

**ROCK VALLEY
COMMUNITY SCHOOL DISTRICT**

Rock Valley, Iowa

**Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Responses**

June 30, 2015

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

Al Vermeer	President	September 2017
Terry Van Maanen	Vice President	September 2017
James Van Veldhuizen	Board Member	September 2015
Jerry Kelderman	Board Member	September 2015
Steve Van Den Top	Board Member	September 2017

SCHOOL OFFICIALS

Chad Janzen	Superintendent	Indefinite
Randy Taylor	District Secretary/Treasurer and Business Manager	Indefinite
Maureen McGill Hoogeveen	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rock Valley Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that 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 the 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 accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the District adopted new accounting guidance related to Governmental 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

Accounting principles generally accepted in the United States of America 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 5 through 12 and 45 through 51 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 who 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 auditing standards generally accepted in the United States of America, 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 May 13, 2016, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

May 13, 2016
Sioux City, Iowa

King Reinsh Purses & Co LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 Financial Highlights

- General Fund revenues increased from \$7,573,466 in fiscal 2014 to \$8,201,888 in fiscal year 2015, while General Fund expenditures increased from \$7,108,672 in fiscal year 2014 to \$7,620,239 in fiscal year 2015. The District's General Fund balance increased from \$3,791,148 in fiscal year 2014 to \$4,374,297 in fiscal year 2015, a 15.4 percent increase.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues. The increase in General Fund expenditures was due primarily to an increase in instruction costs allowed due to increase in revenues being greater than expected.

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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Projects Fund.

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

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

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

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

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

The District has two kinds of funds.

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

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

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014		2014		2014		
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 11,705	\$ 12,220	\$ 190	\$ 154	\$ 11,895	\$ 12,374	(3.9%)
Capital assets, net	16,799	11,873	8	11	16,807	11,884	41.4%
Total assets	\$ 28,504	\$ 24,093	\$ 198	\$ 165	\$ 28,702	\$ 24,258	18.3%
Deferred outflows of resources	\$ 532	\$ -	\$ 17	\$ -	\$ 549	\$ -	100.0%
Long-term liabilities	\$ 9,924	\$ 5,441	\$ 78	\$ -	\$ 10,002	\$ 5,441	83.8%
Other liabilities	1,854	1,329	10	6	1,864	1,335	39.6%
Total liabilities	\$ 11,778	\$ 6,770	\$ 88	\$ 6	\$ 11,866	\$ 6,776	75.1%
Deferred inflows of resources	\$ 4,367	\$ 3,312	\$ 30	\$ -	\$ 4,397	\$ 3,312	32.8%
Net position:							
Net investment in							
capital assets	\$ 9,590	\$ 6,663	\$ 8	\$ 11	\$ 9,598	\$ 6,674	43.8%
Restricted	2,425	4,043	-	-	2,425	4,043	(40.0%)
Unrestricted	876	3,305	89	148	965	3,453	(72.1%)
Total net position	\$ 12,891	\$ 14,011	\$ 97	\$ 159	\$ 12,988	\$ 14,170	(8.3%)

The District's total net position decreased 8.3 percent or approximately \$1,182,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$1,618,000, or 40.0 percent from the prior year. The decrease was primarily a result of construction and renovation costs incurred on ongoing contracts.

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 approximately \$2,488,000, or 72.1 percent from the prior year primarily due to the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,158,582 and \$97,688, 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 the 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-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2 (In Thousands)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total
	2014		2014		2014		Percentage
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	Change
Revenues:							
Program revenues:							
Charges for services	\$ 1,265	\$ 1,089	\$ 227	\$ 223	\$ 1,492	\$ 1,312	13.7%
Operating grants, contributions and restricted interest	1,924	1,520	229	212	2,153	1,732	24.3%
Capital grants, contributions and restricted interest	52	44	-	-	52	44	18.2%
General revenues:							
Property tax	3,464	3,269	-	-	3,464	3,269	6.0%
Statewide sales, services and use tax	642	598	-	-	642	598	7.4%
Unrestricted state grants	2,917	2,965	-	-	2,917	2,965	(1.6%)
Unrestricted investment earnings	38	60	1	-	39	60	(35.0%)
Other	3	11	-	-	3	11	(72.7%)
Total revenues	<u>\$ 10,305</u>	<u>\$ 9,556</u>	<u>\$ 457</u>	<u>\$ 435</u>	<u>\$ 10,762</u>	<u>\$ 9,991</u>	<u>7.7%</u>
Program expenses:							
Instruction	\$ 5,891	\$ 5,552	\$ -	\$ -	\$ 5,891	\$ 5,552	6.1%
Support services	1,884	1,874	30	-	1,914	1,874	2.1%
Non-instructional programs	-	-	391	406	391	406	(3.7%)
Other expenses	491	600	-	-	491	600	(18.2%)
Total expenses	<u>\$ 8,266</u>	<u>\$ 8,026</u>	<u>\$ 421</u>	<u>\$ 406</u>	<u>\$ 8,687</u>	<u>\$ 8,432</u>	<u>3.0%</u>
Change in net position	\$ 2,039	\$ 1,530	\$ 36	\$ 29	\$ 2,075	\$ 1,559	33.1%
Net position beginning of year, as restated	10,852	12,481	61	130	10,913	12,611	(13.5%)
Net position end of year	<u>\$ 12,891</u>	<u>\$ 14,011</u>	<u>\$ 97</u>	<u>\$ 159</u>	<u>\$ 12,988</u>	<u>\$ 14,170</u>	<u>(8.3%)</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 61.9 percent of the governmental activities revenue (65.2 percent in 2014), while charges for services and operating grants, contributions and restricted interest accounted for 99.8 percent of the business type activities revenue (99.8 percent in 2014). The District's total revenues were approximately \$10.8 million, of which approximately \$10.3 million was for governmental activities and less than \$500,000 was for business type activities.

The District's expenses primarily relate to instruction and support services, which account for 89.8 percent of the total expenses (88.1 percent in 2014).

As shown in Figure A-2, the District as a whole experienced a 7.7 percent increase in revenues and a 3.0 percent increase in expenses. Property tax and operating grants, contributions, and restricted interest increased approximately \$616,000 to fund the increase in expenses. The increase in expenses is due to increasing the amount spent on instruction.

Governmental Activities - Revenues for governmental activities were \$10,305,373 and expenses were \$8,266,409 for the year ended June 30, 2015. The District was able to keep expenses at a level less than revenues.

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

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2015	2014 (Not Restated)	2014-2015	2015	2014 (Not Restated)	2014-2015
Instruction	\$ 5,891	\$ 5,552	6.1%	\$ 3,161	\$ 3,403	(7.1%)
Support services	1,884	1,874	0.5%	1,742	1,749	(0.4%)
Other expenses	491	600	(18.2%)	123	222	(44.6%)
Totals	\$ 8,266	\$ 8,026	3.0%	\$ 5,026	\$ 5,374	(6.5%)

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,264,936 (\$1,088,502 in 2014).
- Federal and state governments subsidized certain programs with grants and contributions totaling 1,975,912 (\$1,519,688 in 2014).
- The net cost of governmental activities was financed with \$4,106,430 in property and other taxes (\$3,866,660 in 2014) and \$2,916,670 in unrestricted state grants (\$2,965,239 in 2014).

Business Type Activities - Revenues for business type activities during the year ended June 30, 2015 were \$457,162 representing a 5.1 percent increase over the prior year, while expenses were \$420,994, a 3.7 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,485,989, below last year's ending fund balances of \$7,575,428. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2015 is due to construction and renovation costs on large projects being incurred.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$4,374,297 in its fund balance. The General Fund balance increased \$583,149 from last year due primarily to keeping increases in costs below the increases in local and state source revenues.

The Capital Projects Fund balance decreased \$1,764,206 during fiscal year 2015. This was primarily due to construction and renovation costs funded with both current year bond proceeds and reserves accumulated in prior years.

The Debt Service Fund balance decreased \$11,716 during fiscal year 2015. Revenues and expenditures did not vary significantly from the prior year, except for the use of the general obligation refunding bonds to pay off general obligation debt during 2014.

Proprietary Fund Highlights

The District's School Nutrition Fund net position increased from \$61,027 at June 30, 2014 as restated to \$97,195 at June 30, 2015, representing an increase of 59.3 percent. For fiscal year 2015, the District was able to increase federal and state reimbursements due to greater participation while controlling the costs of supplies.

Budgetary Highlights

The District's total revenues were \$520,067 more than total budgeted revenues, a variance of 5.1 percent due to state and federal sources exceeding expectations.

Total expenditures were \$2,614,997 less than budgeted, due primarily to the progress on construction and renovation costs being less than expected through June 30, 2015. It is the District's practice to budget expenditures at the maximum authorized spending authority in the General Fund.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2015, the District had invested approximately \$16.8 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 41.4 percent from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$549,746.

The original cost of the District's capital assets was approximately \$22.3 million. Governmental funds account for approximately \$22.2 million, with the remainder of approximately \$100,000 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,497,989 at June 30, 2015, compared to \$1,359,132 reported at June 30, 2014. The significant increase resulted from large construction and renovation projects ongoing.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent Change
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 466	\$ 407	\$ -	\$ -	\$ 466	\$ 407	14.5%
Construction in progress	6,498	1,359	-	-	6,498	1,359	378.1%
Improvements other than buildings	494	533	-	-	494	533	(7.3%)
Buildings and improvements	8,245	8,403	-	-	8,245	8,403	(1.9%)
Vehicles	385	432	-	-	385	432	(10.9%)
Furniture and equipment	711	739	8	11	719	750	(4.1%)
Totals	<u>\$ 16,799</u>	<u>\$ 11,873</u>	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ 16,807</u>	<u>\$ 11,884</u>	<u>41.4%</u>

Long-Term Debt - At June 30, 2015, the District had \$7,209,301 of total long-term debt outstanding. This represents an increase of 38.4 percent from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of \$13.1 million.

In May 2015, the District issued \$2,530,000 of Statewide Sales, Services and Use Tax revenue bonds for school infrastructure improvement projects. The District had total outstanding bond indebtedness at June 30, 2015 of \$7,105,000.

Figure A-5 (In Thousands)
Outstanding Long-Term Debt

	June 30,		Percent Change
	2015	2014	2014-2015
General obligation school refunding bonds	\$ 4,575	\$ 5,005	(8.6%)
Capital lease obligation	104	205	(49.3%)
Revenue bonds	2,530	-	100.0%
	<u>\$ 7,209</u>	<u>\$ 5,210</u>	<u>38.4%</u>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Potential changes in enrollment affecting funding for the District.
- Increased spending due to higher health insurance costs and the continued progress on the construction and renovation projects.
- The supplemental state and allowable growth was set to 4.0 percent for fiscal year 2015, 1.25 percent for 2016 and 2.0 percent for 2017 as determined by legislative session in January 2016. The State's inability to set supplemental aid timely, as required by statute, is and will continue to be problematic for all local district's budgeting process.

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 Anita Sietstra, District Secretary/Treasurer and Business Manager, Rock Valley Community School District, 1712 20th Avenue, Rock Valley, Iowa 51247.

BASIC FINANCIAL STATEMENTS

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 7,562,192	\$ 183,667	\$ 7,745,859
Receivables:			
Property tax:			
Delinquent	28,584	-	28,584
Succeeding year	3,405,872	-	3,405,872
Accounts	35,880	-	35,880
Due from other governments	650,572	-	650,572
Inventories	21,803	6,785	28,588
Capital assets, net of accumulated depreciation	<u>16,799,335</u>	<u>7,573</u>	<u>16,806,908</u>
Total assets	<u>\$ 28,504,238</u>	<u>\$ 198,025</u>	<u>\$ 28,702,263</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>\$ 532,461</u>	<u>\$ 16,468</u>	<u>\$ 548,929</u>
LIABILITIES:			
Accounts payable	\$ 1,300,389	\$ -	\$ 1,300,389
Salaries and benefits payable	512,653	-	512,653
Accrued interest payable	21,462	-	21,462
Unearned revenue	-	9,602	9,602
Bond premium	19,579	-	19,579
Long-term liabilities:			
Portion due within one year:			
Early retirement	19,030	-	19,030
General obligation school refunding bonds	435,000	-	435,000
Capital lease obligation	104,301	-	104,301
Revenue bonds	250,000	-	250,000
Portion due after one year:			
Early retirement	16,439	-	16,439
General obligation school refunding bonds	4,140,000	-	4,140,000
Revenue bonds	2,280,000	-	2,280,000
Net pension liability	2,520,837	77,964	2,598,801
Net OPEB liability	<u>158,907</u>	<u>-</u>	<u>158,907</u>
Total liabilities	<u>\$ 11,778,597</u>	<u>\$ 87,566</u>	<u>\$ 11,866,163</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	\$ 3,405,872	\$ -	\$ 3,405,872
Pension related deferred inflows	<u>961,376</u>	<u>29,732</u>	<u>991,108</u>
Total deferred inflows of resources	<u>\$ 4,367,248</u>	<u>\$ 29,732</u>	<u>\$ 4,396,980</u>
NET POSITION:			
Net investment in capital assets	\$ 9,590,034	\$ 7,573	\$ 9,597,607
Restricted for:			
Categorical funding	390,166	-	390,166
Student activities	153,581	-	153,581
Management levy purposes	393,360	-	393,360
School infrastructure	312,092	-	312,092
Physical plant and equipment	884,592	-	884,592
Debt service	291,557	-	291,557
Unrestricted	<u>875,472</u>	<u>89,622</u>	<u>965,094</u>
Total net position	<u>\$ 12,890,854</u>	<u>\$ 97,195</u>	<u>\$ 12,988,049</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 3,593,606	\$ 951,821	\$ 1,216,769	\$ -
Special	991,124	-	191,698	-
Other	<u>1,306,787</u>	<u>313,115</u>	<u>31,686</u>	<u>25,000</u>
	<u>\$ 5,891,517</u>	<u>\$ 1,264,936</u>	<u>\$ 1,440,153</u>	<u>\$ 25,000</u>
Support services:				
Student	\$ 180,322	\$ -	\$ 11,626	\$ -
Instructional staff	197,921	-	-	-
Administration	653,645	-	-	-
Operation and maintenance of plant	533,558	-	-	-
Transportation	<u>318,419</u>	<u>-</u>	<u>130,565</u>	<u>-</u>
	<u>\$ 1,883,865</u>	<u>\$ -</u>	<u>\$ 142,191</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 41,148	\$ -	\$ -	\$ 26,828
Long-term debt interest	108,139	-	-	-
AEA flow through	<u>341,740</u>	<u>-</u>	<u>341,740</u>	<u>-</u>
	<u>\$ 491,027</u>	<u>\$ -</u>	<u>\$ 341,740</u>	<u>\$ 26,828</u>
Total governmental activities	<u>\$ 8,266,409</u>	<u>\$ 1,264,936</u>	<u>\$ 1,924,084</u>	<u>\$ 51,828</u>
Business type activities:				
Support services:				
Administration	\$ 29,999	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	<u>390,995</u>	<u>227,154</u>	<u>229,478</u>	<u>-</u>
Total business type activities	<u>\$ 420,994</u>	<u>\$ 227,154</u>	<u>\$ 229,478</u>	<u>\$ -</u>
Total	<u>\$ 8,687,403</u>	<u>\$ 1,492,090</u>	<u>\$ 2,153,562</u>	<u>\$ 51,828</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,425,016)	\$ -	\$ (1,425,016)
(799,426)	-	(799,426)
(936,986)	-	(936,986)
<u>\$ (3,161,428)</u>	<u>\$ -</u>	<u>\$ (3,161,428)</u>
\$ (168,696)	\$ -	\$ (168,696)
(197,921)	-	(197,921)
(653,645)	-	(653,645)
(533,558)	-	(533,558)
(187,854)	-	(187,854)
<u>\$ (1,741,674)</u>	<u>\$ -</u>	<u>\$ (1,741,674)</u>
\$ (14,320)	\$ -	\$ (14,320)
(108,139)	-	(108,139)
-	-	-
<u>\$ (122,459)</u>	<u>\$ -</u>	<u>\$ (122,459)</u>
<u>\$ (5,025,561)</u>	<u>\$ -</u>	<u>\$ (5,025,561)</u>
\$ -	\$ (29,999)	\$ (29,999)
-	65,637	65,637
<u>\$ -</u>	<u>\$ 35,638</u>	<u>\$ 35,638</u>
<u>\$ (5,025,561)</u>	<u>\$ 35,638</u>	<u>\$ (4,989,923)</u>
\$ 2,340,051	\$ -	\$ 2,340,051
257,790	-	257,790
353,730	-	353,730
512,801	-	512,801
642,058	-	642,058
2,916,670	-	2,916,670
38,702	530	39,232
2,723	-	2,723
<u>\$ 7,064,525</u>	<u>\$ 530</u>	<u>\$ 7,065,055</u>
\$ 2,038,964	\$ 36,168	\$ 2,075,132
10,851,890	61,027	10,912,917
<u>\$ 12,890,854</u>	<u>\$ 97,195</u>	<u>\$ 12,988,049</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:					
Cash, cash equivalents and pooled investments	\$ 4,637,560	\$ 352,568	\$ 2,018,244	\$ 553,820	\$ 7,562,192
Receivables:					
Property tax:					
Delinquent	19,821	3,868	2,672	2,223	28,584
Succeeding year	2,353,460	689,762	362,650	-	3,405,872
Accounts	23,002	-	-	12,878	35,880
Due from other funds	213,674	186	45,823	-	259,683
Due from other governments	551,254	-	99,318	-	650,572
Inventories	-	-	-	21,803	21,803
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,798,771</u>	<u>\$ 1,046,384</u>	<u>\$ 2,528,707</u>	<u>\$ 590,724</u>	<u>\$ 11,964,586</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 523,446	\$ 22,770	\$ 745,859	\$ 8,314	\$ 1,300,389
Salaries and benefits payable	512,653	-	-	-	512,653
Due to other funds	34,915	1,254	223,514	-	259,683
Total liabilities	<u>\$ 1,071,014</u>	<u>\$ 24,024</u>	<u>\$ 969,373</u>	<u>\$ 8,314</u>	<u>\$ 2,072,725</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,353,460	\$ 689,762	\$ 362,650	\$ -	\$ 3,405,872
Total deferred inflows of resources	<u>\$ 2,353,460</u>	<u>\$ 689,762</u>	<u>\$ 362,650</u>	<u>\$ -</u>	<u>\$ 3,405,872</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 390,166	\$ -	\$ -	\$ -	\$ 390,166
Student activities	-	-	-	153,581	153,581
Management levy purposes	-	-	-	428,829	428,829
School infrastructure	-	-	312,092	-	312,092
Physical plant and equipment	-	-	884,592	-	884,592
Debt service	-	332,598	-	-	332,598
Committed for:					
Building improvements and maintenance	1,005,000	-	-	-	1,005,000
Assigned	180,941	-	-	-	180,941
Unassigned	2,798,190	-	-	-	2,798,190
Total fund balances	<u>\$ 4,374,297</u>	<u>\$ 332,598</u>	<u>\$ 1,196,684</u>	<u>\$ 582,410</u>	<u>\$ 6,485,989</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,798,771</u>	<u>\$ 1,046,384</u>	<u>\$ 2,528,707</u>	<u>\$ 590,724</u>	<u>\$ 11,964,586</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2015

Total fund balances of governmental funds		\$ 6,485,989
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.		16,799,335
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	\$ 532,461	
Deferred inflows of resources	<u>(961,376)</u>	(428,915)
Long-term liabilities, including bonds payable, early retirement, capital lease obligations, other post employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(9,924,514)
Bond issue premiums are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.		(19,579)
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		<u>(21,462)</u>
Net position of governmental activities		<u>\$ 12,890,854</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,340,051	\$ 512,801	\$ 353,730	\$ 257,790	\$ 3,464,372
Tuition	758,977	-	-	-	758,977
Other	236,306	3,127	54,888	316,573	610,894
State sources	4,505,461	189	642,189	103	5,147,942
Federal sources	361,093	-	-	-	361,093
Total revenues	<u>\$ 8,201,888</u>	<u>\$ 516,117</u>	<u>\$ 1,050,807</u>	<u>\$ 574,466</u>	<u>\$ 10,343,278</u>
Expenditures:					
Current:					
Instruction:					
Regular	\$ 3,510,550	\$ -	\$ -	\$ 22,977	\$ 3,533,527
Special	948,720	-	-	-	948,720
Other	1,005,748	-	-	365,492	1,371,240
	<u>\$ 5,465,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,469</u>	<u>\$ 5,853,487</u>
Support services:					
Student	\$ 172,606	\$ -	\$ -	\$ -	\$ 172,606
Instructional staff	241,751	-	-	-	241,751
Administration	625,740	-	5	40,522	666,267
Operation and maintenance of plant	477,963	-	-	32,766	510,729
Transportation	295,421	-	-	9,375	304,796
	<u>\$ 1,813,481</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 82,663</u>	<u>\$ 1,896,149</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 5,238,171	\$ -	\$ 5,238,171
Long-term debt:					
Principal	-	531,009	-	-	531,009
Interest and fiscal charges	-	103,661	-	-	103,661
AEA flow through	341,740	-	-	-	341,740
	<u>\$ 341,740</u>	<u>\$ 634,670</u>	<u>\$ 5,238,171</u>	<u>\$ -</u>	<u>\$ 6,214,581</u>
Total expenditures	<u>\$ 7,620,239</u>	<u>\$ 634,670</u>	<u>\$ 5,238,176</u>	<u>\$ 471,132</u>	<u>\$ 13,964,217</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 581,649</u>	<u>\$ (118,553)</u>	<u>\$ (4,187,369)</u>	<u>\$ 103,334</u>	<u>\$ (3,620,939)</u>
Other financing sources (uses):					
Sale of capital assets	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
Revenue bonds issued	-	-	2,530,000	-	2,530,000
Transfers in	-	106,837	-	-	106,837
Transfers out	-	-	(106,837)	-	(106,837)
Total other financing sources (uses)	<u>\$ 1,500</u>	<u>\$ 106,837</u>	<u>\$ 2,423,163</u>	<u>\$ -</u>	<u>\$ 2,531,500</u>
Change in fund balances	\$ 583,149	\$ (11,716)	\$ (1,764,206)	\$ 103,334	\$ (1,089,439)
Fund balances beginning of year	<u>3,791,148</u>	<u>344,314</u>	<u>2,960,890</u>	<u>479,076</u>	<u>7,575,428</u>
Fund balances end of year	<u>\$ 4,374,297</u>	<u>\$ 332,598</u>	<u>\$ 1,196,684</u>	<u>\$ 582,410</u>	<u>\$ 6,485,989</u>

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

Change in fund balances - total governmental funds \$ (1,089,439)

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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 5,471,574	
Depreciation expense	<u>(545,217)</u>	4,926,357

Certain local source revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (39,406)

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

Issued	\$ (2,530,000)	
Repaid	<u>531,009</u>	(1,998,991)

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

Early retirement	\$ 21,091	
Other postemployment benefits	15,000	
Pension expense	<u>(187,985)</u>	(151,894)

Governmental funds report the effect of premiums when new debt is issued, whereas, these amounts are amortized in the Statement of Activities. 1,958

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 396,815

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (6,436)

Change in net position of governmental activities \$ 2,038,964

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET POSITION - PROPRIETARY FUNDJUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 183,667
Inventories	<u>6,785</u>
Total current assets	<u>\$ 190,452</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 7,573</u>
Total assets	<u>\$ 198,025</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>\$ 16,468</u>
LIABILITIES:	
Current liabilities:	
Unearned revenue	<u>\$ 9,602</u>
Total current liabilities	<u>\$ 9,602</u>
Noncurrent liabilities:	
Net pension liability	<u>\$ 77,964</u>
Total liabilities	<u>\$ 87,566</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	<u>\$ 29,732</u>
NET POSITION:	
Net investment in capital assets	\$ 7,573
Unrestricted	<u>89,622</u>
Total net position	<u>\$ 97,195</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 226,127
Other	<u>1,027</u>
	<u>\$ 227,154</u>
Operating expenses:	
Support services:	
Administration	<u>\$ 29,999</u>
Non-instructional programs:	
Food service operations:	
Salaries	\$ 96,060
Benefits	21,285
Supplies	268,966
Other	155
Depreciation	<u>4,529</u>
	<u>\$ 390,995</u>
Total operating expenses	<u>\$ 420,994</u>
Operating loss	<u>\$ (193,840)</u>
Non-operating revenues:	
Interest income	\$ 530
State sources	3,999
Federal sources	<u>225,479</u>
Total non-operating revenues	<u>\$ 230,008</u>
Increase in net position	\$ 36,168
Net position beginning of year, as restated	<u>61,027</u>
Net position end of year	<u><u>\$ 97,195</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 230,129
Cash paid to employees for services	(153,804)
Cash paid to suppliers for goods or services	<u>(238,939)</u>
Net cash used by operating activities	<u>\$ (162,614)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,999
Federal grants received	<u>195,490</u>
Net cash provided by non-capital financing activities	<u>\$ 199,489</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (1,128)</u>
Net cash used by capital and related financing activities	<u>\$ (1,128)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 530</u>
Net increase in cash, cash equivalents, and pooled investments	\$ 36,277
Cash, cash equivalents and pooled investments beginning of year	<u>147,390</u>
Cash, cash equivalents and pooled investments end of year	<u>\$ 183,667</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (193,840)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	29,207
Depreciation	4,529
Decrease in inventories	975
Increase in unearned revenues	2,975
Decrease in net pension liability	(31,211)
Increase in deferred outflows of resources	(4,981)
Increase in deferred inflows of resources	<u>29,732</u>
Net cash used by operating activities	<u>\$ (162,614)</u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2015, the District received \$29,989 of federal commodities.

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic area served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan 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 (GASB).

A. Reporting Entity

For financial reporting purposes, the 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in jointly governed organizations that provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux and Lyon County Assessor's Conference Boards.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable 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.

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

Net position restricted through enabling legislation as of June 30, 2015 consists of \$393,360 for management levy, \$884,592 for physical plant and equipment levy, and \$312,092 for statewide sales tax.

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 1 1/2 percent 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Vehicles, furniture and equipment	5-15 years
Intangibles	5-10 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.

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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 a 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 receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized 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 are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Assigned - Amounts that are designated by the Board of Education for a particular purpose but do not meet the criteria to be classified as restricted or committed. Those assigned amounts cannot be used for any other purpose unless approved by the Board of Education at monthly meetings.

Unassigned - All amounts not included in the preceding classifications.

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

<u>Program</u>	<u>Amount</u>
Educator quality, professional development	\$ 76,161
Early intervention block grant	9,920
Four year old preschool	102,455
Gifted and talented program	92,969
Bilingual/ESL/LEP programs	<u>108,661</u>
Total	<u>\$ 390,166</u>

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, no expenditures exceeded the amounts budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 186</u>
Capital Projects	General	<u>\$ 34,915</u>
General	Capital Projects	<u>\$ 213,674</u>
Capital Projects	Debt service	<u>\$ 1,254</u>

The Capital Projects Fund is repaying the Debt Service Fund for property tax incorrectly recorded.

The General Fund is repaying the Capital Projects Fund for paying General Fund expenditures in error.

The Capital Projects Fund is repaying the General Fund for capital lease payments made by the General Fund.

The Debt Service Fund is repaying the Capital Projects Fund for revenues incorrectly recorded.

All balances are to be repaid by June 30, 2016.

NOTE 4 - INTERFUND TRANSFERS:

During the year ended June 30, 2015, \$106,837 was transferred from the Capital Project Funds to the Debt Service Fund in order to provide for principal and interest payments on the District's capital lease. Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 407,047	\$ 59,304	\$ -	\$ 466,351
Construction in progress	<u>1,359,132</u>	<u>5,149,592</u>	<u>10,735</u>	<u>6,497,989</u>
Total capital assets not being depreciated	<u>\$ 1,766,179</u>	<u>\$ 5,208,896</u>	<u>\$ 10,735</u>	<u>\$ 6,964,340</u>
Capital assets being depreciated:				
Improvements other than buildings	\$ 882,341	\$ -	\$ -	\$ 882,341
Buildings and improvements	11,608,709	74,890	-	11,683,599
Vehicles	743,912	-	40,090	703,822
Furniture and equipment	<u>1,747,159</u>	<u>198,523</u>	<u>-</u>	<u>1,945,682</u>
Total capital assets being depreciated	<u>\$ 14,982,121</u>	<u>\$ 273,413</u>	<u>\$ 40,090</u>	<u>\$ 15,215,444</u>
Less accumulated depreciation for:				
Improvements other than buildings	\$ 349,533	\$ 39,063	\$ -	\$ 388,596
Buildings and improvements	3,205,631	233,179	-	3,438,810
Vehicles	312,166	46,913	40,090	318,989
Furniture and equipment	<u>1,007,992</u>	<u>226,062</u>	<u>-</u>	<u>1,234,054</u>
Total accumulated depreciation	<u>\$ 4,875,322</u>	<u>\$ 545,217</u>	<u>\$ 40,090</u>	<u>\$ 5,380,449</u>
Total capital assets being depreciated, net	<u>\$ 10,106,799</u>	<u>\$ (271,804)</u>	<u>\$ -</u>	<u>\$ 9,834,995</u>
Governmental activities capital assets, net	<u>\$ 11,872,978</u>	<u>\$ 4,937,092</u>	<u>\$ 10,735</u>	<u>\$ 16,799,335</u>
Business type activities:				
Furniture and equipment	\$ 73,592	\$ 1,128	\$ -	\$ 74,720
Less accumulated depreciation	<u>62,618</u>	<u>4,529</u>	<u>-</u>	<u>67,147</u>
Business type activities capital assets, net	<u>\$ 10,974</u>	<u>\$ (3,401)</u>	<u>\$ -</u>	<u>\$ 7,573</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 248,597
Special	66,746
Other	96,472

Support services:

Student	12,144
Instructional staff	17,008
Administration	46,874
Operation and maintenance of plant	35,932
Transportation	<u>21,444</u>

Total depreciation expense - governmental activities \$ 545,217

Business type activities:

Food service operations	<u>\$ 4,529</u>
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NOTE 6 - LONG-TERM LIABILITIES:

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

	<u>Balance</u> <u>Beginning of</u> <u>Year Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Early retirement	\$ 56,560	\$ -	\$ 21,091	\$ 35,469	\$ 19,030
General obligation school refunding bonds	5,005,000	-	430,000	4,575,000	435,000
Revenue bonds	-	2,530,000	-	2,530,000	250,000
Capital lease obligation	205,310	-	101,009	104,301	104,301
Net pension liability	3,530,005	-	1,009,168	2,520,837	-
Net OPEB liability	<u>173,907</u>	<u>24,910</u>	<u>39,910</u>	<u>158,907</u>	<u>-</u>
Total	<u>\$ 8,970,782</u>	<u>\$ 2,554,910</u>	<u>\$ 1,601,178</u>	<u>\$ 9,924,514</u>	<u>\$ 808,331</u>
Business type activities:					
Net pension liability	<u>\$ 109,175</u>	<u>\$ -</u>	<u>\$ 31,211</u>	<u>\$ 77,964</u>	<u>\$ -</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation School Refunding Bonds - 2012 - In order to obtain more favorable interest rates, in August 2012 the District issued \$5,005,000 General Obligation Bonds (refunding), to advance refund \$4,880,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.00 and 4.20 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$659,485 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$589,483. Details of the District's June 30, 2015 general obligation indebtedness are as follows:

School Refunding Bond Issue of 2012				
Year Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.00%	\$ 435,000	\$ 69,263	\$ 504,263
2017	1.00%	435,000	64,913	499,913
2018	1.25%	440,000	60,562	500,562
2019	1.25%	445,000	55,062	500,062
2020	1.50%	450,000	49,500	499,500
Thereafter	1.50-2.00%	<u>2,370,000</u>	<u>135,513</u>	<u>2,505,513</u>
		<u>\$ 4,575,000</u>	<u>\$ 434,813</u>	<u>\$ 5,009,813</u>

Capital Lease - On July 1, 2012, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$403,427 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2015.

Capital Lease Obligation				
Year Ending	Interest			
<u>June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3.23%	<u>\$ 104,301</u>	<u>\$ 2,536</u>	<u>\$ 106,837</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

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

Revenue Bond - Issued May 15, 2015				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.67%	\$ 250,000	\$ 42,751	\$ 292,751
2017	2.67%	260,000	64,371	324,371
2018	2.67%	265,000	57,377	322,377
2019	2.67%	275,000	50,367	325,367
2020	2.67%	280,000	43,157	323,157
Thereafter	2.67%	1,200,000	100,761	1,300,761
		\$ 2,530,000	\$ 358,784	\$ 2,888,784

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,530,000 of bonds issued in May 2015. The bonds were issued for the purpose of financing a portion of the costs of school infrastructure improvement projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,888,784. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$642,058.

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

- a) \$253,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2015. The required reserve account was not established by the District.

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least 55 and must have completed 10 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement benefits for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2015 totaled \$23,682. At June 30, 2015, the District had obligations to four participants with a total liability of \$35,469 through January 2018. The total liability for early retirement is recorded in the government-wide financial statements, and is calculated assuming a 5 percent discount rate.

NOTE 7 - 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 informational purposes only. Refer to the plan documents for more information.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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, any time 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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 \$409,088.

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 \$2,598,801 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 0.0655286 percent, which was an increase of 0.002147 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$193,798. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,244	\$ -
Changes of assumptions	114,691	-
Net difference between projected and actual earnings on pension plan investments	-	991,108
Changes in proportion and differences between District contributions and proportionate share of contributions	(3,094)	-
District contributions subsequent to the measurement date	<u>409,088</u>	<u>-</u>
Total	<u>\$ 548,929</u>	<u>\$ 991,108</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

\$409,088 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:

<u>Year ended June 30,</u>	<u>Total</u>
2016	\$ (215,104)
2017	(215,104)
2018	(215,104)
2019	(215,104)
2020	<u>9,149</u>
Total	<u>\$ (851,267)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	<u>\$ 4,910,361</u>	<u>\$ 2,598,801</u>	<u>\$ 647,604</u>

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 had remitted all legally required employer contributions and employee contributions withheld from employee wages to IPERS.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 73 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

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

Annual required contribution	\$ 25,156
Interest on net OPEB obligation	6,522
Adjustment to annual required contribution	<u>(6,768)</u>
Annual OPEB cost	\$ 24,910
Contributions made	<u>(39,910)</u>
Decrease in net OPEB obligation	\$ (15,000)
Net OPEB obligation beginning of year	<u>173,907</u>
Net OPEB obligation end of year	<u><u>\$ 158,907</u></u>

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 \$39,910 to the medical plan. Plan members eligible for benefits contributed \$14,606, or 26.8 percent of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 174,529	38.7%	\$ 173,907
2014	61,511	100.0%	173,907
2015	24,910	100.0%	158,907

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$267,951, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$267,951. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.581 million and the ratio of the UAAL to covered payroll was 5.9 percent. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 3.75 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 7 percent. The ultimate medical trend rate is 4 percent. The medical trend rate is reduced 0.25 percent each year until reaching the 4 percent ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and withdrawal probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the withdrawal factors used in the IPERS Actuarial Report as of June 30, 2014.

The UAAL is being amortized as a level dollar amount over a 30-year open period.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

The District maintains a partially self-insured health coverage program for its employees. The District purchases an insurance policy for participating employees that provides a \$2,500 annual deductible. Employees are reimbursed for qualified expenditures incurred above and beyond their elected coverage of either \$500 or \$1,000 annual deductible plans up to \$2,500, at which point the District's outside policy is in effect. Management has determined that there is no liability for claims incurred but unpaid as of June 30, 2015. The District uses the General Fund to account for its partial self-insurance program.

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$341,740 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 - CONSTRUCTION COMMITMENT:

The District entered into contracts totaling \$7,510,703 for a new building addition. As of June 30, 2015, \$6,303,119 of costs had been incurred against the contracts. The remaining balance of \$1,207,584 will be paid as work on the project progresses.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 - ACCOUNTING CHANGE/RESTATEMENT:

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

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2014, as previously reported	\$ 14,010,472	\$ 158,715
Net pension liability at June 30, 2014	(3,530,005)	(109,175)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>371,423</u>	<u>11,487</u>
Net position July 1, 2014, as restated	<u>\$ 10,851,890</u>	<u>\$ 61,027</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 4,834,243	\$ 227,684	\$ 5,061,927
State sources	5,147,942	3,999	5,151,941
Federal sources	<u>361,093</u>	<u>225,479</u>	<u>586,572</u>
Total revenues	<u>\$ 10,343,278</u>	<u>\$ 457,162</u>	<u>\$ 10,800,440</u>
Expenditures/expenses:			
Instruction	\$ 5,853,487	\$ -	\$ 5,853,487
Support services	1,896,149	29,999	1,926,148
Non-instructional programs	-	390,995	390,995
Other expenditures	<u>6,214,581</u>	<u>-</u>	<u>6,214,581</u>
Total expenditures/expenses	<u>\$ 13,964,217</u>	<u>\$ 420,994</u>	<u>\$ 14,385,211</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ (3,620,939)	\$ 36,168	\$ (3,584,771)
Other financing sources, net	<u>2,531,500</u>	<u>-</u>	<u>2,531,500</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditure/expenses and other financing uses	\$ (1,089,439)	\$ 36,168	\$ (1,053,271)
Balances beginning of year	<u>7,575,428</u>	<u>61,027</u>	<u>7,636,455</u>
Balances end of year	<u>\$ 6,485,989</u>	<u>\$ 97,195</u>	<u>\$ 6,583,184</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 5,042,339	\$ 5,042,339	\$ 19,588
4,824,000	4,824,000	327,941
414,034	414,034	172,538
<u>\$ 10,280,373</u>	<u>\$ 10,280,373</u>	<u>\$ 520,067</u>
\$ 6,286,619	\$ 6,286,619	\$ 433,132
2,670,899	2,670,899	744,751
475,000	475,000	84,005
7,567,690	7,567,690	1,353,109
<u>\$ 17,000,208</u>	<u>\$ 17,000,208</u>	<u>\$ 2,614,997</u>
\$ (6,719,835)	\$ (6,719,835)	\$ 3,135,064
<u>4,000,000</u>	<u>4,000,000</u>	<u>(1,468,500)</u>
<u>\$ (2,719,835)</u>	<u>\$ (2,719,835)</u>	<u>\$ 1,666,564</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, no expenditures exceeded the amounts budgeted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IN THOUSANDS)

LAST FISCAL YEAR *

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.0655286%
District's proportionate share of the net pension liability	\$ 2,599
District's covered-employee payroll	\$ 4,277
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.77%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IN THOUSANDS)

LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 409	\$ 382	\$ 359	\$ 310	\$ 262	\$ 244	\$ 226	\$ 190	\$ 167	\$ 161
Contributions in relation to the statutorily required contribution	<u>(409)</u>	<u>(382)</u>	<u>(359)</u>	<u>(310)</u>	<u>(262)</u>	<u>(244)</u>	<u>(226)</u>	<u>(190)</u>	<u>(167)</u>	<u>(161)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	<u>\$ 4,581</u>	<u>\$ 4,277</u>	<u>\$ 4,141</u>	<u>\$ 3,840</u>	<u>\$ 3,763</u>	<u>\$ 3,662</u>	<u>\$ 3,556</u>	<u>\$ 3,136</u>	<u>\$ 2,908</u>	<u>\$ 2,794</u>
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF BENEFIT TERMS:

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

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

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

CHANGES OF ASSUMPTIONS:

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF ASSUMPTIONS (CONTINUED):

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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%	\$ 3,662	10.9%
2011	July 1, 2009	-	398	398	0.0%	3,763	10.6%
2012	July 1, 2009	-	398	398	0.0%	3,840	10.4%
2013	July 1, 2012	-	417	417	0.0%	4,141	10.1%
2014	July 1, 2012	-	417	417	0.0%	4,277	9.7%
2015	July 1, 2014	-	268	268	0.0%	4,581	5.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>Special Revenue</u>		
	<u>Student</u>	<u>Management</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 127,380	\$ 426,440	\$ 553,820
Receivables:			
Property tax:			
Delinquent	-	2,223	2,223
Accounts	12,712	166	12,878
Inventories	<u>21,803</u>	<u>-</u>	<u>21,803</u>
 Total assets	 <u>\$ 161,895</u>	 <u>\$ 428,829</u>	 <u>\$ 590,724</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 8,314	\$ -	\$ 8,314
Total liabilities	<u>\$ 8,314</u>	<u>\$ -</u>	<u>\$ 8,314</u>
 Fund balances:			
Restricted for:			
Student activities	\$ 153,581	\$ -	\$ 153,581
Management levy purposes	<u>-</u>	<u>428,829</u>	<u>428,829</u>
Total fund balances	<u>\$ 153,581</u>	<u>\$ 428,829</u>	<u>\$ 582,410</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 161,895</u>	 <u>\$ 428,829</u>	 <u>\$ 590,724</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 257,790	\$ 257,790
Other	313,115	3,458	316,573
State sources	<u>-</u>	<u>103</u>	<u>103</u>
Total revenues	<u>\$ 313,115</u>	<u>\$ 261,351</u>	<u>\$ 574,466</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ -	\$ 22,977	\$ 22,977
Other	<u>365,492</u>	<u>-</u>	<u>365,492</u>
	<u>\$ 365,492</u>	<u>\$ 22,977</u>	<u>\$ 388,469</u>
Support services:			
Administration	\$ -	\$ 40,522	\$ 40,522
Operation and maintenance of plant	-	32,766	32,766
Transportation	<u>-</u>	<u>9,375</u>	<u>9,375</u>
	<u>\$ -</u>	<u>\$ 82,663</u>	<u>\$ 82,663</u>
Total expenditures	<u>\$ 365,492</u>	<u>\$ 105,640</u>	<u>\$ 471,132</u>
Change in fund balances	\$ (52,377)	\$ 155,711	\$ 103,334
Fund balances beginning of year	<u>205,958</u>	<u>273,118</u>	<u>479,076</u>
Fund balances end of year	<u>\$ 153,581</u>	<u>\$ 428,829</u>	<u>\$ 582,410</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2015

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Agriculture resale	\$ 214	\$ -	\$ -	\$ -	\$ 214
Annual 2014	2,533	1,198	3,731	-	-
Annual 2015	-	12,883	11,261	-	1,622
Art resale	3,859	-	-	-	3,859
Band and vocal	731	4,930	4,731	-	930
Band resale	421	1,307	1,407	-	321
Baseball	(365)	5,210	3,936	-	909
Basketball	1,113	11,969	10,853	-	2,229
Cheerleaders	4,859	2,793	2,678	-	4,974
Class of 2015	2,516	-	1,336	-	1,180
Class of 2016	9,609	2,788	8,231	-	4,166
Class of 2017	5,292	6,213	3,409	-	8,096
Class of 2018	4,710	3,774	1,690	-	6,794
Class of 2019	515	-	-	-	515
Class of 2020	1,967	1,839	-	-	3,806
Class of 2021	-	1,287	-	-	1,287
Club reserve	17,477	407	5,024	-	12,860
Drama and speech	-	2,757	2,757	-	-
Elementary activity	482	17,675	20,895	3,500	762
FCA	391	105	-	-	496
FFA	5,910	45,536	49,367	-	2,079
FFA test plot	18,788	508	441	-	18,855
FHA	797	1,018	1,068	-	747
Football	(164)	31,174	48,804	19,381	1,587
Golf	-	927	927	-	-
High school girls basketball	1,451	6,324	3,108	-	4,667
High school girls track	1,323	-	-	-	1,323
High school girls volleyball	(124)	3,558	3,434	-	-
Instrument rent/repair	-	2,850	4,189	-	(1,339)
Interest	17,378	-	-	(22,881)	(5,503)
Junior high boys athletics	(1,025)	6,499	3,720	-	1,754
Junior high girls athletics	(1,276)	1,139	2,267	-	(2,404)
Library club	587	-	-	-	587
Magazine sale	-	7,416	7,416	-	-
Middle school leadership group	1,538	451	228	-	1,761
Miscellaneous insurance - student	-	349	349	-	-
Pep club	395	-	-	-	395
Spanish club	2,551	8,425	10,152	-	824
Spirit club	19,392	59,676	71,943	-	7,125
Spirit club resale	26,904	20,098	28,262	-	18,740
Student council	6,308	5,985	5,707	-	6,586
Student pictures	17,512	-	47	-	17,465
General athletics	16,596	24,625	25,426	-	15,795
Track	45	205	250	-	-
TSA program	3,635	4,467	4,347	-	3,755
TSA resale	3,859	1,889	2,755	-	2,993
Wrestling	7,254	2,861	9,346	-	769
Total	\$ 205,958	\$ 313,115	\$ 365,492	\$ -	\$ 153,581

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2015

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 968,287	\$ 1,049,957	\$ 2,018,244
Receivables:			
Property tax:			
Delinquent	-	2,672	2,672
Succeeding year	-	362,650	362,650
Due from other funds	-	45,823	45,823
Due from other governments	<u>99,318</u>	<u>-</u>	<u>99,318</u>
Total assets	<u>\$ 1,067,605</u>	<u>\$ 1,461,102</u>	<u>\$ 2,528,707</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 745,859	\$ -	\$ 745,859
Due to other funds	<u>9,654</u>	<u>213,860</u>	<u>223,514</u>
Total liabilities	<u>\$ 755,513</u>	<u>\$ 213,860</u>	<u>\$ 969,373</u>
Deferred inflows of resources:			
Unavailable revenue			
Succeeding year property tax	\$ -	\$ 362,650	\$ 362,650
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 362,650</u>	<u>\$ 362,650</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 312,092	\$ -	\$ 312,092
Physical plant and equipment	<u>-</u>	<u>884,592</u>	<u>884,592</u>
Total fund balances	<u>\$ 312,092</u>	<u>\$ 884,592</u>	<u>\$ 1,196,684</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,067,605</u>	<u>\$ 1,461,102</u>	<u>\$ 2,528,707</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2015

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical</u>	
	<u>Sales, Services</u>	<u>Plant and</u>	
	<u>and Use Tax</u>	<u>Equipment</u>	<u>Total</u>
		<u>Levy</u>	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 353,730	\$ 353,730
Other	5,376	49,512	54,888
State sources	<u>642,058</u>	<u>131</u>	<u>642,189</u>
Total revenues	<u>\$ 647,434</u>	<u>\$ 403,373</u>	<u>\$ 1,050,807</u>
Expenditures:			
Current:			
Support services:			
Administration	\$ -	\$ 5	\$ 5
Other expenditures:			
Facilities acquisition	<u>\$ 5,155,795</u>	<u>\$ 82,376</u>	<u>\$ 5,238,171</u>
Total expenditures	<u>\$ 5,155,795</u>	<u>\$ 82,381</u>	<u>\$ 5,238,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,508,361)</u>	<u>\$ 320,992</u>	<u>\$ (4,187,369)</u>
Other financing sources (uses):			
Revenue bonds issued	\$ 2,530,000	\$ -	\$ 2,530,000
Transfers out	<u>-</u>	<u>(106,837)</u>	<u>(106,837)</u>
Total other financing sources (uses)	<u>\$ 2,530,000</u>	<u>\$ (106,837)</u>	<u>\$ 2,423,163</u>
Change in fund balances	\$ (1,978,361)	\$ 214,155	\$ (1,764,206)
Fund balances beginning of year	<u>2,290,453</u>	<u>670,437</u>	<u>2,960,890</u>
Fund balances end of year	<u>\$ 312,092</u>	<u>\$ 884,592</u>	<u>\$ 1,196,684</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,464,372	\$ 3,268,848	\$ 3,700,830	\$ 3,406,526	\$ 3,212,599	\$ 2,920,523	\$ 2,748,469	\$ 2,520,028	\$ 2,490,485	\$ 1,954,019
Tuition	758,977	614,670	747,908	722,585	853,253	861,399	548,654	544,643	563,893	548,739
Other	610,894	539,283	724,721	531,657	593,364	628,833	625,119	711,229	734,322	675,227
State sources	5,147,942	4,768,779	3,897,870	3,536,450	3,291,057	2,833,279	3,567,630	2,887,207	2,952,460	2,379,024
Federal sources	361,093	315,238	277,496	248,466	470,554	591,798	206,663	230,067	239,845	225,874
Total	<u>\$ 10,343,278</u>	<u>\$ 9,506,818</u>	<u>\$ 9,348,825</u>	<u>\$ 8,445,684</u>	<u>\$ 8,420,827</u>	<u>\$ 7,835,832</u>	<u>\$ 7,696,535</u>	<u>\$ 6,893,174</u>	<u>\$ 6,981,005</u>	<u>\$ 5,782,883</u>
Expenditures:										
Instruction:										
Regular	\$ 3,533,527	\$ 3,297,509	\$ 3,472,219	\$ 3,152,014	\$ 2,876,301	\$ 2,783,440	\$ 2,915,628	\$ 2,798,602	\$ 2,433,989	\$ 2,247,721
Special	948,720	896,081	962,631	902,468	928,228	938,526	927,259	737,590	595,827	594,036
Other	1,371,240	1,069,371	842,318	828,688	733,689	757,210	618,457	631,076	578,173	490,871
Support services:										
Student	172,606	118,238	261,935	214,971	234,580	239,257	173,231	204,860	226,839	213,440
Instructional staff	241,751	217,596	53,965	68,347	82,716	68,565	63,732	34,408	74,956	75,214
Administration	666,267	678,506	653,425	653,005	619,751	563,096	564,539	542,598	500,035	476,282
Operation and maintenance										
of plant	510,729	474,689	477,908	445,818	430,783	476,985	454,736	413,003	389,182	406,119
Transportation	304,796	421,799	267,140	349,536	305,670	249,672	282,636	239,929	269,035	175,457
Other expenditures:										
Facilities acquisition	5,238,171	1,542,493	1,063,145	637,500	579,159	392,478	567,395	1,195,366	5,596,647	1,061,389
Long-term debt:										
Principal	531,009	5,307,821	415,296	300,000	290,000	275,000	260,000	250,000	50,000	-
Interest and fiscal charges	103,661	295,494	296,261	236,516	248,066	259,016	268,116	276,866	440,711	-
AEA flow through	341,740	333,912	293,626	263,705	278,582	264,615	242,296	213,002	196,955	187,873
Total	<u>\$ 13,964,217</u>	<u>\$ 14,653,509</u>	<u>\$ 9,059,869</u>	<u>\$ 8,052,568</u>	<u>\$ 7,607,525</u>	<u>\$ 7,267,860</u>	<u>\$ 7,338,025</u>	<u>\$ 7,537,300</u>	<u>\$ 11,352,349</u>	<u>\$ 5,928,402</u>



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
Rock Valley Community School District

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 Rock Valley Community School District (the District) 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, and have issued our report thereon dated May 13, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control, as described in Part I of the accompanying Schedule of Findings and Responses as item I-A-15 that we consider to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

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.

Rock Valley Community School District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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.

May 13, 2016
Sioux City, Iowa

King Reinach Prosser & Co. LLP

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

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. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions (b) recording transactions (c) maintaining custody of the assets that result from transactions and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to payroll activities. The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts in any of the program functions.

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- 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 - No business transactions between the District and District officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 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 - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-15 Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-L-15 Statewide Sales, Services and Use Tax - No instances of noncompliance 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		\$ 2,290,453
Revenues/transfers in:		
Sales tax revenues	\$ 642,058	
Revenue bonds issued	2,530,000	
Other local revenues	<u>5,376</u>	<u>3,177,434</u>
		\$ 5,467,887
Expenditures/transfers out:		
Construction in progress	\$ 5,114,647	
Other	<u>41,148</u>	<u>5,155,795</u>
Ending Balance		<u>\$ 312,092</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Deficit Balances - Three student activity accounts had deficit balances at June 30, 2015.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.