
Middle School Baseball	874	-	-	-	874
Middle School Softball	301	-	-	-	301
Middle School Athletics	-	11,013	7,394	(3,619)	-
State Tournaments	720	1,208	-	-	1,928
Iron Man/Weight Room	2,317	7	-	-	2,324
Cross Country	-	660	1,383	723	-
Golf	16	4,829	4,380	275	740
Boys Basketball	2,183	6,810	8,706	275	562
Football	4,633	26,431	23,961	275	7,378
Baseball	3,199	8,321	9,676	275	2,119
Boys Track	376	1,344	1,324	275	671
Wrestling	2,984	20,706	17,865	275	6,100
Girls Basketball	1,354	11,551	12,562	275	618
Volleyball	3,003	3,351	2,309	275	4,320
Softball	3,838	4,561	4,794	275	3,880
Girls Track	-	9,198	7,004	(421)	1,773
Post Prom	5,666	19,580	19,172	-	6,074
Spanish	4,846	77,260	79,208	-	2,898
FFA	4,607	70,703	70,449	-	4,861
Student Council	931	3,366	3,738	-	559
Academic Excellence	2,306	-	-	(2,306)	-
National Honor Society	-	376	184	(12)	180
Dance Team	3,424	8,772	6,904	275	5,567
Yearbook	-	6,087	7,433	10,490	9,144
Earlville Elem.	5,985	19	84	-	5,920
Johnston Elem.	4,244	15	65	-	4,194
High School	-	8	579	3,157	2,586
Delhi Elem.	325	2,722	2,247	-	800
Sixth Grade Activites	179	-	-	-	179
Music Trip	-	947	-	(947)	-
Band Uniforms	2,885	-	-	(2,885)	-
Art	255	1	-	-	256
Class of 2013	412	1	-	-	413
Class of 2014	246	1	-	-	247
Class of 2015	740	-	701	-	39
Class of 2016	236	3,412	2,727	-	921
Class of 2017	122	120	-	-	242
Class of 2018	-	331	116	-	215
Assembly	850	-	-	(850)	-
Middle School Concessions	-	3,089	1,580	-	1,509
Middle School Activities	712	2,486	2,727	-	471
Student Services	8,112	57,490	48,582	(3,809)	13,211
Wildcat Golf Classic	1,145	6,161	2,795	(4,300)	211
Total	\$ 88,721	404,951	380,039	-	113,633

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Assets				
Cash and pooled investments	\$ 858	909	3,280	5,047
Liabilities				
	-	-	-	-
Net Position				
Held in trust for scholarships	\$ 858	909	3,280	5,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 4	5	10	19
Deductions	-	-	-	-
Change in net position	4	5	10	19
Net position beginning of year	854	904	3,270	5,028
Net position end of year	\$ 858	909	3,280	5,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY 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	\$ 4,248,765	3,958,239	4,514,402	4,754,238	4,406,581	4,217,805	4,007,151	3,981,260	3,969,223	3,693,609
Tuition	289,979	287,159	208,895	247,454	258,807	270,749	321,814	269,187	232,443	197,019
Other	703,585	556,556	540,035	482,481	497,629	417,261	536,147	484,058	461,615	637,045
State sources	4,315,036	4,483,623	3,671,381	3,659,412	3,585,032	3,274,344	3,930,023	3,902,425	3,584,731	3,593,272
Federal sources	186,964	254,982	265,174	333,308	486,069	737,820	242,349	234,154	231,111	230,398
Total	\$ 9,744,329	9,540,559	9,199,887	9,476,893	9,234,118	8,917,979	9,037,484	8,871,084	8,479,123	8,351,343
Expenditures:										
Instruction:										
Regular	\$ 3,660,285	3,739,460	3,633,660	3,763,797	3,835,764	3,456,318	3,663,357	3,541,548	3,130,332	3,086,546
Special	814,191	845,172	879,745	856,569	797,867	734,860	853,478	780,096	718,045	707,322
Other	1,066,041	1,043,615	1,151,124	980,690	1,074,473	949,362	939,971	822,844	714,254	687,782
Support services:										
Student	190,051	221,426	218,288	211,457	247,798	234,748	276,827	256,352	451,747	223,028
Instructional staff	223,700	210,356	323,505	310,006	273,375	315,590	233,395	245,720	254,587	241,523
Administration	848,345	799,153	826,335	796,401	730,979	822,622	858,287	808,280	766,278	793,089
Operation and maintenance of plant	623,004	666,695	604,773	627,141	659,593	734,530	797,508	714,956	716,412	715,716
Transportation	483,331	335,838	448,793	356,327	419,750	316,588	388,329	394,619	447,872	329,547
Capital outlay	94,755	208,534	242,816	137,086	75,113	52,920	122,600	87,761	77,046	20,615
Long-term debt:										
Principal	515,000	500,000	480,000	3,640,000	450,000	435,000	420,000	410,000	250,000	350,000
Interest	48,357	55,858	76,355	139,830	156,030	170,770	185,050	198,590	362,789	282,665
Other expenditures:										
AEA flowthrough	294,155	293,997	283,059	283,325	320,862	321,665	298,068	294,633	279,049	272,957
Total	\$ 8,861,215	8,920,104	9,168,453	12,102,629	9,041,604	8,544,973	9,036,870	8,555,399	8,168,411	7,710,790

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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 Valley Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Maquoketa Valley Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - The District will continue to look for ways to improve internal controls even with limited staff due to budget reductions.

Conclusion - Response accepted.

I-B-15 Purchase Orders - We noted during our audit several instances of transactions lacking purchase orders or purchase orders dated after the ordering of goods/services had already taken place.

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

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

Response - The District will educate and remind staff of the proper purchase order procedure in place by redistributing the Business Procedure Manual.

Conclusion - Response accepted.

I-C-15 Supporting Documentation - We noted instances of disbursements, including credit card purchases, without a cancelled invoice or statement to be used as supporting documentation.

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

Response - The District will remind staff of credit card procedures in place by redistributing the Business Procedure Manual.

Conclusion - Response accepted.

I-D-15 Employee Ordering - We noted during our audit instances of employees ordering from District vendors and having items shipped to the school. It was noted that these items appear to have been ordered under the District federal ID number to avoid sales tax.

Recommendation - Employees can order from common vendors of the District, however, these items should be invoiced separately and sent to the employee's personal address. Making orders from common vendors and having the item come to the District causes confusion in the receiving function as to whether the items are District property or employee property. In addition the use of the District's Federal ID number on personal purchases is an inappropriate use of the District's tax exemption.

Response - Employees will not be allowed to purchase items from vendors using the District's federal ID number to avoid sales tax.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted in the certified budget.

II-B-15 Questionable Expenditures - During our audit we noted purchases on the District credit card that included sales tax. As the District is a tax-exempt entity, sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The District will try to educate staff and make necessary adjustments to ensure we comply with the Attorney General's opinion dated April 25, 1979.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
John Zietlow, Board Member	Athletic official	\$90
Randy Kramer, Sub-Custodian	Athletic official	\$785
Doug Dabroski, Board Member	Athletic official	\$490

In accordance with an Attorney General's opinion dated July 2, 1990, the above transaction with the sub-custodian does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Members Doug Dabroski and John Zietlow do not appear to represent a conflict of interest.

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

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

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

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

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

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

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

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

Pursuant to Chapter 423F.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		\$ 1,761,603
Revenues:		
Sales tax revenues	\$ 656,075	
Other local sources	<u>21,222</u>	<u>677,297</u>
		2,438,900
Expenditures:		
School infrastructure construction	16,687	
Equipment	<u>418,815</u>	<u>435,502</u>
Ending balance		<u><u>\$ 2,003,398</u></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 and 423F of the Code of Iowa.

II-M-15 Outstanding Checks - During our audit we noted that the District had multiple checks in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will take the necessary steps to ensure outstanding checks are voided or reported to the State Treasurer if they are not cashed within the year.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative code 281-12.6(1), the purpose of the Student Activity Fund is to account for the financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Inactive Accounts: We noted during our audit old graduated class accounts from Class of 2013 and Class of 2014 that still have balances on the District's books as of June 30, 2015.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the class accounts should be reallocated amongst the other Student Activity Fund accounts per the District's Board of Directors guidance.

Response - Old graduated class account balances will be transferred to the High School account.

Conclusion - Response accepted.

II-O-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$2,084,925 in its governmental activities and \$4,500 in its School Nutrition Fund/business type activities. 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 - District Administration will take necessary steps to educate the Board of Education how GASB 68 and 71 will affect the District's financials.

Conclusion - Response accepted.