PEKIN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Pekin Community School District

Name	Title	Term Expires
	Board of Education	
Steve Copeland	President	2015
Greg Millikin	Vice-president	2015
Jennifer Coleman	Board Member	2015
Mike Davis	Board Member	2015
Mark Wittrock	Board Member	2017
Heidi Baker	Board Member	2017
Jared Greiner	Board Member	2017
	School Officials	
Dennis Phelps	Superintendent	2015
Connie Linney	District Secretary/Treasurer	2015
Richard Gaumer	Attorney	2015
Gruhn Law Firm	Attorney	2015
Lynch Dallas, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Pekin 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 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $6,235,367 in fiscal year 2014 to $6,340,988 in fiscal year 2015, while General Fund expenditures decreased from $6,828,628 in fiscal year 2014 to $6,772,274 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from $2,111,920 at June 30, 2014 to $1,680,634 at June 30, 2015, a 20.42% decrease from the prior year.

- The increase in General Fund revenues was attributable to increases in intermediate and state source revenues received in fiscal year 2015. The decrease in expenditures was due to decreased expenditures for the instruction and support services functional areas.

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

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Pekin Community School District Annual Financial Report

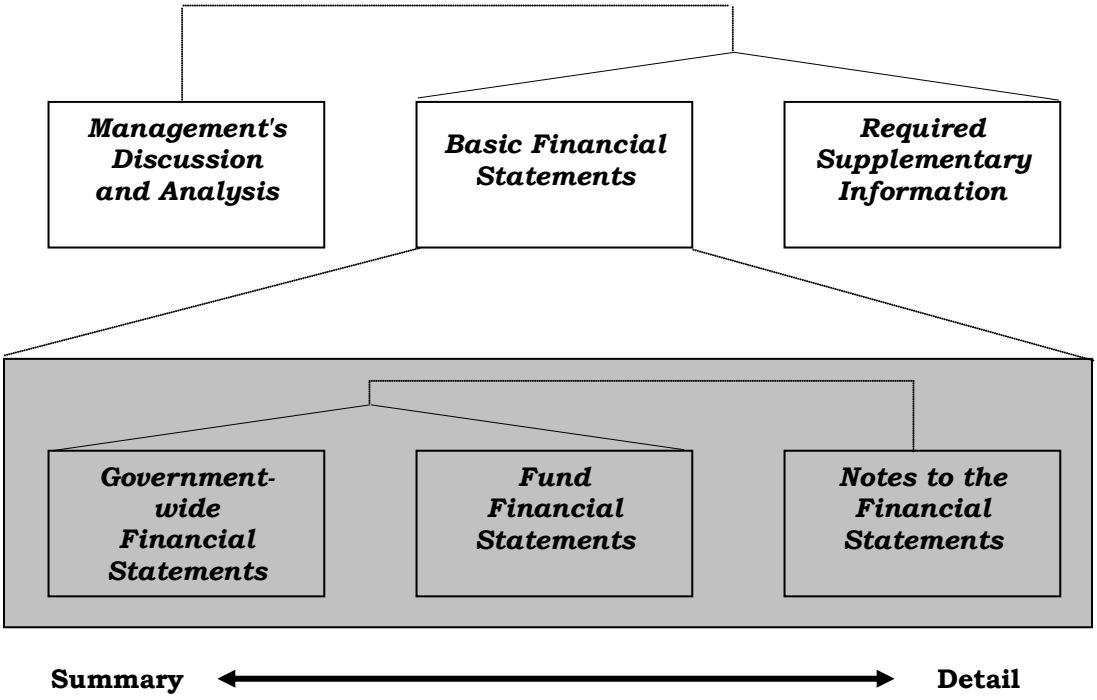

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service and daycare	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is appicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and day care programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

3) Fiduciary funds: The Districts is the trustee, or fiduciary, for assets that belong to others. This fund includes Private-Purpose Trust Fund.

Private – Purpose Trust Fund – the District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	$ 6,287,723	6,345,012	147,118	113,035	6,434,841	6,458,047	-0.36%
Capital assets	4,570,598	4,500,946	621,108	647,536	5,191,706	5,148,482	0.84%
Total assets	10,858,321	10,845,958	768,226	760,571	11,626,547	11,606,529	0.17%
Deferred outflows of resources	625,812	-	38,030	-	663,842	-	100.00%
Long-term liabilities	2,636,141	326,805	146,883	6,431	2,783,024	333,236	735.15%
Other liabilities	42,159	64,145	13,306	14,634	55,465	78,779	-29.59%
Total liabilities	2,678,300	390,950	160,189	21,065	2,838,489	412,015	588.93%
Deferred inflows of resources	3,635,599	2,674,829	52,872	-	3,688,471	2,674,829	37.90%
Net position:							
Net investment in capital assets	4,570,598	4,500,946	621,108	647,536	5,191,706	5,148,482	0.84%
Restricted	1,759,212	1,483,253	-	-	1,759,212	1,483,253	18.60%
Unrestricted	(1,159,576)	1,795,980	(27,913)	91,970	(1,187,489)	1,887,950	-162.90%
Total net position	$ 5,170,234	7,780,179	593,195	739,506	5,763,429	8,519,685	-32.35%

The District's combined net position decreased by 32.35%, or $2,756,256, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 18.60%, or $275,959. The increase in restricted net position was primarily due to the increase in fund balance of the Management Levy 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 162.90%, or $3,075,439. 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 $2,774,677 and $163,156, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	$ 817,081	833,391	380,470	367,473	1,197,551	1,200,864	-0.28%
Operating grants, contributions and restricted interest	582,565	596,087	179,683	168,342	762,248	764,429	-0.29%
General revenues:							
Property tax	2,654,987	2,639,054	-	-	2,654,987	2,639,054	0.60%
Income surtax	265,325	239,066	-	-	265,325	239,066	10.98%
Statewide sales, services and use tax	587,450	547,830	-	-	587,450	547,830	7.23%
Unrestricted state grants	3,038,377	2,852,715	-	-	3,038,377	2,852,715	6.51%
Unrestricted interest revenue	31,688	35,100	1,010	3	32,698	35,103	-6.85%
Other general revenue	91,418	65,438	10,754	14,727	102,172	80,165	27.45%
Total revenues	8,068,891	7,808,681	571,917	550,545	8,640,808	8,359,226	3.37%
Program expenses:							
Instruction	5,100,046	5,299,057	-	-	5,100,046	5,299,057	-3.76%
Support services	2,301,944	2,203,533	-	-	2,301,944	2,203,533	4.47%
Non-instructional programs	2,501	2,634	555,072	582,122	557,573	584,756	-4.65%
Other expenditures	499,668	482,104	-	-	499,668	482,104	3.64%
Total expenses	7,904,159	7,987,328	555,072	582,122	8,459,231	8,569,450	-1.29%
Excess(Deficiency) of revenues over(under) expenditures	164,732	(178,647)	16,845	(31,577)	181,577	(210,224)	-186.37%
Transfers	-	(210,703)	-	210,703	-	-	0.00%
Change in net position	164,732	(389,350)	16,845	179,126	181,577	(210,224)	-186.37%
Net position beginning of year, as restated	5,005,502	8,169,529	576,350	560,380	5,581,852	8,729,909	-36.06%
Net position end of year	$ 5,170,234	7,780,179	593,195	739,506	5,763,429	8,519,685	-32.35%

In fiscal year 2015, property tax, income surtax, statewide sales, services, and use tax, and unrestricted state grants accounted for 81.13% of the revenues from governmental activities, while charges for service, and operating grants and contributions accounted for 97.94% of the revenues from business type activities.

The District's total revenues were approximately $8.64 million, of which approximately $8.07 was from governmental activities and approximately $0.57 was from business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.37% increase in revenues and a 1.29% decrease in expenses, as compared to the prior year. Revenues for fiscal year 2015 increased as a result of the District's increased unrestricted state grants and property tax revenues as compared to the prior year. Expenses decreased due to a decrease in instruction expenses incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were $8,068,891 and expenses were $7,904,159 for the year ended June 30, 2015.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	$ 5,100,046	5,299,057	-3.76%	4,030,419	4,173,920	-3.44%
Support services	2,301,944	2,203,533	4.47%	2,229,183	2,153,588	3.51%
Non-instructional programs	2,501	2,634	-5.05%	2,501	2,634	-5.05%
Other expenses	499,668	482,104	3.64%	242,410	227,708	6.46%
Totals	$ 7,904,159	7,987,328	-1.04%	6,504,513	6,557,850	-0.81%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was $817,081.
- Federal and state governments along with contributions from local and intermediate sources subsidized certain programs with grants and contributions totaling $582,565.
- The net cost of governmental activities was financed with $2,654,987 in property tax, $265,325 in income surtax, $587,450 in statewide sales, services and use tax, $3,038,377 in unrestricted state grants, $31,688 in interest income, and $91,418 in other general revenues.

Business Type Activities

Revenues for the District's business type activities the year ended June 30, 2015 were $571,917 and expenses totaled $555,072. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Pekin 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 $3,268,081, below last year's ending combined fund balances of $3,407,510. The primary reason for the decrease in combined fund balances in fiscal year 2015 is the decrease in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The General Fund balance decreased from $2,111,920 at June 30, 2014 to $1,680,634 at June 30, 2015. Total revenues increased from the prior year primarily due to increases in intermediate and state sources while total expenditures decreased due primarily to decrease in instructional expenditures incurred as compared to previous year. Total expenditures exceeded total revenues ensuring a decrease in ending fund balance.

- The Management Fund balance increased from $491,703 at June 30, 2014 to $736,186 at June 30, 2015. This increase in fund balance is primarily due to an increase in local tax source revenues received.

- The Capital Projects Fund balance increased from $704,568 at June 30, 2014 to $730,415 at June 30, 2015. The primary reason for this increase in fund balance is due to an increase in Statewide, Sales, Service and Use tax received as compared to the prior year.

Proprietary Fund Highlights

The Proprietary Funds combined net position increased from $576,350 restated at July 1, 2014 to $593,195 at June 30, 2015, representing an increase of 2.92%.

The School Nutrition Fund net position decreased from $280,550 restated at July 1, 2014 to $277,065 at June 30, 2015, a decrease of 1.24%. The primary reason for this decrease in ending net position is due to total expenditures outpacing total revenues.

The Day Care Fund net position increased from $295,800 restated at July 1, 2014 to $316,130 at June 30, 2015, an increase of 6.87%. Total revenues increased primarily due to increased charges for service revenues received and total expenditures decreased primarily due to decrease in total salaries and benefits paid to Day Care employees. Total revenues outpaced total expenditures ensuring an increase in ending net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pekin Community School District amended its budget one time to reflect additional expenditures associated with the cost incurred from remodeling classrooms and roof expenses incurred during the year.

The District's revenues were $183,255 more than budgeted revenues, a variance of 2.18%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund

spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested $5,191,706, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.84% from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was $458,294.

The original cost of the District's capital assets was $11,140,538. Governmental activities account for $10,219,119 with the remainder of $921,419 in the District's business type activities.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled $3,896,132 at June 30, 2015, compared to $3,794,310 reported at June 30, 2014. This increase resulted from roofing projects and renovations completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	$ 236,245	236,245	-	-	236,245	236,245	0.00%
Buildings	3,541,579	3,442,780	354,553	351,530	3,896,132	3,794,310	2.61%
Land improvements	299,050	323,014	-	-	299,050	323,014	-8.01%
Machinery and equipment	493,724	498,907	266,555	296,006	760,279	794,913	-4.56%
Total	$ 4,570,598	4,500,946	621,108	647,536	5,191,706	5,148,482	0.84%

Long-Term Debt

At June 30, 2015, the District had $2,783,024 in other long-term debt outstanding. This represents a increase of 735.15% from last year. (See Figure A-7) Additional detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

At June 30, 2015, the District had termination benefits payable of $144,273.

At June 30, 2015, the District had a net OPEB liability of $142,429. $134,182 is attributable to the District's governmental activities, and the remaining $8,247 is attributable to the District's business type activities.

At June 30, 2015, the District had a net pension liability of $2,496,322. $2,357,686 is attributable to the District's governmental activities, and the remaining $138,636 is attributable to the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014 (Not Restated)	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014 (Not Restated)	Total District June 30, 2015	Total District June 30, 2014 (Not Restated)	Total Change June 30, 2014-15
Termination benefits	$ 144,273	222,164	-	-	144,273	222,164	-35.06%
Net pension liability	2,357,686	-	138,636	-	2,496,322	-	100.00%
Net OPEB obligation	134,182	104,641	8,247	6,431	142,429	111,072	28.23%
Total	$ 2,636,141	326,805	146,883	6,431	2,783,024	333,236	735.15%

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 the past several years has had a large impact on the District's financial future.
- Declining enrollment has a great impact on the District's spending authority as well as the fluctuation of open enrollment in and out.
- An aging staff along with increases in salaries and benefits has a major influence on the District's finances, as well as large transportation costs.

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 Connie Linney, District Secretary/Treasurer, Pekin Community School District, 1062 Birch Avenue, Packwood, Iowa, 52580.

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 3,093,227	115,153	3,208,380
Receivables:			
Property tax:			
Delinquent	33,404	-	33,404
Succeeding year	2,736,446	-	2,736,446
Income surtax	241,037	-	241,037
Accounts	1,639	17,610	19,249
Due from other governments	181,970	-	181,970
Inventories	-	14,355	14,355
Capital assets, net of accumulated depreciation	4,570,598	621,108	5,191,706
Total assets	10,858,321	768,226	11,626,547
Deferred Outflows of Resources			
Pension related deferred outflows	625,812	38,030	663,842
Liabilities			
Accounts payable	32,633	-	32,633
Salaries and benefits payable	9,526	8,641	18,167
Unearned revenue	-	4,665	4,665
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	45,450	-	45,450
Portion due after one year:			
Termination benefits payable	98,823	-	98,823
Net pension liability	2,357,686	138,636	2,496,322
Net OPEB liability	134,182	8,247	142,429
Total liabilities	2,678,300	160,189	2,838,489
Deferred inflows of resources			
Pension related deferred inflows	899,153	52,872	952,025
Unavailable property tax revenue	2,736,446	-	2,736,446
Total deferred inflows of resources	3,635,599	52,872	3,688,471
Net position			
Net investment in capital assets	4,570,598	621,108	5,191,706
Restricted for:			
Categorical funding	314,194	-	314,194
Management levy purposes	591,913	-	591,913
Student activities	122,690	-	122,690
School infrastructure	461,349	-	461,349
Physical plant and equipment	269,066	-	269,066
Unrestricted	(1,159,576)	(27,913)	(1,187,489)
Total net position	$ 5,170,234	593,195	5,763,429

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

PEKIN 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	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 3,178,802	393,134	53,261	(2,732,407)	-	(2,732,407)
Special	723,802	759	27,865	(695,178)	-	(695,178)
Other	1,197,442	353,802	240,806	(602,834)	-	(602,834)
	5,100,046	747,695	321,932	(4,030,419)	-	(4,030,419)
Support services:						
Student	175,705	-	-	(175,705)	-	(175,705)
Instructional staff	167,159	16,970	3,375	(146,814)	-	(146,814)
Administration	727,895	52,416	-	(675,479)	-	(675,479)
Operation and maintenance of plant	649,712	-	-	(649,712)	-	(649,712)
Transportation	581,473	-	-	(581,473)	-	(581,473)
	2,301,944	69,386	3,375	(2,229,183)	-	(2,229,183)
Non-instructional programs:						
Food service operations	2,501	-	-	(2,501)	-	(2,501)
Other expenditures:						
AEA flowthrough	257,258	-	257,258	-	-	-
Depreciation(unallocated)*	242,410	-	-	(242,410)	-	(242,410)
	499,668	-	257,258	(242,410)	-	(242,410)
Total governmental activities	7,904,159	817,081	582,565	(6,504,513)	-	(6,504,513)
Business type activities:						
Non-instructional programs:						
Food service operations	325,345	141,257	179,683	-	(4,405)	(4,405)
Other enterprise operations	229,727	239,213	-	-	9,486	9,486
Total business type activities	555,072	380,470	179,683	-	5,081	5,081
Total	$ 8,459,231	1,197,551	762,248	(6,504,513)	5,081	(6,499,432)
General Revenues:						
Property tax levied for:						
General purposes				$ 2,515,485	-	2,515,485
Capital outlay				139,502	-	139,502
Income surtax				265,325	-	265,325
Statewide sales, services and use tax				587,450	-	587,450
Unrestricted state grants				3,038,377	-	3,038,377
Unrestricted investment earnings				31,688	1,010	32,698
Other				91,418	10,754	102,172
Total general revenues				6,669,245	11,764	6,681,009
Change in net position				164,732	16,845	181,577
Net position beginning of year, as restated				5,005,502	576,350	5,581,852
Net position end of year				$ 5,170,234	593,195	5,763,429

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

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

	General	Management Levy	Capital Projects	Nonmajor Special Revenue: Student Activity	Total
Assets					
Cash and pooled investments	$ 1,605,629	729,882	636,870	120,846	3,093,227
Receivables:					
Property tax:					
Delinquent	25,342	6,304	1,758	-	33,404
Succeeding year	2,073,039	511,850	151,557	-	2,736,446
Income surtax	150,648	-	90,389	-	241,037
Accounts	1,639	-	-	-	1,639
Due from other governments	90,183	-	91,787	-	181,970
Total assets	$ 3,946,480	1,248,036	972,361	120,846	6,287,723
Liabilities, deferred inflows of resouces and fund balances					
Liabilities:					
Accounts payable	$ 32,633	-	-	-	32,633
Salaries and benefits payable	9,526	-	-	-	9,526
Total liabilities	42,159	-	-	-	42,159
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,073,039	511,850	151,557	-	2,736,446
Income surtax	150,648	-	90,389	-	241,037
Total deferred inflows of resources	2,223,687	511,850	241,946	-	2,977,483
Fund balances:					
Restricted for:					
Categorical funding	314,194	-	-	-	314,194
Management levy purposes	-	736,186	-	-	736,186
Student activities	-	-	-	122,690	122,690
School infrastructure	-	-	461,349	-	461,349
Physical plant and equipment	-	-	269,066	-	269,066
Unassigned:					
General	1,366,440	-	-	-	1,366,440
Student activities	-	-	-	(1,844)	(1,844)
Total fund balances	1,680,634	736,186	730,415	120,846	3,268,081
Total liabilities, deferred inflows of resources and fund balances	$ 3,946,480	1,248,036	972,361	120,846	6,287,723

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

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

Total fund balances of governmental funds (page 20)		$	3,268,081
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,570,598
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and therefore, is shown as deferred inflows of resources in the governmental funds.			241,037
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	$ 625,812		
Deferred inflows of resources	(899,153)		(273,341)
Long-term liabilities, including termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.			(2,636,141)
Net position of governmental activities (page 18)		$	5,170,234

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Management Levy	Capital Projects	Nonmajor Special Revenue: Student Activity	Total
Revenues:					
Local sources:					
Local tax	$ 2,154,350	500,395	223,058	-	2,877,803
Tuition	372,678	-	-	-	372,678
Other	204,770	14,537	3,364	353,252	575,923
Intermediate sources	10,000	-	-	-	10,000
State sources	3,436,919	2,610	588,178	-	4,027,707
Federal sources	162,271	-	-	-	162,271
Total revenues	6,340,988	517,542	814,600	353,252	8,026,382
Expenditures:					
Current:					
Instruction:					
Regular	2,934,902	135,052	192,163	-	3,262,117
Special	739,024	-	-	-	739,024
Other	867,339	-	-	331,725	1,199,064
	4,541,265	135,052	192,163	331,725	5,200,205
Support services:					
Student	176,871	893	-	-	177,764
Instructional staff	160,009	447	12,246	-	172,702
Administration	706,634	21,470	-	-	728,104
Operation and maintenance of plant	508,109	83,240	67,578	-	658,927
Transportation	422,128	29,456	144,983	-	596,567
	1,973,751	135,506	224,807	-	2,334,064
Non-instructional programs:					
Food service operations	-	2,501	-	-	2,501
Capital outlay	-	-	371,783	-	371,783
AEA flowthrough	257,258	-	-	-	257,258
Total expenditures	6,772,274	273,059	788,753	331,725	8,165,811
Change in fund balances	(431,286)	244,483	25,847	21,527	(139,429)
Fund balances beginning of year	2,111,920	491,703	704,568	99,319	3,407,510
Fund balances end of year	$ 1,680,634	736,186	730,415	120,846	3,268,081

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

PEKIN 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)		$ (139,429)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities, and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of capital outlay expenditures and depreciation expense in the current year are as follows:		
Capital outlays	$ 488,781	
Depreciation expense	(419,129)	69,652
Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.		42,509
The current year District share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position.		353,454
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	77,891	
Pension expense	(209,804)	
Other postemployment benefits	(29,541)	(161,454)
Change in net position of governmental activities (page 19)		$ 164,732

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

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

	Enterprise		
	Day Care	School Nutrition	Total
Assets			
Current assets:			
Cash and pooled investments	$ 20,261	94,892	115,153
Accounts receivable	17,610	-	17,610
Inventories	-	14,355	14,355
Total current assets	37,871	109,247	147,118
Noncurrent assets:			
Capital assets, net of accumulated depreciation:			
Buildings	354,553	-	354,553
Machinery and equipment	45,249	221,306	266,555
Total non current assets	399,802	221,306	621,108
Total assets	437,673	330,553	768,226
Deferred outflows of resources			
Pension related deferred outflows	24,846	13,184	38,030
Liabilities			
Current liabilities:			
Salaries and benefits payable	8,641	-	8,641
Unearned revenue	-	4,665	4,665
Total current liabilities	8,641	4,665	13,306
Noncurrent liabilities:			
Net pension liability	95,831	42,805	138,636
Net OPEB liability	5,370	2,877	8,247
Total noncurrent liabilities	101,201	45,682	146,883
Deferred inflows of resources			
Pension related deferred inflows	36,547	16,325	52,872
Net position			
Net investment in capital assets	399,802	221,306	621,108
Unrestricted	(83,672)	55,759	(27,913)
Total net position	$ 316,130	277,065	593,195

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

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

	Enterprise		
	Day Care	School Nutrition	Total
Operating revenue:			
Local sources:			
Charges for service	$ 239,213	141,257	380,470
Miscellaneous	9,837	917	10,754
Total operating revenue	249,050	142,174	391,224
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	-	97,870	97,870
Benefits	-	27,343	27,343
Services	-	261	261
Supplies	-	158,930	158,930
Depreciation	-	24,795	24,795
Other	-	15,533	15,533
	-	324,732	324,732
Other enterprise operations:			
Salaries	168,060	-	168,060
Benefits	39,515	-	39,515
Supplies	7,782	-	7,782
Depreciation	14,370	-	14,370
	229,727	-	229,727
Total operating expenses	229,727	324,732	554,459
Operating income(loss)	19,323	(182,558)	(163,235)
Non-operating revenues(expenses):			
Loss on disposal	-	(613)	(613)
State sources	-	3,068	3,068
Federal sources	-	176,615	176,615
Interest income	1,007	3	1,010
Total non-operating revenues(expenses)	1,007	179,073	180,080
Change in net position	20,330	(3,485)	16,845
Net position beginning of year, as restated	295,800	280,550	576,350
Net position end of year	$ 316,130	277,065	593,195

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

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

	Enterprise		
	Day Care	School Nutrition	Total
Cash flows from operating activities:			
Cash received from operating activities	$ 237,544	140,484	378,028
Cash received from miscellaneous	9,837	917	10,754
Cash payments to employees for services	(212,195)	(129,010)	(341,205)
Cash payments to suppliers for goods or services	(7,782)	(146,783)	(154,565)
Net cash provided by(used in) operating activities	27,404	(134,392)	(106,988)
Cash flows from non-capital financing activities:			
State grants received	-	3,068	3,068
Federal grants received	-	149,710	149,710
Net cash provided by non-capital financing activities	-	152,778	152,778
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(13,350)	-	(13,350)
Cash flows from investing activities:			
Interest on investments	1,007	3	1,010
Net increase in cash and cash equivalents	15,061	18,389	33,450
Cash and cash equivalents beginning of year	5,200	76,503	81,703
Cash and cash equivalents end of year	$ 20,261	94,892	115,153
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	$ 19,323	(182,558)	(163,235)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	-	27,423	27,423
Depreciation	14,370	24,795	39,165
Decrease in inventories	-	518	518
Increase in accounts receivable	(1,669)	-	(1,669)
Decrease in salaries and benefits payable	(555)	-	(555)
Decrease in unearned revenue	-	(773)	(773)
Decrease in net pension liability	(31,069)	(13,878)	(44,947)
Increase in deferred outflows of resources	(10,726)	(6,877)	(17,603)
Increase in deferred inflows of resources	36,547	16,325	52,872
Increase in other postemployment benefits	1,183	633	1,816
Net cash provided by(used in) operating activities	$ 27,404	(134,392)	(106,988)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District's School Nutrition Fund received Federal commodities valued at $27,423.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

PEKIN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	$ 9,947
LIABILITIES	-
NET POSITION	
Held in trust for scholarships	$ 9,947

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	9,947
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	-
Change in net position	9,947
Net position beginning of year	-
Net position end of year	$ 9,947

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Pekin 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 Pekin and Packwood, Iowa, and the predominate agricultural territory in Washington, Keokuk, Wapello and Jefferson 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, Pekin 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 Pekin 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 Washington, Keokuk, Wapello and Jefferson Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 Management Levy Fund is used to account for the payment of property insurance and unemployment benefits.

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

The District reports the following major and nonmajor proprietary funds:

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

The major Enterprise, Day Care Fund is used to account for transactions of the day care operations of 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, Cash Equivalents, and Pooled Investments - 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	$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Day Care Fund equipment	500
Other machinery and equipment	2,000

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 years
Machinery and equipment	5-15 years

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The unearned revenues in the Day Care Fund are monies collected in advance for tuition. The revenue will be considered earned when services are provided. The tuition and 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.

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

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 other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or 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 $354,559 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 236,245	-	-	236,245
Total capital assets not being depreciated	236,245	-	-	236,245
Capital assets being depreciated:				
Buildings	6,685,283	314,442	-	6,999,725
Land improvements	834,957	2,804	-	837,761
Machinery and equipment	2,076,074	171,535	102,221	2,145,388
Total capital assets being depreciated	9,596,314	488,781	102,221	9,982,874
Less accumulated depreciation for:				
Buildings	3,242,503	215,643	-	3,458,146
Land improvements	511,943	26,768	-	538,711
Machinery and equipment	1,577,167	176,718	102,221	1,651,664
Total accumulated depreciation	5,331,613	419,129	102,221	5,648,521
Total capital assets being depreciated, net	4,264,701	69,652	-	4,334,353
Governmental activities capital assets, net	$ 4,500,946	69,652	-	4,570,598
Business type activities:				
Capital assets being depreciated:				
Buildings	$ 475,654	13,350	-	489,004
Machinery and equipment	434,253	-	1,838	432,415
Total capital assets being depreciated	909,907	13,350	1,838	921,419
Less accumulated depreciation for:				
Buildings	124,124	10,327	-	134,451
Machinery and equipment	138,247	28,838	1,225	165,860
Total accumulated depreciation	262,371	39,165	1,225	300,311
Business type activities capital assets, net	$ 647,536	(25,815)	613	621,108

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 11,677
Other	1,358
Support services:	
Administration	8,538
Operation and maintenance of plant	4,695
Transportation	150,451
	176,719
Unallocated depreciation	242,410
Total governmental activities depreciation expense	$ 419,129
Business type activities:	
Food service operations	$ 24,795
Other enterprise operations	14,370
Total business type activities depreciation expense	$ 39,165

(4) Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	$ 222,164	7,073	84,964	144,273	45,450
Net pension liability	3,122,061	-	764,375	2,357,686	-
Net OPEB liability	104,641	29,541	-	134,182	-
Total	$ 3,448,866	36,614	849,339	2,636,141	45,450
Business type activities:					
Net pension liability	$ 183,583	-	44,947	138,636	-
Net OPEB liability	6,431	1,816	-	8,247	-
Total	$ 190,014	1,816	44,947	146,883	-

Termination Benefits

The District offered an early retirement plan to its certified employees during fiscal years 2014 and 2012. Eligible employees must have been at least age fifty-five and have completed fifteen years of continuous service to the District. Employees submitted applications which required approval by the Board of Education.

The early retirement incentive for each eligible employee was based on total years of service, with each eligible employee receiving $500 for every year of continuous service to the District, plus $250 a month towards health insurance for 60 months or until the age of 65.

All benefit money is put in a Health Reimbursement Arrangement(HRA) and paid in five equal installments on or after July 1st annually. Retirees from the fiscal 2012 offering have three years of payments remaining through July 1, 2016. Retirees from the fiscal 2014 offering have five years of payments remaining through July 1, 2018.

At June 30, 2015, the District has obligation to ten participants with a total liability of $144,273. Actual early retirement expenditures for the year ended June 30, 2015 totaled $84,964.

(5) Pension Plan

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

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were $375,469.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of $2,496,322 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 0.061682 percent, which was an increase of 0.003299 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $222,141. 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	$ 27,130	$ -
Changes of assumptions	110,168	-
Net difference between projected and actual earnings on pension plan investments	-	952,025
Changes in proportion and differences between District contributions and proportionate share of contributions	151,075	-
District contributions subsequent to the measurement date	375,469	-
Total	$ 663,842	$ 952,025

$375,469 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	$ (170,629)
2017	(170,629)
2018	(170,629)
2019	(170,629)
2020	18,866
	$ (663,650)

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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-percentagepoint 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	$ 4,716,730	$ 2,496,322	$ 622,067

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of $1,401 for legally required employer contributions and $933 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 46 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability. There is a $150 per month explicit rate subsidy for the non-certified staff towards the monthly health premium for a maximum of three years.

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

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

The following table shows the components of the Districts 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	$ 52,801
Interest on net OPEB obligation	2,777
Adjustment to annual required contribution	(10,486)
Annual OPEB cost	45,092
Contributions made	(13,735)
Increase in net OPEB obligation	31,357
Net OPEB obligation beginning of year	111,072
Net OPEB obligation end of year	$ 142,429

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 $13,735 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 62,984	53.01%	$ 82,223
2014	51,265	43.73%	111,072
2015	45,092	30.46%	142,429

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 $294,656, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $294,656. The covered payroll (annual payroll of active employees covered by the plan) was $3,722,725, and the ratio of the UAAL to covered payroll was 7.92%. As of June 30, 2015 there were no trust fund assets.

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

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

As of July 1, 2012 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies in the 2006 Society of Actuaries Study.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

	Single	Family
$100 Deductible	$ 617	$ 1,535
$250 Deductible	588	1,463
$500 Deductible	549	1,365
$1000 Deductible	532	1,312

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

Pekin Community School District is a member in the Southeast Iowa School Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. The Southeast Iowa School Employees Benefits Health Plan (SEISHP) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. SEISHP was for the purpose of managing and funding employee benefits. SEISHP provides coverage and protection in the following categories: medical and dental.

Each member's contributions to SEISHP funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEISHP's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEISHP for the year ended June 30, 2015 was $650,926.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Most members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. SEISHP will pay claims incurred before the termination date.

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $257,258 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

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

Program		Amount
Gifted and talented	$	133,930
Beginning teacher mentoring and induction program		2,940
Four-year-old preschool state aid		60,800
Successful progression for early readers		15,485
Professional development for model core curriculum		44,172
Professional development		51,111
Teacher leadership grants		5,062
Governor's Advisory Council STEM scale-up programs		694
Total	$	314,194

(10) Deficit Accounts/Fund Balance

The District had an account within the Student Activity Fund with a deficit unassigned balance of $1,844 at June 30, 2015. The District also had a deficit unrestricted net position of $1,159,576 in the District's governmental activities and a deficit unrestricted net position of $27,913 in the business type activities at June 30, 2015. The Day Care fund also had a deficit unrestricted net position of $ 83,672 at June 30, 2015.

(11) Reconciliation of Governmental Fund Balances to Net Position

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

	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	$ 736,186	1,366,440
Unassigned for student activities	-	(1,844)
Income surtax	-	241,037
Termination benefits payable	(144,273)	-
Net OPEB liability	-	(134,182)
Pension related deferred inflows	-	(899,153)
Pension related deferred outflows	-	625,812
Net pension liability	-	(2,357,686)
Net position (Exhibit A)	$ 591,913	(1,159,576)

(12) Accounting Change/Restatement Note

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:

		Business Type Activities		
	Governmental Activities	School Nutrtion	Daycare	Total
Net position June 30, 2014, as previously reported	$ 7,780,179	$ 330,926	408,580	739,506
Net pension liability at June 30, 2014	(3,122,061)	(56,683)	(126,900)	(183,583)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	347,384	6,307	14,120	20,427
Net position July 1, 2014, as restated	$ 5,005,502	$ 280,550	295,800	576,350

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 3,826,404	392,234	4,218,638	4,405,484	4,405,484	(186,846)
Intermediate sources	10,000	-	10,000	-	-	10,000
State sources	4,027,707	3,068	4,030,775	3,645,560	3,645,560	385,215
Federal sources	162,271	176,615	338,886	364,000	364,000	(25,114)
Total revenues	8,026,382	571,917	8,598,299	8,415,044	8,415,044	183,255
Expenditures/expenses:						
Instruction	5,200,205	-	5,200,205	5,203,000	5,203,000	2,795
Support services	2,334,064	-	2,334,064	2,558,000	2,558,000	223,936
Non-instructional programs	2,501	555,072	557,573	603,500	603,500	45,927
Other expenditures	629,041	-	629,041	511,562	785,562	156,521
Total expenditures/expenses	8,165,811	555,072	8,720,883	8,876,062	9,150,062	429,179
Excess(Deficiency) of revenues over(under) expenditures/expenses	(139,429)	16,845	(122,584)	(461,018)	(735,018)	612,434
Balances beginning of year, as restated	3,407,510	576,350	3,983,860	3,991,307	3,991,307	(7,447)
Balances end of year	$ 3,268,081	593,195	3,861,276	3,530,289	3,256,289	604,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $274,000.

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

		2015
District's proportion of the net pension liability		0.061682%
District's proportionate share of the net pension liability	$	2,496,322
District's covered-employee payroll	$	4,204,586
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		59.37%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PEKIN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFLORMATION

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$	375,470	367,811	327,395	316,580	271,541	271,786	265,134	246,211	225,832	214,703
Contributions in relation to the statutorily required contribution		(375,470)	(367,811)	(327,395)	(316,580)	(271,541)	(271,786)	(265,134)	(246,211)	(225,832)	(214,703)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$	4,204,586	4,118,824	3,776,182	3,922,924	3,907,065	3,910,590	4,175,339	4,069,603	3,927,513	3,733,965
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	$ -	$ 360,100	$ 360,100	0.00%	$ 3,759,606	9.58%
2011	July 1, 2009	-	333,884	333,884	0.00%	3,102,099	10.76%
2012	July 1, 2009	-	320,207	320,207	0.00%	3,609,375	8.87%
2013	July 1, 2012	-	364,246	364,246	0.00%	2,159,856	16.86%
2014	July 1, 2012	-	323,554	323,554	0.00%	2,695,163	12.00%
2015	July 1, 2012	-	294,656	294,656	0.00%	3,722,725	7.92%

See Note 6 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.

SUPPLEMENTARY INFORMATION

Schedule 1

PEKIN 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
HS Cross Country	$	2,059	21,632	20,018	3,673
HS Boys Basketball		4,805	12,728	13,831	3,702
HS Football		5,049	47,602	49,277	3,374
HS Baseball		20	19,712	14,346	5,386
HS Boys Track		3,788	12,622	10,723	5,687
HS Wrestling		-	7,804	7,804	-
HS Girls Basketball		11,897	20,454	22,072	10,279
HS Volleyball		5,915	10,358	13,272	3,001
HS Softball		1,030	16,575	12,605	5,000
HS Girls Track		4,192	10,858	9,070	5,980
National Honor Society		234	208	274	168
Athletics		19,370	22,974	12,619	29,725
Freshman Misc		-	14,664	9,602	5,062
Class of 2015		2,535	423	2,958	-
Cheerleaders		219	904	682	441
Dramatics/Musical		4,205	1,631	1,313	4,523
Spanish Club		1,204	1,484	1,384	1,304
FFA		1,923	50,931	46,063	6,791
FHA		10,443	258	3,041	7,660
Student Music		-	2,576	2,532	44
Miscellaneous Activity		270	962	958	274
Student Activity		(1,844)	-	-	(1,844)
Student Council		3,074	2,614	3,630	2,058
Yearbook		3,012	12,817	9,665	6,164
After Prom		593	7,033	6,901	725
Middle School		427	-	-	427
8th Grade Field Trip		7,588	53,393	50,216	10,765
Musical		1,737	35	1,295	477
Elementary Activities		5,574	-	5,574	-
Total	$	99,319	353,252	331,725	120,846

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 369,562	267,308	636,870
Receivables:			
Property tax:			
Delinquent	-	1,758	1,758
Succeeding year	-	151,557	151,557
Income surtax	-	90,389	90,389
Accounts	91,787	-	91,787
Total assets	$ 461,349	511,012	972,361
Liabilities, deferred inflows of resources and fund balances			
Liabilities	$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	151,557	151,557
Income surtax	-	90,389	90,389
Total deferred inflows of resources	-	241,946	241,946
Fund balances:			
Restricted for:			
School infrastructure	461,349	-	461,349
Physical plant and equipment	-	269,066	269,066
Total fund balances	461,349	269,066	730,415
Total liabilities, deferred inflows of resources and fund balances	$ 461,349	511,012	972,361

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	223,058	223,058
Other	1,919	1,445	3,364
State sources	587,450	728	588,178
Total revenues	589,369	225,231	814,600
Expenditures:			
Current:			
Instruction:			
Regular	192,163	-	192,163
Support services:			
Instructional staff	12,246	-	12,246
Operation and maintenance of plant	46,399	21,179	67,578
Transportation	-	144,983	144,983
Capital outlay	371,783	-	371,783
Total expenditures	622,591	166,162	788,753
Change in fund balances	(33,222)	59,069	25,847
Fund balances beginning of year	494,571	209,997	704,568
Fund balances end of year	$ 461,349	269,066	730,415

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	$ 2,877,803	2,880,102	3,309,599	4,100,899	3,941,663	3,803,885	3,625,322	3,285,942	3,195,068	2,957,599
Tuition	372,678	417,813	358,309	382,868	385,656	369,704	375,995	356,368	305,266	330,893
Other	575,923	522,120	455,503	513,110	534,431	545,105	575,838	539,029	646,224	494,350
Intermediate sources	10,000	-	-	3,557	1,454	-	-	-	-	-
State sources	4,027,707	3,818,565	3,262,414	3,298,573	3,457,861	2,947,462	3,482,412	3,527,865	3,146,151	3,079,811
Federal sources	162,271	172,063	181,021	280,115	383,916	584,562	187,302	196,305	238,102	261,531
Total	$ 8,026,382	7,810,663	7,566,846	8,579,122	8,704,981	8,250,718	8,246,869	7,905,509	7,530,811	7,124,184
Expenditures:										
Current:										
Instruction:										
Regular	$ 3,262,117	3,102,424	2,826,049	2,957,607	3,504,972	2,848,275	2,718,239	3,095,145	2,567,486	2,681,722
Special	739,024	728,483	667,525	674,743	738,231	891,569	761,407	825,341	681,974	771,791
Other	1,199,064	1,236,738	1,166,936	1,196,002	1,211,395	1,339,794	1,392,707	920,694	1,337,699	877,824
Support services:										
Student	177,764	125,587	117,299	113,367	82,467	105,973	104,328	92,250	86,846	133,614
Instructional staff	172,702	275,672	177,923	271,648	209,624	185,670	218,214	202,030	186,990	154,989
Administration	728,104	651,103	615,652	638,337	574,508	595,601	671,110	611,641	713,263	655,076
Operation and maintenance of plant	658,927	643,658	634,846	608,061	623,839	581,413	644,534	598,892	525,206	577,475
Transportation	596,567	561,287	661,809	582,870	568,695	591,922	607,463	580,514	412,694	607,359
Non-instructional programs	2,501	2,634	3,903	4,825	16,095	8,925	5,481	59,436	25,834	2,056
Capital outlay	371,783	887,568	333,380	301,586	235,991	650,255	334,573	197,485	353,805	13,422
Long-term debt:										
Principal	-	144,999	140,721	136,570	137,645	5,104	5,104	125,000	120,000	143,828
Interest and fiscal charges	-	4,407	8,665	12,836	16,866	-	-	10,825	9,315	11,540
Other expenditures:										
AEA flow-through	257,258	254,396	246,971	247,288	277,917	278,015	247,428	239,400	215,287	205,154
Total	$ 8,165,811	8,618,956	7,601,679	7,745,740	8,198,245	8,082,516	7,710,588	7,558,653	7,236,399	6,835,850

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 Pekin 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 Pekin Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pekin 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.

Pekin Community School District's Responses to Findings

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016
Newton, Iowa

PEKIN 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 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) Disbursements - purchase order processing, check preparation, mailing and recording.

4) Inventories - ordering, receiving, issuing and storing.

5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.

6) Financial reporting - preparing, reconciling and approving.

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

Response - The District will review their current procedures and make changes where necessary and feasible.

Conclusion - Response accepted.

I-B-15 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2015. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding that treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - - Notices were sent out 30 days prior to the end of the school year. These notices continued to be sent out, while some accounts were paid other were ignored. The board has set a limit of $10.00 per student, and then the account cannot be charged. The overall balance at the end of 2015 was positive $4,595.84.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

II-D-15 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Copeland, Board President Owns Copeland Autobody Inc.	Auto Repair/Towing Services	$4,214

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Steve Copeland does appear to represent a conflict of interest, as the District went over the $2,500 as limited by Chapter 279.7A of the Code of Iowa and the District did not receive bids for the services performed.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over $2,500.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest. We recommend the District contact its legal counsel regarding this issue.

Response - The District will acquire bids on vehicle repairs and the bids will be presented and acted upon by the board of directors.

Conclusion - Response accepted.

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

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

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

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

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

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

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

II -L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit.

Beginning Balance		$ 494,571
Revenues/transfers in:		
Sales tax revenues	$ 587,450	
Other local revenues	1,919	589,369
		1,083,940
Expenditures/transfers out:		
School infrastructure construction	48,257	
Equipment	270,771	
Other	303,563	622,591
Ending balance		$ 461,349

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 - The District had a deficit account in Student Activity fund totaling $1,844 at June 30, 2015. The District has a deficit unrestricted net position of $27,913 in the District's Business Type Activities and a deficit unrestricted net position in the District's Governmental Activities of $1,159,576 at June 30, 2015. The district also had a deficit unrestricted net positon of $83,672 in the Day Care Fund. The primary reason for these deficit net positions is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understanding this accounting change/ restatement and how GASB Statement No. 68 and 71 will affect the District's financial moving forward. The District should also monitor the deficit accounts with in the Student Activity and develop alternatives to eliminate the deficits balance.

Response - The District has a deficit due to GASB 68 and 71 being adjusted for prior years. The District will continue to account for GASB 68 and 71 and will make adjustment annually and monitor the activity accounts to maintain proper balances.

Conclusion - Response accepted.

II-N-15 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliations that have been outstanding for over a year.

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

Response - Checks have been voided and some reissued.

Conclusion - Response accepted.

II-O-15 Officiating Contracts - We noted during out audit that the Board President was not signing all officiating contracts. According to 291.1 of the code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into the District to comply with Chapter 291.1 of the code of Iowa.

Response - The board president's signature now appears on all officiating contracts.

Conclusion - Response accepted.