

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Eldon Ray	President	2015
Stephanie Mikkelsen	Vice President (resigned October 2014)	2015
Randy Hensley	Vice President (appointed October 2014)	2015
Wendi Eslinger	Board Member	2017
Tricia Gardner	Board Member (appointed October 2014)	2015
Doug White	Board Member	2015
<b>School Officials</b>		
Clark Wicks	Superintendent	2015
Julie Frederick	District Secretary/ Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Orient-Macksburg 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 Orient-Macksburg Community School District, Orient, 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 Orient-Macksburg 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.

Members American Institute & Iowa Society of Certified Public Accountants

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, Orient-Macksburg Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 41 through 47 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 Orient-Macksburg 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 our consideration of Orient-Macksburg 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 Orient-Macksburg Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Orient-Macksburg 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 \$2,275,660 in fiscal year 2014 to \$2,344,138 in fiscal year 2015, while General Fund expenditures decreased from \$2,675,648 in fiscal year 2014 to \$2,643,725 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$303,328 at June 30, 2014 to \$3,741 at June 30, 2015, a 98.77% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state source revenues during fiscal year 2015. The decrease in expenditures was primarily due to a decrease in support service expenditures.

### **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 Orient-Macksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Orient-Macksburg 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 Orient-Macksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

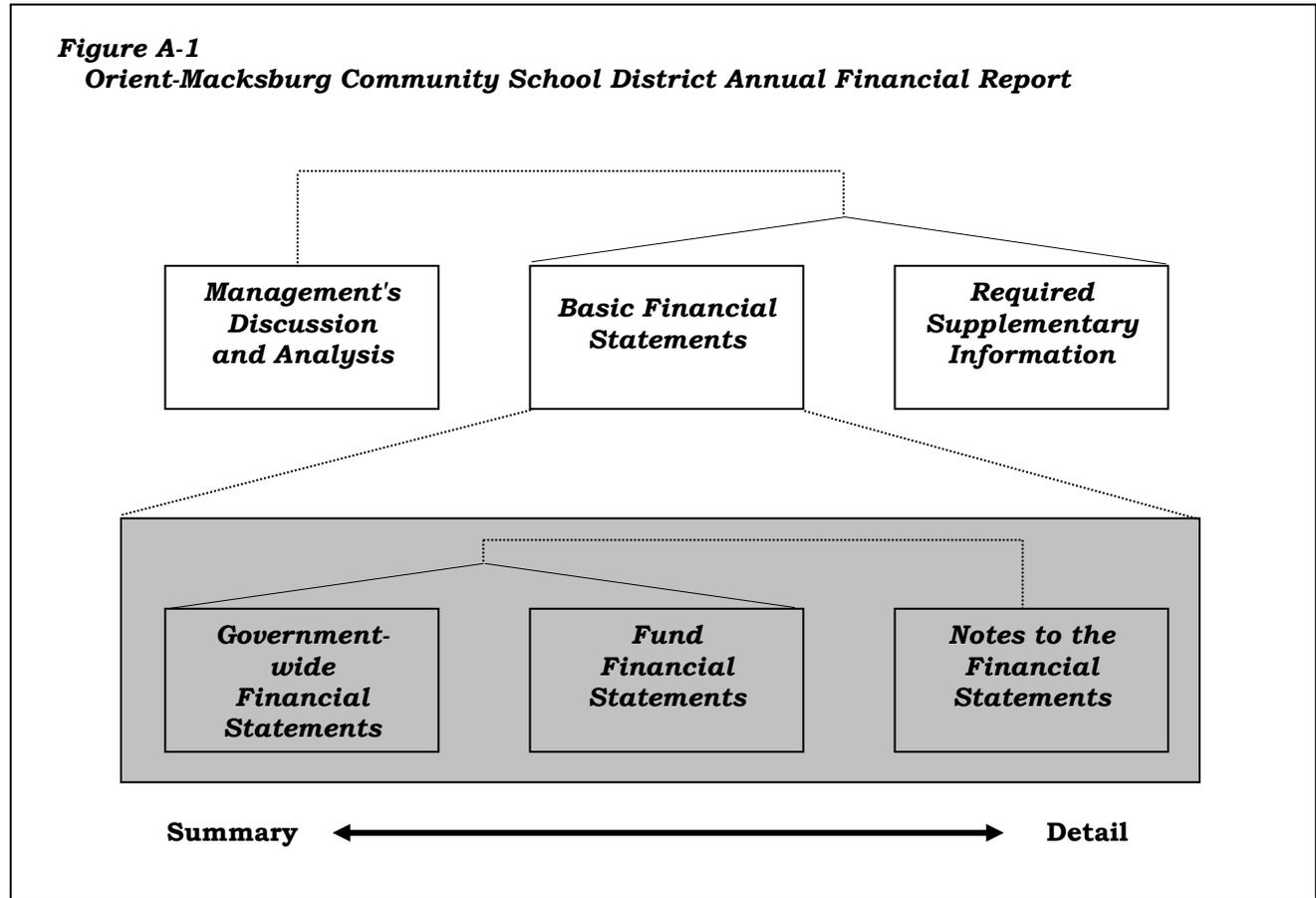


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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
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
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
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

## **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.

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

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

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

### **Fund Financial Statements**

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

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

The District has two 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 three enterprise funds, the School Nutrition, Day Care and Fitness Center Funds.

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.

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 total net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
Current and other assets	\$ 2,864,563	2,955,445	64,011	4,567	2,928,574	2,960,012	-1.06%
Capital assets	1,181,169	1,238,147	12,148	13,833	1,193,317	1,251,980	-4.69%
Total assets	4,045,732	4,193,592	76,159	18,400	4,121,891	4,211,992	-2.14%
Deferred outflows of resources	166,016	127,162	5,373	3,421	171,389	130,583	31.25%
Long-term liabilities	1,065,204	248,574	2,845	-	1,068,049	248,574	329.67%
Other liabilities	336,320	352,298	23,220	31,301	359,540	383,599	-6.27%
Total liabilities	1,401,524	600,872	26,065	31,301	1,427,589	632,173	125.82%
Deferred inflows of resources	1,856,959	1,263,659	10,940	-	1,867,899	1,263,659	47.82%
Net position:							
Net investment in capital assets	1,061,169	1,058,147	12,148	13,833	1,073,317	1,071,980	0.12%
Restricted	1,033,066	963,325	-	-	1,033,066	963,325	7.24%
Unrestricted	(1,140,970)	307,589	32,379	(26,734)	(1,108,591)	280,855	-494.72%
Total net position	\$ 953,265	2,329,061	44,527	(12,901)	997,792	2,316,160	-56.92%

The District's combined net position decreased by 56.92%, or \$1,318,368 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 7.24% or \$69,741 from the prior year. The increase in restricted net position is mainly attributable to the improvement in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased 494.72% or \$1,389,446. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,175,699 and \$31,632, 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 years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
	(Not restated)		(Not restated)		(Not restated)		
Revenues:							
Program revenues:							
Charges for service	\$ 286,321	310,283	36,144	51,072	322,465	361,355	-10.76%
Operating grants, contributions and restricted interest	191,027	214,559	82,931	72,430	273,958	286,989	-4.54%
General revenues:							
Property tax	1,267,587	1,240,821	-	-	1,267,587	1,240,821	2.16%
Income surtax	102,943	131,494	-	-	102,943	131,494	-21.71%
Statewide sales, services and use tax	188,149	168,057	-	-	188,149	168,057	11.96%
Unrestricted state grants	906,746	757,946	-	-	906,746	757,946	19.63%
Unrestricted investment earnings	251	1,069	12	40	263	1,109	-76.28%
Other	6,786	19,478	-	271	6,786	19,749	-65.64%
Total revenues	<u>2,949,810</u>	<u>2,843,707</u>	<u>119,087</u>	<u>123,813</u>	<u>3,068,897</u>	<u>2,967,520</u>	<u>3.42%</u>
Program expenditures:							
Instructional	1,931,864	2,015,845	-	-	1,931,864	2,015,845	-4.17%
Support services	970,365	887,481	1,783	2,935	972,148	890,416	9.18%
Non-instructional programs	3,585	2,285	119,295	114,462	122,880	116,747	5.25%
Other expenditures	153,042	158,399	-	-	153,042	158,399	-3.38%
Total expenditures	<u>3,058,856</u>	<u>3,064,010</u>	<u>121,078</u>	<u>117,397</u>	<u>3,179,934</u>	<u>3,181,407</u>	<u>-0.05%</u>
Excess(Deficiency) of revenues over(under) expenditures	(109,046)	(220,303)	(1,991)	6,416	(111,037)	(213,887)	-48.09%
Transfers	(91,051)	-	91,051	-	-	-	0.00%
Change in net position	(200,097)	(220,303)	89,060	6,416	(111,037)	(213,887)	-48.09%
Net position beginning of year, as restated	<u>1,153,362</u>	<u>2,549,364</u>	<u>(44,533)</u>	<u>(19,317)</u>	<u>1,108,829</u>	<u>2,530,047</u>	<u>-56.17%</u>
Net position end of year	<u>\$ 953,265</u>	<u>2,329,061</u>	<u>44,527</u>	<u>(12,901)</u>	<u>997,792</u>	<u>2,316,160</u>	<u>-56.92%</u>

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 83.58% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.99% of the revenue from business type activities.

The District's total revenues were \$3,068,897 of which \$2,949,810 was for governmental activities and \$119,087 was for business type activities.

As shown in Figure A-4, the District as a whole experienced increase of 3.42% in revenues and a 0.05% decrease in expenditures. The most significant inclines in revenue occurred in local tax, statewide sales, services and use tax, unrestricted state and federal grants. The decrease in expenditures was related to reductions in the instruction services functional area and other expenditures.

## Governmental Activities

Revenues for governmental activities were \$2,949,810 and expenses were \$3,058,856.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 1,931,864	2,015,845	-4.17%	1,543,671	1,585,577	-2.64%
Support services	970,365	887,481	9.34%	969,665	879,167	10.29%
Non-instructional	3,585	2,285	56.89%	3,585	2,285	56.89%
Other expenses	153,042	158,399	-3.38%	64,587	72,139	-10.47%
Totals	<u>\$ 3,058,856</u>	<u>3,064,010</u>	<u>-0.17%</u>	<u>2,581,508</u>	<u>2,539,168</u>	<u>1.67%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$286,321.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$191,027.
- The net cost of governmental activities was financed with \$1,267,587 in property tax, \$102,943 in income surtax, \$188,149 in statewide sales, services and use tax, \$906,746 in unrestricted state grants, \$251 in interest income, and \$6,786 in other general revenues.

## Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$119,087 representing a 3.82% decrease from the prior year, while expenses totaled \$121,078, a 3.14% increase from the prior year. The District's business type activities include the School Nutrition Fund and Fitness Center Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenue.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$964,888, compared to last year's ending fund balances of \$1,214,896. The primary reason for the decline in combined fund balances is the decrease in the General Fund balance during the year.

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## **Governmental Fund Highlights**

- The District's decreasing General Fund financial position is the product of many factors. The District was able to produce a 1.19% reduction in General Fund expenditures; however, it was outpaced by the decline in revenues. Reductions in local, state and federal source revenues combined for an overall 3.00% increase in revenues when compared with the prior year.
- The Capital Projects Accounts balance increased from \$687,701 at June 30, 2014 to \$705,183 at June 30, 2015.

## **Proprietary Fund Highlights**

- The School Nutrition Fund net position decreased from restated net position of \$39,147 at June 30, 2014 to \$36,823 at June 30, 2015, representing an decrease of 5.94%.
- The Day Care Fund which had net position of deficit \$91,051 at June 30, 2014 was cleared by a transfer from the General Fund that was approved by the SBRC.
- The Fitness Center Fund net position increased from \$7,371 at June 30, 2014 to \$7,704 at June 30, 2015, representing an increase of 4.52%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$783,951 less than budgeted revenues, a variance of 20.28%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the District exceeded its General Fund unspent authorized budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$1,193,317 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a decrease of 4.69% compared to the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$113,394.

The original cost of the District's capital assets was \$3,734,161. Governmental funds account for \$3,667,965 with the remainder of \$66,196 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$108,909 at June 30, 2015 compared to \$121,299 reported at June 30, 2014.

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	\$ 31,728	31,728	-	-	31,728	31,728	0.00%
Buildings	921,254	966,251	-	-	921,254	966,251	-4.66%
Land improvements	108,909	121,299	-	-	108,909	121,299	-10.21%
Machinery and equipment	119,278	118,869	12,148	13,833	131,426	132,702	-0.96%
Total	\$ 1,181,169	1,238,147	12,148	13,833	1,193,317	1,251,980	-4.69%

### Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$1,088,424. This represents a decrease of 31.39% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$120,000 at June 30, 2015.

The District had a net OPEB liability of \$82,161 at June 30, 2015.

The District had a net pension liability of \$886,263 at June 30, 2015.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
General obligation bonds	\$ 120,000	180,000	-	-	120,000	180,000	-33.33%
Net pension liability	863,043	1,302,861	23,220	35,053	886,263	1,337,914	-33.76%
Net OPEB liability	82,161	68,574	-	-	82,161	68,574	19.81%
Total	\$ 1,065,204	1,551,435	23,220	35,053	1,088,424	1,586,488	-31.39%

### 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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without consideration of our unspent authorized budget.

- 
- Continued budget concerns and indecisions at the state level will affect future projections. The District has been forced to shift funding to property taxes.
  - The District experienced a significant decrease of grant funds.

### **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 Julie Frederick, District Secretary/Treasurer, Orient-Macksburg Community School District, P.O. Box 129, Orient, Iowa, 50858.

BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,193,734	57,971	1,251,705
Receivables:			
Property tax:			
Delinquent	13,936	-	13,936
Succeeding year	1,450,341	-	1,450,341
Income surtax	113,924	-	113,924
Due from other governments	92,628	-	92,628
Inventories	-	6,040	6,040
Capital assets, net of accumulated depreciation	1,181,169	12,148	1,193,317
<b>Total assets</b>	<b>4,045,732</b>	<b>76,159</b>	<b>4,121,891</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	166,016	5,373	171,389
<b>Total deferred outflows of resources</b>	<b>166,016</b>	<b>5,373</b>	<b>171,389</b>
<b>Liabilities</b>			
Intergovernmental payable	460	-	460
Accounts payable	146,189	-	146,189
Salaries and benefits payable	188,761	1,837	190,598
Interest payable	910	-	910
Unearned revenue	-	1,008	1,008
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	60,000	-	60,000
Portion due after one year:			
Net pension liability	863,043	23,220	886,263
General obligation bonds payable	60,000	-	60,000
Net OPEB liability	82,161	-	82,161
<b>Total liabilities</b>	<b>1,401,524</b>	<b>26,065</b>	<b>1,427,589</b>
<b>Deferred Inflows of Resources</b>			
Succeeding year property tax	1,450,341	-	1,450,341
Pension related deferred inflows	406,618	10,940	417,558
<b>Total deferred inflows of resources</b>	<b>1,856,959</b>	<b>10,940</b>	<b>1,867,899</b>
<b>Net Position</b>			
Net investment in capital assets	1,061,169	12,148	1,073,317
Restricted for:			
Categorical funding	72,570	-	72,570
Student activities	29,137	-	29,137
Management levy purposes	190,558	-	190,558
Public education and recreation	28,521	-	28,521
Debt service	7,097	-	7,097
School infrastructure	558,266	-	558,266
Physical plant and equipment	146,917	-	146,917
Unrestricted	(1,140,970)	32,379	(1,108,591)
<b>Total net position</b>	<b>\$ 953,265</b>	<b>44,527</b>	<b>997,792</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,144,203	125,738	39,855	(978,610)	-	(978,610)
Special	359,796	66,649	9,854	(283,293)	-	(283,293)
Other	427,865	93,934	52,163	(281,768)	-	(281,768)
	<u>1,931,864</u>	<u>286,321</u>	<u>101,872</u>	<u>(1,543,671)</u>	<u>-</u>	<u>(1,543,671)</u>
Support services:						
Student	13,306	-	-	(13,306)	-	(13,306)
Instructional staff	146,769	-	240	(146,529)	-	(146,529)
Administration	297,239	-	-	(297,239)	-	(297,239)
Operation and maintenance of plant	343,269	-	-	(343,269)	-	(343,269)
Transportation	169,782	-	460	(169,322)	-	(169,322)
	<u>970,365</u>	<u>-</u>	<u>700</u>	<u>(969,665)</u>	<u>-</u>	<u>(969,665)</u>
Non-instructional programs:						
Food service operations	3,585	-	-	(3,585)	-	(3,585)
Long-term debt interest	7,200	-	-	(7,200)	-	(7,200)
Other expenditures:						
AEA flowthrough	88,455	-	88,455	-	-	-
Depreciation(unallocated)*	57,387	-	-	(57,387)	-	(57,387)
	<u>145,842</u>	<u>-</u>	<u>88,455</u>	<u>(57,387)</u>	<u>-</u>	<u>(57,387)</u>
Total governmental activities	<u>3,058,856</u>	<u>286,321</u>	<u>191,027</u>	<u>(2,581,508)</u>	<u>-</u>	<u>(2,581,508)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	1,783	-	-	-	(1,783)	(1,783)
Non-instructional programs:						
Food service operations	118,807	35,324	82,931	-	(552)	(552)
Other enterprise operations	-	-	-	-	-	-
Fitness center	488	820	-	-	332	332
Total business type activities	<u>121,078</u>	<u>36,144</u>	<u>82,931</u>	<u>-</u>	<u>(2,003)</u>	<u>(2,003)</u>
Total	<u>\$ 3,179,934</u>	<u>322,465</u>	<u>273,958</u>	<u>(2,581,508)</u>	<u>(2,003)</u>	<u>(2,583,511)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,054,280	-	1,054,280
Public education and recreation levy				16,926	-	16,926
Debt service				67,729	-	67,729
Capital outlay				128,652	-	128,652
Income surtax				102,943	-	102,943
Statewide sales, services and use tax				188,149	-	188,149
Unrestricted state grants				906,746	-	906,746
Unrestricted investment earnings				251	12	263
Other				6,786	-	6,786
Transfers				(91,051)	91,051	-
Total general revenues				<u>2,381,411</u>	<u>91,063</u>	<u>2,472,474</u>
Change in net position				(200,097)	89,060	(111,037)
Net position beginning of year, as restated				<u>1,153,362</u>	<u>(44,533)</u>	<u>1,108,829</u>
Net position end of year				<u>\$ 953,265</u>	<u>44,527</u>	<u>997,792</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 214,296	725,287	254,151	1,193,734
Receivables:				
Property tax:				
Delinquent	10,709	1,414	1,813	13,936
Succeeding year	1,156,996	130,931	162,414	1,450,341
Income surtax	75,949	37,975	-	113,924
Due from other governments	63,342	29,286	-	92,628
<b>Total assets</b>	<b>\$ 1,521,292</b>	<b>924,893</b>	<b>418,378</b>	<b>2,864,563</b>
<b>Liabilities , Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Due to other governments	\$ 460	-	-	460
Accounts payable	95,385	50,804	-	146,189
Salaries and benefits payable	188,761	-	-	188,761
Total liabilities	284,606	50,804	-	335,410
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,156,996	130,931	162,414	1,450,341
Income surtax	75,949	37,975	-	113,924
Total deferred inflows of resources	1,232,945	168,906	162,414	1,564,265
Fund balances:				
Restricted for:				
Categorical funding	72,570	-	-	72,570
Student activities	-	-	29,137	29,137
Management levy purposes	-	-	190,558	190,558
Public education and recreation	-	-	28,521	28,521
Debt service	-	-	8,007	8,007
School infrastructure	-	558,266	-	558,266
Physical plant and equipment	-	146,917	-	146,917
Unassigned				
General	(68,829)	-	-	(68,829)
Student activities	-	-	(259)	(259)
Total fund balances	3,741	705,183	255,964	964,888
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,521,292</b>	<b>924,893</b>	<b>418,378</b>	<b>2,864,563</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	964,888
 <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.		1,181,169
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.		(910)
Accounts receivable income surtax are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		113,924
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	\$ 166,016	
Deferred inflows of resources	<u>(406,618)</u>	(240,602)
Long-term liabilities, including general obligation bonds payable, net pension liability and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,065,204)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>953,265</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,050,655	166,809	164,904	1,382,368
Tuition	182,518	-	-	182,518
Other	13,192	141	97,507	110,840
State sources	1,002,015	188,149	-	1,190,164
Federal sources	95,758	-	-	95,758
Total revenues	<u>2,344,138</u>	<u>355,099</u>	<u>262,411</u>	<u>2,961,648</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,123,972	-	29,072	1,153,044
Special	376,119	-	-	376,119
Other	342,753	-	91,991	434,744
	<u>1,842,844</u>	<u>-</u>	<u>121,063</u>	<u>1,963,907</u>
Support services:				
Student	22,355	-	-	22,355
Instructional staff	31,822	100,391	440	132,653
Administration	298,336	-	2,383	300,719
Operation and maintenance of plant	176,861	75,394	23,943	276,198
Transportation	92,001	92,591	11,440	196,032
	<u>621,375</u>	<u>268,376</u>	<u>38,206</u>	<u>927,957</u>
Non-instructional programs:				
Food service operations	-	-	3,585	3,585
Capital outlay	-	69,241	-	69,241
Long-term debt:				
Principal	-	-	60,000	60,000
Interest and fiscal charges	-	-	7,460	7,460
	<u>-</u>	<u>-</u>	<u>67,460</u>	<u>67,460</u>
Other expenditures:				
AEA flowthrough	88,455	-	-	88,455
Total expenditures	<u>2,552,674</u>	<u>337,617</u>	<u>230,314</u>	<u>3,120,605</u>
Excess(Deficiency) of revenues over(under) expenditures	(208,536)	17,482	32,097	(158,957)
Other financing sources(uses):				
Transfer out	(91,051)	-	-	(91,051)
Total other financing sources(uses)	<u>(91,051)</u>	<u>-</u>	<u>-</u>	<u>(91,051)</u>
Change in fund balances	(299,587)	17,482	32,097	(250,008)
Fund balances beginning of year	<u>303,328</u>	<u>687,701</u>	<u>223,867</u>	<u>1,214,896</u>
Fund balances end of year	<u>\$ 3,741</u>	<u>705,183</u>	<u>255,964</u>	<u>964,888</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG 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)** \$ (250,008)

*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. Expenditures for capital outlays and depreciation expense for the year is as follows:

Capital outlay	\$ 54,731	
Depreciation expense	<u>(111,709)</u>	(56,978)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		(11,838)
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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.		60,000
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The current year District employee share of IPERS contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position		118,548
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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 fund.

Pension expense	(46,494)	
Other postemployment benefits	<u>(13,587)</u>	(60,081)

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.

		<u>260</u>
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**Change in net position of governmental activities(page 19)** \$ (200,097)

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Fitness Center	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 50,267	7,704	57,971
Inventories	6,040	-	6,040
<b>Total current assets</b>	<b>56,307</b>	<b>7,704</b>	<b>64,011</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	12,148	-	12,148
<b>Total assets</b>	<b>68,455</b>	<b>7,704</b>	<b>76,159</b>
<b>Deferred outflows of resources</b>			
Pension related deferred outflows	5,373	-	5,373
<b>Liabilities</b>			
Salaries and benefits payable	1,837	-	1,837
Unearned revenues	1,008	-	1,008
Net pension liability	23,220	-	23,220
<b>Total liabilities</b>	<b>26,065</b>	<b>-</b>	<b>26,065</b>
<b>Deferred inflows of resources</b>			
Pension related deferred inflows	10,940	-	10,940
<b>Net Position</b>			
Net investment in capital assets	12,148	-	12,148
Unrestricted	24,675	7,704	32,379
<b>Total net position</b>	<b>\$ 36,823</b>	<b>7,704</b>	<b>44,527</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 34,988	-	820	35,808
Miscellaneous	336	-	-	336
Total operating revenues	35,324	-	820	36,144
Operating expenses:				
Support services:				
Operation and maintenance of plant:				
Services	1,783	-	-	1,783
Non-instructional programs:				
Food service operations:				
Salaries	46,160	-	-	46,160
Benefits	4,779	-	-	4,779
Services	408	-	-	408
Supplies	65,775	-	-	65,775
Depreciation	1,685	-	-	1,685
	118,807	-	-	118,807
Other enterprise operations:				
Services	-	-	488	488
	-	-	488	488
Total operating expenses	120,590	-	488	121,078
Operating income(loss)	(85,266)	-	332	(84,934)
Non-operating revenues:				
Interest	11	-	1	12
State sources	1,123	-	-	1,123
Federal sources	81,808	-	-	81,808
Total non-operating revenues	82,942	-	1	82,943
Net income(loss) before other financing sources	(2,324)	-	333	(1,991)
Other financing sources:				
Transfer in	-	91,051	-	91,051
Change in net position	(2,324)	91,051	333	89,060
Net position beginning of year, as restated	39,147	(91,051)	7,371	(44,533)
Net position end of year	\$ 36,823	-	7,704	44,527

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Cash flows from operating activities:				
Cash received from operating activities	\$ 35,323	-	820	36,143
Cash received from miscellaneous operating activities	336	-	-	336
Cash payments to employees for services	(52,221)	-	-	(52,221)
Cash payments to suppliers for goods or services	(62,446)	-	(488)	(62,934)
Net cash provided by(used in) operating activities	(79,008)	-	332	(78,676)
Cash flows from non-capital financing activities:				
Transfer from General Fund	-	91,051	-	91,051
State grants received	1,123	-	-	1,123
Federal grants received	74,815	-	-	74,815
Net cash provided by non-capital financing activities	75,938	91,051	-	166,989
Cash flows from investing and other financing activities:				
Interest on investments	11	-	1	12
Net increase(decrease) in cash and cash equivalents	(3,059)	91,051	333	88,325
Cash and cash equivalents beginning of year	53,326	(91,051)	7,371	(30,354)
Cash and cash equivalents end of year	\$ 50,267	-	7,704	57,971
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>				
Operating income(loss)	\$ (85,266)	-	332	(84,934)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	6,993	-	-	6,993
Depreciation	1,685	-	-	1,685
Increase in inventories	(1,473)	-	-	(1,473)
Increase in salaries and benefits payable	1,563	-	-	1,563
Decrease in net pension liability	(11,833)	-	-	(11,833)
Increase in deferred outflows of resources	(1,952)	-	-	(1,952)
Increase in deferred inflows of resources	10,940	-	-	10,940
Increase in unearned revenue	335	-	-	335
Net cash provided by(used in) operating activities	\$ (79,008)	-	332	(78,676)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$6,993 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Orient-Macksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Orient and Macksburg, Iowa, and the predominate agricultural territory in Adams, Adair, Madison and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Orient-Macksburg 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 Orient-Macksburg 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 Adams, Adair, Madison and Union County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor enterprise funds:

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise, Fitness Center Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Fitness Center Fund is used to account the fitness center services provided by the District.

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
Machinery and equipment	5-12 years

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

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

Deferred Inflow 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 Inflow 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred Inflows of resources consists of property tax receivables and other receivables not collected within sixty days after year end.

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

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.

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.

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. During the year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget

**Note 2. Cash and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,184,907 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Daycare Fund	General Fund Received SBRC approval	\$ 91,051

The transfer from General Fund to the Daycare Fund was approved by the SBRC and was needed to clear the deficit balance.

**Note 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 31,728	-	-	31,728
Total capital assets not being depreciated	<u>31,728</u>	-	-	<u>31,728</u>
Capital assets being depreciated:				
Buildings	2,245,816	-	-	2,245,816
Land improvements	313,307	-	-	313,307
Machinery and equipment	1,234,521	54,731	212,138	1,077,114
Total capital assets being depreciated	<u>3,793,644</u>	<u>54,731</u>	<u>212,138</u>	<u>3,636,237</u>
Less accumulated depreciation for:				
Buildings	1,279,565	44,997	-	1,324,562
Land improvements	192,008	12,390	-	204,398
Machinery and equipment	1,115,652	54,322	212,138	957,836
Total accumulated depreciation	<u>2,587,225</u>	<u>111,709</u>	<u>212,138</u>	<u>2,486,796</u>
Total capital assets being depreciated, net	<u>1,206,419</u>	<u>(56,978)</u>	-	<u>1,149,441</u>
Governmental activities capital assets, net	<u>\$ 1,238,147</u>	<u>(56,978)</u>	-	<u>1,181,169</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 66,196	-	-	66,196
Less accumulated depreciation	52,363	1,685	-	54,048
Business type activities capital assets, net	<u>\$ 13,833</u>	<u>(1,685)</u>	-	<u>12,148</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,661
Special	3,587
Other	7,891
Support services:	
Instructional staff	14,608
Administration	1,655
Operation and maintenance of plant	5,721
Transportation	16,199
	<u>54,322</u>
Unallocated depreciation	<u>57,387</u>
Total governmental activities depreciation expense	<u>\$ 111,709</u>
Business type activities:	
Food service operations	<u>\$ 1,685</u>

**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 180,000	-	60,000	120,000	60,000
Net pension liability	1,302,861	-	439,818	863,043	-
Net OPEB liability	68,574	13,587	-	82,161	-
Total	\$ 1,551,435	13,587	499,818	1,065,204	60,000
<b>Business type activities:</b>					
Net pension liability	\$ 35,053	-	11,833	23,220	-

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rate	Issue dated February 15, 2008		
		Principal	Interest	Total
2016	3.90%	\$ 60,000	4,740	64,740
2017	4.00	60,000	2,400	62,400
Total		\$ 120,000	7,140	127,140

**Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 \$122,644.

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 \$886,263 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 0.021898 percent, which was a decrease of 0.00173 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$47,745. 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	\$ 9,632	\$ -
Changes of assumptions	39,113	-
Net difference between projected and actual earnings on pension plan investments	-	337,995
Changes in proportion and differences between District contributions and proportionate share of contributions	-	79,563
District contributions subsequent to the measurement date	122,644	-
Total	<u>\$ 171,389</u>	<u>\$ 417,558</u>

\$122,644 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	\$ (91,699)
2017	(91,699)
2018	(91,699)
2019	(91,699)
2020	(2,017)
	<u>\$ (368,813)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,674,569	\$ 886,263	\$ 220,851

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](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$13,076 for legally required employer contributions and \$8,713 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## **Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 29 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Dental coverage is provided by ISEBA. 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. Eligible retirees received contributions toward insurance premiums resulting in an explicit rate subsidy.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in

accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	3,086
Adjustment to annual required contribution	<u>(2,499)</u>
Annual OPEB cost	38,587
Contributions made	<u>(25,000)</u>
Increase in net OPEB obligation	13,587
Net OPEB obligation beginning of year	<u>68,574</u>
Net OPEB obligation end of year	<u>\$ 82,161</u>

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

For the year ended June 30, 2015, the District contributed \$25,000 to the medical plan. Plan members eligible for benefits contributed \$20,000 or 35.09% 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	\$ 37,589	77.15	\$ 67,000
2014	38,574	95.92	68,574
2015	38,587	64.79	82,161

**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 \$247,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$247,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$907,408, and the ratio of the UAAL to covered payroll was 27.22%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The health cost

trend rate is 10% a year. The ultimate health care cost trend rate is 5%. The health care cost trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 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).

The salary increase rate was assumed to be 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides the District dental coverage and protection.

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$2,826.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

**Note 9. Budget Overexpenditure**

During the year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget.

**Note 10. 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 \$88,455 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

Program	Amount
Beginning teacher mentoring and induction program	\$ 1,106
Four-Year old preschool state aid from Creston	5,854
Successful progression for early readers	23,048
Professional development for model core curriculum	13,345
Professional development	22,908
Teacher leadership grants	5,709
Empowerment professional development grant	600
Total	<u>\$ 72,570</u>

**Note 12. Deficit Fund Balances**

The District had a deficit net position of \$1,140,711 in governmental activities. A deficit for Class of 2017 in the Activity Fund of \$259.

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

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

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	8,007	(68,829)
Invested in capital assets, net of accumulated depreciation	1,181,169	-	-
General obligation bond capitalized indebtedness	(120,000)	-	-
Accrued interest payable	-	(910)	-
Unassigned student activity fund balance	0	0	(259)
Income surtax receivable	-	-	113,924
Deferred inflows	-	-	(329,140)
Deferred outflows	-	-	88,538
Net pension liability	-	-	(863,043)
Net OPEB liability	-	-	(82,161)
Net position (Exhibit A)	\$ 1,061,169	7,097	(1,140,970)

**Note 14. Accounting Change/Restatement**

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

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 2,329,061	\$ (12,901)
Net pension liability at June 30, 2014	(1,302,861)	(35,053)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	127,162	3,421
Net position July 1, 2014, as restated	\$ 1,153,362	\$ (44,533)

ORIENT - MACKSBURG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 1,675,726	36,156	1,711,882	2,461,284	2,461,284	(749,402)
State sources	1,190,164	1,123	1,191,287	1,057,402	1,057,402	133,885
Federal sources	95,758	81,808	177,566	346,000	346,000	(168,434)
Total revenues	2,961,648	119,087	3,080,735	3,864,686	3,864,686	(783,951)
Expenditures/expenses:						
Instruction	1,963,907	-	1,963,907	2,300,000	2,300,000	336,093
Support services	927,957	1,783	929,740	1,230,270	1,230,270	300,530
Non-instructional programs	3,585	118,807	122,392	210,000	210,000	87,608
Other expenditures	225,156	488	225,644	375,854	375,854	150,210
Total expenditures/expenses	3,120,605	121,078	3,241,683	4,116,124	4,116,124	874,441
Excess(Deficiency) of revenues over(under) expenditures/expenses	(158,957)	(1,991)	(160,948)	(251,438)	(251,438)	90,490
Other financing sources, net	(91,051)	91,051	-	1,000	1,000	1,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(250,008)	89,060	(160,948)	(250,438)	(250,438)	91,490
Balances beginning of year	1,214,896	(44,533)	861,827	1,243,970	1,243,970	(382,143)
Balances end of year	\$ 964,888	44,527	700,879	993,532	993,532	(290,653)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 district expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the Year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.021898%
District's proportionate share of the net pension liability	\$ 886,263
District's covered-employee payroll	\$ 1,373,397
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.53%
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.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 123	131	135	126	104	97	93	95	91	91
Contributions in relation to the statutorily required contribution	<u>(123)</u>	<u>(131)</u>	<u>(135)</u>	<u>(126)</u>	<u>(104)</u>	<u>(97)</u>	<u>(93)</u>	<u>(95)</u>	<u>(91)</u>	<u>(91)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,373	1,467	1,557	1,561	1,496	1,396	1,465	1,570	1,583	1,583
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%

ORIENT-MACKSBURG 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.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

For 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	-	\$ 637,000	637,000	0.0 %	\$ 887,365	71.79 %
2011	July 1, 2009	-	637,000	637,000	0.0	618,764	102.95
2012	July 1, 2009	-	637,000	637,000	0.0	731,822	87.04
2013	July 1, 2012	-	247,000	247,000	0.0	974,703	25.34
2014	July 1, 2012	-	247,000	247,000	0.0	1,066,263	23.17
2015	July 1, 2012	-	247,000	247,000	0.0	907,408	27.22

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue					
	Student Activity	Management Levy	Public Education and Recreation Levy	Total	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 28,878	189,676	28,335	246,889	7,262	254,151
Receivables:						
Property tax:						
Delinquent	-	882	186	1,068	745	1,813
Succeeding year	-	80,000	17,174	97,174	65,240	162,414
<b>Total assets</b>	<b>\$ 28,878</b>	<b>270,558</b>	<b>45,695</b>	<b>345,131</b>	<b>73,247</b>	<b>418,378</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities	\$ -	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	80,000	17,174	97,174	65,240	162,414
Fund balances:						
Restricted for:						
Student activities	29,137	-	-	29,137	-	29,137
Management levy purposes	-	190,558	-	190,558	-	190,558
Public education and recreation	-	-	28,521	28,521	-	28,521
Debt service	-	-	-	-	8,007	8,007
Unassigned						
Student activities	(259)	-	-	(259)	-	(259)
Total fund balances	28,878	190,558	28,521	247,957	8,007	255,964
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 28,878</b>	<b>270,558</b>	<b>45,695</b>	<b>345,131</b>	<b>73,247</b>	<b>418,378</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue					
	Student Activity	Management Levy	Public Education and Recreation		Debt Service	Total
			Levy	Levy		
Revenues:						
Local sources:						
Local tax	\$ -	80,249	16,926	97,175	67,729	164,904
Other	93,934	3,563	5	97,502	5	97,507
Total revenues	93,934	83,812	16,931	194,677	67,734	262,411
Expenditures:						
Current:						
Instruction:						
Regular	-	24,253	4,819	29,072	-	29,072
Other	91,991	-	-	91,991	-	91,991
Support services:						
Instructional staff	-	440	-	440	-	440
Administration	-	2,383	-	2,383	-	2,383
Operation and maintenance of plant	-	23,943	-	23,943	-	23,943
Transportation	-	11,440	-	11,440	-	11,440
Non-instructional programs:						
Food service operations	-	3,585	-	3,585	-	3,585
Long-term debt:						
Principal	-	-	-	-	60,000	60,000
Interest and fiscal charges	-	-	-	-	7,460	7,460
Total expenditures	91,991	66,044	4,819	162,854	67,460	230,314
Change in fund balances	1,943	17,768	12,112	31,823	274	32,097
Fund balances beginning of year	26,935	172,790	16,409	216,134	7,733	223,867
Fund balances end of year	\$ 28,878	190,558	28,521	247,957	8,007	255,964

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 531,884	193,403	725,287
Receivables:			
Property tax:			
Delinquent	-	1,414	1,414
Succeeding year	-	130,931	130,931
Income surtax	-	37,975	37,975
Due from other governments	29,286	-	29,286
<b>Total assets</b>	<b>\$ 561,170</b>	<b>363,723</b>	<b>924,893</b>
<b>Liabilities, Deferred Inflow of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,904	47,900	50,804
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	130,931	130,931
Income surtax	-	37,975	37,975
Total deferred inflows of resources	-	168,906	168,906
Fund balances:			
Restricted for:			
School infrastructure	558,266	-	558,266
Physical plant and equipment	-	146,917	146,917
Total fund balances	558,266	146,917	705,183
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 561,170</b>	<b>363,723</b>	<b>924,893</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	166,809	166,809
Other	95	46	141
State sources	188,149	-	188,149
Total revenues	<u>188,244</u>	<u>166,855</u>	<u>355,099</u>
Expenditures:			
Current:			
Instruction:			
Support services:			
Instructional staff	30,634	69,757	100,391
Operation and maintenance of plant	24,709	50,685	75,394
Transportation	55,568	37,023	92,591
Capital outlay	69,241	-	69,241
Total expenditures	<u>180,152</u>	<u>157,465</u>	<u>337,617</u>
Change in fund balances	8,092	9,390	17,482
Fund balances beginning of year	<u>550,174</u>	<u>137,527</u>	<u>687,701</u>
Fund balances end of year	<u>\$ 558,266</u>	<u>146,917</u>	<u>705,183</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 1,615	5,803	5,923	1,495
Bank Interest	1	18	18	1
Athletics	7,101	25,302	22,038	10,365
Baseball	2,765	-	1,999	766
Class of 2011	49	-	49	-
Class of 2014	1,743	1	1,744	-
Class of 2015	526	1,795	2,147	174
Class of 2016	-	24,664	20,666	3,998
Class of 2017	-	-	259	(259)
FFA	3,534	19,848	19,262	4,120
MS Reading Club	2,820	7,163	6,226	3,757
NHS	534	620	355	799
Plays	1,178	1,463	1,644	997
Student Council	51	1,848	1,368	531
Foods Club	593	507	627	473
Elem Reading Club	3,831	4,807	7,577	1,061
Uniforms	115	95	-	210
Tag	479	-	89	390
Total	<u>\$ 26,935</u>	<u>93,934</u>	<u>91,991</u>	<u>28,878</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**ORIENT-MACKSBURG 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
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 1,382,368	1,354,760	1,521,499	1,405,840	1,305,801	1,719,457	1,631,417	1,577,581	1,414,094	1,441,106
Tuition	182,518	205,567	223,382	158,895	272,614	194,302	174,860	232,654	242,996	184,113
Other	110,840	125,263	239,812	341,328	254,704	297,734	293,876	219,154	183,840	191,373
State sources	1,190,164	1,062,119	922,130	1,070,180	945,467	858,242	1,126,712	1,162,992	1,080,173	1,119,141
Federal sources	95,758	78,443	162,873	199,207	150,030	255,554	150,222	115,420	199,801	132,040
<b>Total</b>	<b>\$ 2,961,648</b>	<b>2,826,152</b>	<b>3,069,696</b>	<b>3,175,450</b>	<b>2,928,616</b>	<b>3,325,289</b>	<b>3,377,087</b>	<b>3,307,801</b>	<b>3,120,904</b>	<b>3,067,773</b>
<b>Expenditures:</b>										
<b>Current:</b>										
<b>Instruction:</b>										
Regular	\$ 1,153,044	1,158,375	1,206,700	1,175,053	1,022,088	1,082,877	1,044,669	1,089,674	1,200,060	1,004,980
Special	376,119	418,844	361,832	320,446	341,131	332,997	333,102	304,451	321,654	342,002
Other	434,744	427,647	475,956	453,043	528,137	518,384	462,964	518,078	546,657	585,287
<b>Support services:</b>										
Student	22,355	55,472	42,165	40,991	32,842	27,422	24,831	24,559	23,125	20,274
Instructional	132,653	110,033	169,382	147,420	291,641	90,749	110,156	64,411	71,329	97,808
Administration	300,719	323,872	386,166	365,292	357,726	326,164	366,642	333,968	363,176	396,561
Operation and maintenance of plant	276,198	321,418	289,041	297,567	190,788	164,196	184,289	178,022	185,764	201,614
Transportation	196,032	93,386	117,324	158,593	100,658	93,080	120,272	103,933	96,322	199,603
<b>Non-instructional programs:</b>										
Food service operations	3,585	2,285	1,884	1,661	1,562	1,751	1,823	1,881	2,579	1,953
Capital outlay	69,241	60,650	14,192	26,359	178,472	70,938	45,875	303,930	153,185	69,291
<b>Long term debt:</b>										
Principal	60,000	104,573	104,124	98,673	99,968	50,000	45,000	40,000	48,840	43,496
Interest and fiscal charges	7,460	9,921	11,911	14,552	14,956	16,535	18,021	26,576	30,910	32,779
<b>Other expenditures:</b>										
AEA flow-through	88,455	86,260	84,102	83,986	96,852	96,192	89,981	88,107	86,448	85,283
<b>Total</b>	<b>\$ 3,120,605</b>	<b>3,172,736</b>	<b>3,264,779</b>	<b>3,183,636</b>	<b>3,256,821</b>	<b>2,871,285</b>	<b>2,847,625</b>	<b>3,077,590</b>	<b>3,130,049</b>	<b>3,080,931</b>

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 Orient-Macksburg 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 Orient-Macksburg 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 Orient-Macksburg 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 Orient-Macksburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Orient-Macksburg 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 deficiencies 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-E-15 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orient-Macksburg 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.

## **Orient-Macksburg Community School District's Responses to Findings**

Orient-Macksburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Orient-Macksburg 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 Orient-Macksburg 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

ORIENT-MACKSBURG 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 has control over 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - District will review its control procedures and make changes if possible.

Conclusion - Response accepted.

I-B-15 School Accounting Software Integration - During our audit we noted the Special Revenue, Student Activity Fund accounts were not integrated with the general ledger accounting system. The District may maintain subsidiary records for student activities, but all official records of the Student Activity Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly. Currently the Student Activity Fund is

recorded into QuickBooks and then journal entries are made at the end of the year into Software Unlimited.

Recommendation - The District should contact Software Unlimited support and integrate the accounting for individual student activity accounts. Since the certified annual report upload requires the entire accounting software to be uploaded together, the District should maintain all accounting records for the District on one accounting system.

Response - The District will contact Software Unlimited support and integrate the accounting for individual student activity accounts and maintain all accounting records for the District on one accounting system.

Conclusion - Response accepted.

- I-C-15 Supporting Documentation - During our audit, we noted instance of purchases being made with District funds that lacked receipts and/or detailed receipts to be used subsequently for supporting documentation.

Recommendation - The District should review procedures in place regarding usage of the District funds and require the submission of detailed receipts as supporting documentation for purchases made.

Response - The District will review procedures in place regarding usage of the District funds and require the submission of detailed receipts as supporting documentation for purchases made.

Conclusion - Response accepted.

- I-D-15 Non-certified Time Sheets - We noted during our audit that the District is not maintaining documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements

Response - District is implementing the use of time sheets for all coaches who are non-certified. Also ensuring that there is supporting documentation for all employees receiving checks.

Conclusion - Response accepted.

- I-E-15 Checks Made Payable to Cash - We noted during our audit instances of checks for start-up money for Senior Class fundraiser made payable only to "Cash".

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the "Petty Cash - Custodian/Sponsor" of the event and the District.

Response - In the future, the District shall write checks for start-up money for any fundraiser to the "Petty Cash – Custodian/Sponsor" of the event and the District.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the certified amounts in the functional areas. However the District exceeded its General Fund unspent authorized budget for the year ended June 30, 2015 by \$168,870.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response - District has been in contact with the School Budget Review Committee and Iowa Department of Education regarding the General Fund unspent authorized budget and has put a Corrective Action Plan in place.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's March 28, 2016d April 25, 1979 were noted.

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.

We noted meal reimbursement to the Superintendent was over the \$10.00 lunch amount limit in the Employee Travel Compensation Policy 401.7 as stated *Pre-approved expense for lodging within the state is limited to the rate of a medium priced hotel in the area. Pre-approved expense for lodging outside the state is limited to the rate of a medium priced hotel in the area. Lodging may be pre-approved for a larger amount if special circumstances require the employee to stay at a particular hotel.* [Pre-approved expenses for meals within the state are limited to \$-10 for breakfast, \$10 for lunch and \$10 for dinner. Pre-approved expenses for meals outside the state are limited to \$10 for breakfast, \$10 for lunch and \$15 for dinner. Meals may be pre-approved for a larger amount by the board.]

Recommendation - The District should review procedures in place so that limits in policy 401.7 are followed for reimbursement.

Response - The District will review procedures in place so that limits in Policy 401.7 are followed for reimbursement.

Conclusion - Response accepted.

II-D-15 Business Transactions - No business transactions between the District and District officials were noted.

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 ensure that the coverage is adequate for current operations.

II-F-15 Board Minutes:

**Depositories and Maximum Limits** - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the District did not list maximum amount that may be kept on deposit in each depository nor did they list ISJIT as an official depository in accordance with Chapter 12C.2 of the Code of Iowa which states, *“The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository”*.

Recommendation -The District should document Board approved depositories and their limits in the District’s official minutes in accordance of Chapter 12C.2 of the Code of Iowa. The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - The District will document all Board approved depositories and their limits in the District’s official minutes in accordance of Chapter 12C.2 of the Code of Iowa.

Conclusion - Response accepted.

**Closed Sessions** - We noted the minutes did not document the code section for a closed session as required by Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - The District will reference the question of holding a closed session and the reason for holding a closed session by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into minutes as has been done previously.

Conclusion - Response accepted.

**Signing of Minutes** - We noted that not all Board Minutes were signed nor complete in the book of minutes.

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

Response - The District will have all board minutes signed and complete in the book of minutes as has been done in previous years.

Conclusion - Response accepted.

**Publishing of Minutes** - We noted that not all minutes were published in a timely manner.

Recommendation - Minutes should be published within two weeks of the Board meetings under Chapter 279.35-36 of the Code of Iowa.

Response - The District will publish all minutes in a timely manner.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - We noted the basic enrollment data certified to the Department of Education was understated by 5.50.

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

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

Conclusion - Response accepted.

II-H-15 Supplementary Weighting - 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 noted with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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		\$	550,174
Revenues:			
Sales tax revenues	\$	188,149	
Other local revenues		95	
		<u>188,244</u>	<u>738,418</u>
Expenditures:			
Instructional staff		30,634	
Operation and maintenance of plant		24,709	
Transportation		55,568	
Equipment		<u>69,241</u>	<u>180,152</u>
Ending balance		\$	<u><u>558,266</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 or 423F of the Code of Iowa.

II-M-15 Financial Condition - At June 30, 2015 the District had a deficit unrestricted net position in the governmental activities of \$1,140,711. Also the Special Revenue: Student Activity Fund: Class of 2017 account had a deficit unassigned fund balance of \$259. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

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

Conclusion - Response accepted.

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

Recommendation - The District needs to determine if the checks should 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 1<sup>st</sup>.

Response - District will evaluate the outstanding checks on the bank reconciliations and decide to void, reissue or submit to the State Treasurer as unclaimed property if necessary.

Conclusion - Response accepted.

II-O-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 financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for student. During our audit we noted that the District is maintaining a Talented and Gifted Account in the Student Activity Fund which accounts for the Talented and Gifted Program for the District. The District also has Elementary and Middle School Reading Accounts that appear to account for instructional supplies and field trips.

Recommendation - These accounts do not appear to be co-curricular or extracurricular, but rather instructional in nature and, therefore, would be more appropriately accounted for in the General Fund. The District should review the propriety of accounts within the Student Activity Fund to comply with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - District has reviewed the propriety of accounts within the Student Activity Fund to comply with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Conclusion - Response accepted.

II-P-15 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional athletic events, but those revenues are not recorded in the General Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage during District and Regional athletic events into the General Fund.

Response - The District is now receiving money for use of facilities when hosting district and regional athletic events into the General Fund according to Chapter 297.9 of the Code of Iowa and will continue to do so.

Conclusion - Response accepted.