

MADRID COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Madrid Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Ryan Santi	President	2017
Doug Greufe	Vice-President	2019
Marvin Ostrander	Board Member	2019
Lauren Clark	Board Member	2019
Terry Ostendorf	Board Member	2017
	(Appointment ended September 19, 2016)	
Chelcie Badgley	Board Member	2017
	(Elected September 19, 2016)	

School Officials

Brian Horn	Superintendent	2017
Kris Van Pelt	Business Manager/Board Secretary	2017
Drew Bracken	Attorney	2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Madrid 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 Madrid Community School District, Madrid, Iowa, as of and for the year ended June 30, 2017, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madrid Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2018, on our consideration of Madrid Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madrid Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2018
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madrid Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,713,208 in fiscal year 2016 to \$7,407,062 in fiscal year 2017, while General Fund expenditures increased from \$6,811,030 in fiscal year 2016 to \$7,154,960 in fiscal year 2017. This resulted in an increase of the District's General Fund balance from \$1,024,946 at June 30, 2016 to \$1,277,048 at June 30, 2017, an 24.60% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to the increase in state source revenues received compared to the prior year. The increase in expenditures was primarily due to the increase in negotiated salaries and benefits of District employees.
- The District's total net position increased from \$3,164,097 at June 30, 2016 to \$3,579,571 at June 30, 2017. Total revenues increased from \$8,393,775 in fiscal year 2016 to \$9,192,090 in fiscal year 2017, a 9.51% increase, while total expenses decreased from \$8,781,092 in fiscal year 2016 to \$8,776,616 in fiscal year 2017, a 0.05% decrease compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Madrid Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

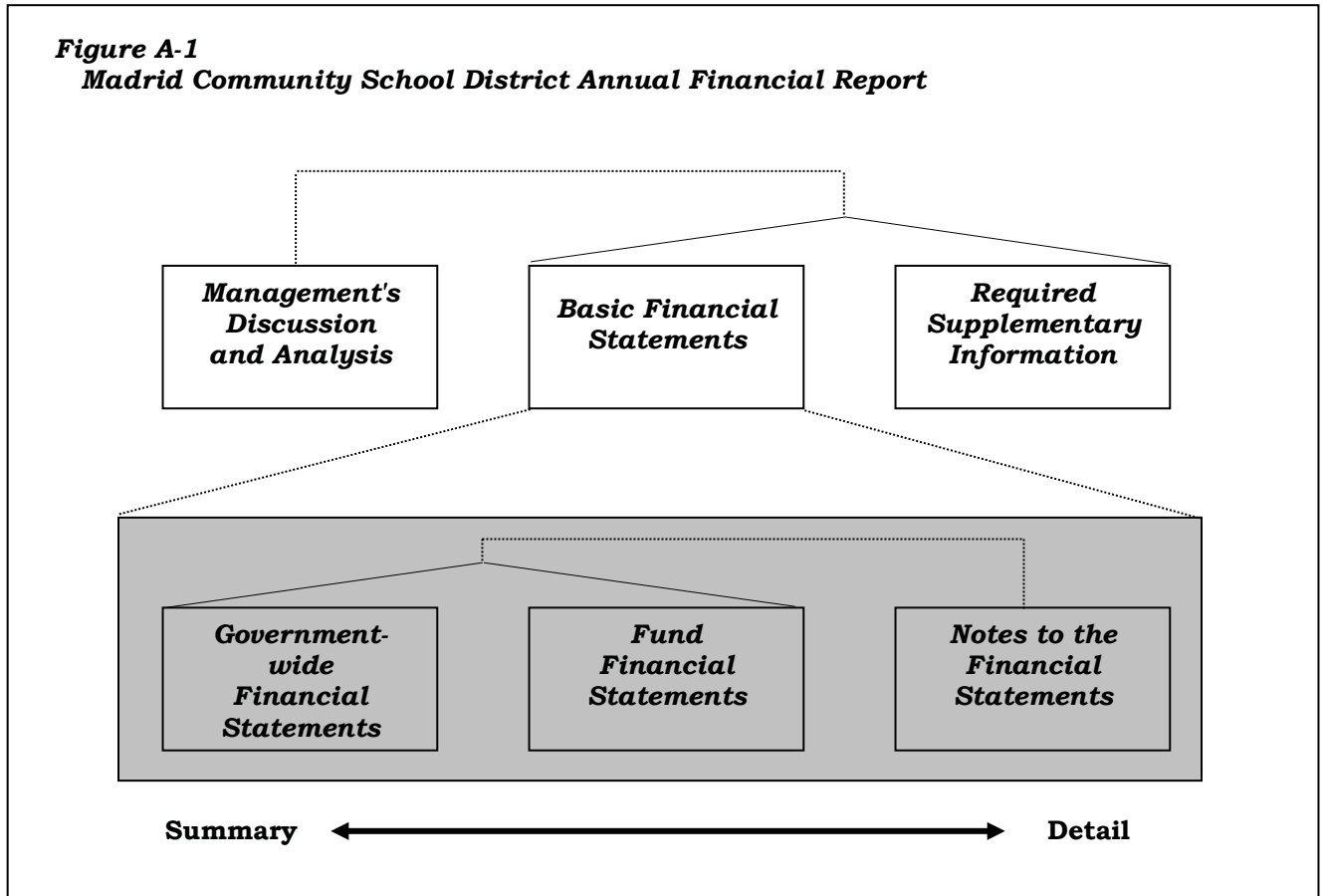


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016	2016-17	
Current and other assets	\$ 6,225,655	5,570,353	32,997	33,955	6,258,652	5,604,308	11.68%	
Capital assets	7,832,820	7,849,204	6,002	6,257	7,838,822	7,855,461	-0.21%	
Total assets	14,058,475	13,419,557	38,999	40,212	14,097,474	13,459,769	4.74%	
Deferred outflows of resources	1,202,626	780,753	27,267	22,490	1,229,893	803,243	53.12%	
Long-term liabilities	8,102,257	7,387,524	221,718	188,882	8,323,975	7,576,406	9.87%	
Other liabilities	858,708	792,179	179,175	192,977	1,037,883	985,156	5.35%	
Total liabilities	8,960,965	8,179,703	400,893	381,859	9,361,858	8,561,562	9.35%	
Deferred inflows of resources	2,378,657	2,520,780	7,281	16,573	2,385,938	2,537,353	-5.97%	
Net position:								
Net investment in capital assets	5,127,820	4,882,204	6,002	6,257	5,133,822	4,888,461	5.02%	
Restricted	2,112,001	1,797,825	-	-	2,112,001	1,797,825	17.48%	
Unrestricted	(3,318,342)	(3,180,202)	(347,910)	(341,987)	(3,666,252)	(3,522,189)	-4.09%	
Total net position	\$ 3,921,479	3,499,827	(341,908)	(335,730)	3,579,571	3,164,097	13.13%	

The District's combined net position increased by 13.13%, or \$415,474 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$314,176, or 17.48% from the prior year. The increase in restricted net position was primarily due to the increase in amounts restricted for school infrastructure as compared to the prior year.

Unrestricted net position - is 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 \$144,063 or 4.09%. The decrease in unrestricted net position is primarily a result of the decrease in fund balance of the General Fund.

A contributing factor to the District's deficit unrestricted net position in the governmental activities and business type activities is the Governmental Accounting Standards Board Statement No. 68 and No. 71 pension and related deferred inflow and outflow reporting requirements. However, this was not the sole reason for the deficit balances.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to year ended June 30, 2016.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 581,278	612,786	212,338	196,251	793,616	809,037	-1.91%
Operating grants, contributions and restricted interest	577,366	422,776	166,981	171,393	744,347	594,169	25.28%
Capital grants, contributions and restricted interest	-	2,740	-	-	-	2,740	-100.00%
General revenues:							
Property tax	2,088,467	2,034,306	-	-	2,088,467	2,034,306	2.66%
Income surtax	119,878	97,142	-	-	119,878	97,142	23.40%
Statewide sales, services and use tax	675,830	644,482	-	-	675,830	644,482	4.86%
Unrestricted state grants	4,746,454	4,184,522	-	-	4,746,454	4,184,522	13.43%
Unrestricted investment earnings	1,110	1,079	8	6	1,118	1,085	3.04%
Other	16,334	17,586	6,046	8,706	22,380	26,292	-14.88%
Total revenues	<u>8,806,717</u>	<u>8,017,419</u>	<u>385,373</u>	<u>376,356</u>	<u>9,192,090</u>	<u>8,393,775</u>	<u>9.51%</u>
Program expenses:							
Instruction	5,660,006	5,512,843	-	-	5,660,006	5,512,843	2.67%
Support services	2,098,105	2,074,514	-	-	2,098,105	2,074,514	1.14%
Non-instructional programs	-	-	392,148	357,502	392,148	357,502	9.69%
Other expenses	626,357	836,233	-	-	626,357	836,233	-25.10%
Total expenses	<u>8,384,468</u>	<u>8,423,590</u>	<u>392,148</u>	<u>357,502</u>	<u>8,776,616</u>	<u>8,781,092</u>	<u>-0.05%</u>
Excess of revenues over expenses	422,249	(406,171)	(6,775)	18,854	415,474	(387,317)	9.56%
Transfers	(597)		597		-	-	0.00%
Change in net position	421,652	(406,171)	(6,178)	18,854	415,474	(387,317)	9.56%
Net position beginning of year	<u>3,499,827</u>	<u>3,905,998</u>	<u>(335,730)</u>	<u>(354,584)</u>	<u>3,164,097</u>	<u>3,551,414</u>	<u>-10.91%</u>
Net position end of year	<u>\$ 3,921,479</u>	<u>3,499,827</u>	<u>(341,908)</u>	<u>(335,730)</u>	<u>3,579,571</u>	<u>3,164,097</u>	<u>13.13%</u>

In fiscal year 2017, property tax and unrestricted state grants accounted for 77.61% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 98.43% of the revenue from business type activities.

The District's total revenues were approximately \$9.19 million, of which approximately \$8.81 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.51% increase in revenues and a 0.05% decrease in expenses. The increase in revenues is primarily due to an increase in unrestricted state grant revenue received as compared to the prior year. The decrease in expenses is primarily due to a decrease in costs incurred in the other expenses functions as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,806,717 and expenses were \$8,384,468 for the year ended June 30, 2017.

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, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 5,660,006	5,512,843	2.67%	4,799,928	4,755,341	0.94%
Support services	2,098,105	2,074,514	1.14%	2,088,573	2,067,272	1.03%
Other expenses	626,357	836,233	-25.10%	337,323	562,675	-40.05%
Totals	<u>\$ 8,384,468</u>	<u>8,423,590</u>	<u>-0.46%</u>	<u>7,225,824</u>	<u>7,385,288</u>	<u>-2.16%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$581,278.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$577,366.
- The net cost of governmental activities was financed with \$2,088,467 in property tax, \$119,878 in income surtax, \$675,830 in statewide sales, services and use tax, \$4,746,454 in unrestricted state grants, \$1,110 in unrestricted investment income and \$16,334 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$385,373 and expenses were \$392,148 for the year ended June 30, 2017. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,096,677, above last year's ending fund balances of a \$2,641,132. The primary reason for the increase in combined fund balances is due to the decrease in long-term debt expenditures during fiscal year 2017.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The District's General Fund balance increased from \$1,024,946 at June 30, 2016 to \$1,277,048 at June 30, 2017. An increase in state funding can be attributed to the increase in total revenues while an increase in negotiated salaries and benefits can be attributed to the increase in total expenditures. Total revenues outpaced total expenditures ensuring an increase in fund balance.

- The Capital Projects Fund balance increased from \$1,125,641 at June 30, 2016 to \$1,314,886 at June 30, 2017. This increase is primarily due to the decrease in capital outlay expenditures incurred during the year on the District's track, electrical upgrades and entry way projects.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit \$335,730 at June 30, 2016, to a deficit \$341,908 at June 30, 2017, representing a decrease of 1.84%. An increase in salaries and benefit expenditures incurred from the prior year contributed to this decrease in net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,026,475 less than budgeted revenues, a variance of 10.09%. The most significant variances resulted from the District receiving less in intermediate sources and local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$7,838,822 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.21% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$324,568.

The original cost of the District's capital assets was \$14,136,780. Governmental activities accounted for \$14,059,772 with the remainder of \$77,008 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$176,654 at June 30, 2017, compared to \$640,697 at June 30, 2016. The decrease in the District's construction in progress is attributable to the completion of the District's track project during the year.

Figure A-6								
Capital Assets, Net of Depreciation								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016	2016-17	
Land	\$ 112,126	112,126	-	-	112,126	112,126	0.00%	
Construction in progress	176,654	640,697	-	-	176,654	640,697	-72.43%	
Buildings	5,267,684	5,356,680	-	-	5,267,684	5,356,680	-1.66%	
Land improvements	2,091,292	1,535,420	-	-	2,091,292	1,535,420	36.20%	
Machinery and equipment	185,064	204,281	6,002	6,257	191,066	210,538	-9.25%	
Total	<u>\$ 7,832,820</u>	<u>7,849,204</u>	<u>6,002</u>	<u>6,257</u>	<u>7,838,822</u>	<u>7,855,461</u>	<u>-0.21%</u>	

Long-Term Debt

At June 30, 2017, the District had \$2,705,000 of total long-term debt outstanding. This represents a decrease of 17.73% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,300,000 at June 30, 2017 payable from the Debt Service Fund

The District had outstanding revenue bonds of \$1,405,000 at June 30, 2017 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
General obligation bonds	\$ 1,300,000	1,450,000	-10.34%
Revenue bonds	1,405,000	1,517,000	-7.38%
Totals	<u>\$ 2,705,000</u>	<u>2,967,000</u>	<u>-17.73%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low Supplemental State Aid continues to play a negative impact in funding and spending authority.
- Enrollment trends are difficult to predict. Current data shows enrollment to be steady. Some larger classes will be graduating in the next few years and incoming kindergarten class sizes may not be to the level of the graduating class. There is a possibility of a new housing addition being developed in the City of Madrid. The combination of these unknowns makes predicting enrollment difficult.
- The loss of 32 students in FY17 certified enrollment put the district on budget guarantee for FY18. Certified enrollment for FY18 was almost identical to FY17. The district will not be on budget guarantee for FY19, and will encounter a loss of \$105,000 of funding and authority as compared to FY18. The district has planned ahead and made adjustments for this projected shortfall

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 Kris Van Pelt, Business Manager/Board Secretary, Madrid Community School District, 201 North Main St., Madrid, Iowa, 50156.



BASIC FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,531,119	19,511	3,550,630
Receivables:			
Property tax:			
Delinquent	15,465	-	15,465
Succeeding year	2,175,787	-	2,175,787
Income surtax	115,571	-	115,571
Accounts	14,086	-	14,086
Due from other funds	161,374	-	161,374
Due from other governments	212,253	346	212,599
Inventories	-	13,140	13,140
Capital assets not being depreciated:			
Land and construction in progress	288,780	-	288,780
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	7,544,040	6,002	7,550,042
TOTAL ASSETS	14,058,475	38,999	14,097,474
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,202,626	27,267	1,229,893
LIABILITIES			
Due to other funds	-	161,374	161,374
Accounts payable	132,295	10,794	143,089
Salaries and benefits payable	705,325	-	705,325
Accrued interest payable	21,088	-	21,088
Unearned revenue	-	7,007	7,007
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Revenue bonds payable	104,000	-	104,000
Compensated absences payable	6,748	-	6,748
Portion due after one year:			
General obligation bonds payable	1,150,000	-	1,150,000
Revenue bonds payable	1,301,000	-	1,301,000
Net pension liability - early retirement	128,046	-	128,046
Net pension liability - IPERS	3,477,619	111,219	3,588,838
Net OPEB liability	1,784,844	110,499	1,895,343
TOTAL LIABILITIES	8,960,965	400,893	9,361,858
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	2,175,787	-	2,175,787
Pension related deferred inflows	202,870	7,281	210,151
TOTAL DEFERRED INFLOWS OF RESOURCES	2,378,657	7,281	2,385,938
NET POSITION			
Net investment in capital assets	5,127,820	6,002	5,133,822
Restricted for:			
Categorical funding	313,460	-	313,460
Debt service	86,013	-	86,013
Management levy purposes	349,910	-	349,910
Student activities	47,732	-	47,732
School infrastructure	976,329	-	976,329
Physical plant and equipment	338,557	-	338,557
Unrestricted	(3,318,342)	(347,910)	(3,666,252)
TOTAL NET POSITION	\$ 3,921,479	(341,908)	3,579,571

SEE NOTES TO FINANCIAL STATEMENTS

**MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,107,781	381,191	24,832	(3,701,758)	-	(3,701,758)
Special	834,902	86,065	49,703	(699,134)	-	(699,134)
Other	717,323	114,022	204,265	(399,036)	-	(399,036)
	<u>5,660,006</u>	<u>581,278</u>	<u>278,800</u>	<u>(4,799,928)</u>	<u>-</u>	<u>(4,799,928)</u>
Support services:						
Student	244,617	-	-	(244,617)	-	(244,617)
Instructional staff	97,104	-	7,858	(89,246)	-	(89,246)
Administration	958,673	-	-	(958,673)	-	(958,673)
Operation and maintenance of plant	545,743	-	-	(545,743)	-	(545,743)
Transportation	251,968	-	1,674	(250,294)	-	(250,294)
	<u>2,098,105</u>	<u>-</u>	<u>9,532</u>	<u>(2,088,573)</u>	<u>-</u>	<u>(2,088,573)</u>
Long-term debt interest	66,502	-	-	(66,502)	-	(66,502)
Other expenditures:						
AEA flowthrough	289,034	-	289,034	-	-	-
Depreciation(unallocated)*	270,821	-	-	(270,821)	-	(270,821)
	<u>559,855</u>	<u>-</u>	<u>289,034</u>	<u>(270,821)</u>	<u>-</u>	<u>(270,821)</u>
Total governmental activities	<u>8,384,468</u>	<u>581,278</u>	<u>577,366</u>	<u>(7,225,824)</u>	<u>-</u>	<u>(7,225,824)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	392,148	212,338	166,981	-	(12,829)	(12,829)
Total	<u>\$ 8,776,616</u>	<u>793,616</u>	<u>744,347</u>	<u>(7,225,824)</u>	<u>(12,829)</u>	<u>(7,238,653)</u>
General Revenues:						
General revenues:						
Local tax for:						
General purposes				\$ 1,736,281	-	1,736,281
Debt service				186,623	-	186,623
Capital outlay				165,563	-	165,563
Income surtax				119,878	-	119,878
Statewide sales, services and use tax				675,830	-	675,830
Unrestricted state grants				4,746,454	-	4,746,454
Unrestricted investment earnings				1,110	8	1,118
Other				16,334	6,046	22,380
Transfers				(597)	597	-
Total general revenues				<u>7,647,476</u>	<u>6,651</u>	<u>7,654,127</u>
Change in net position				421,652	(6,178)	415,474
Net position beginning of year				<u>3,499,827</u>	<u>(335,730)</u>	<u>3,164,097</u>
Net position end of year				<u>\$ 3,921,479</u>	<u>(341,908)</u>	<u>3,579,571</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,741,532	1,286,274	503,313	3,531,119
Receivables:				
Property tax:				
Delinquent	11,293	1,217	2,955	15,465
Succeeding year	1,625,578	173,097	377,112	2,175,787
Income surtax	115,571	-	-	115,571
Accounts	14,086	-	-	14,086
Due from other funds	161,374	-	-	161,374
Due from other governments	155,884	56,294	75	212,253
TOTAL ASSETS	\$ 3,825,318	1,516,882	883,455	6,225,655
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 101,796	28,899	1,600	132,295
Salaries and benefits payable	705,325	-	-	705,325
Total liabilities	807,121	28,899	1,600	837,620
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,625,578	173,097	377,112	2,175,787
Income surtax	115,571	-	-	115,571
Total deferred inflows of resources	1,741,149	173,097	377,112	2,291,358
Fund balances:				
Restricted for:				
Categorical funding	313,460	-	-	313,460
Debt service	-	-	107,101	107,101
Management levy purposes	-	-	349,910	349,910
Student activities	-	-	47,732	47,732
School infrastructure	-	976,329	-	976,329
Physical plant and equipment	-	338,557	-	338,557
Unassigned	963,588	-	-	963,588
Total fund balances	1,277,048	1,314,886	504,743	3,096,677
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,825,318	1,516,882	883,455	6,225,655

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)		\$ 3,096,677
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,832,820
Income surtax is not yet available to pay current year expenditures and therefore, is recognized as deferred inflows of resources in the governmental funds		115,571
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,088)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,202,626	
Deferred inflows of resources	<u>(202,870)</u>	999,756
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences payable, other postemployment benefits payable and the net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,102,257)</u>
Net position of governmental activities(page 18)		<u><u>\$ 3,921,479</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,599,587	165,563	399,129	2,164,279
Tuition	440,770	-	-	440,770
Other	45,519	412	113,539	159,470
State sources	5,173,148	677,198	3,343	5,853,689
Federal sources	144,443	-	-	144,443
Total revenues	<u>7,403,467</u>	<u>843,173</u>	<u>516,011</u>	<u>8,762,651</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,551,707	35,760	190,640	3,778,107
Special	799,632	-	-	799,632
Other	647,331	-	104,397	751,728
	<u>4,998,670</u>	<u>35,760</u>	<u>295,037</u>	<u>5,329,467</u>
Support services:				
Student	228,587	-	-	228,587
Instructional staff	98,410	17,969	-	116,379
Administration	851,326	19,235	-	870,561
Operation and maintenance of plant	484,524	10,206	21,349	516,079
Transportation	199,702	11,245	5,782	216,729
	<u>1,862,549</u>	<u>58,655</u>	<u>27,131</u>	<u>1,948,335</u>
Capital outlay	-	424,826	-	424,826
Long-term debt:				
Principal	-	-	262,000	262,000
Interest and fiscal charges	-	-	57,039	57,039
	<u>-</u>	<u>-</u>	<u>319,039</u>	<u>319,039</u>
Other expenditures:				
AEA flowthrough	289,034	-	-	289,034
Total expenditures	<u>7,150,253</u>	<u>519,241</u>	<u>641,207</u>	<u>8,310,701</u>
Excess(Deficiency) of revenues over(under) expenditures	253,214	323,932	(125,196)	451,950
Other financing sources(uses):				
Transfer in	-	-	139,394	139,394
Transfer out	(4,707)	(134,687)	-	(139,394)
Sale of equipment	3,595	-	-	3,595
Total other financing sources(uses)	<u>(1,112)</u>	<u>(134,687)</u>	<u>139,394</u>	<u>3,595</u>
Change in fund balances	252,102	189,245	14,198	455,545
Fund balances beginning of year	<u>1,024,946</u>	<u>1,125,641</u>	<u>490,545</u>	<u>2,641,132</u>
Fund balances end of year	<u>\$ 1,277,048</u>	<u>1,314,886</u>	<u>504,743</u>	<u>3,096,677</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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, 2017

Change in fund balances - total governmental funds(page 22) \$ 455,545

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense during the year are as follows:

Capital outlay	\$ 307,332	
Depreciation expense	(323,716)	(16,384)

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds. 44,066

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. 262,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (9,463)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 383,415

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 follow:

Compensated absences	1,998	
Other postemployment benefits	(263,637)	
Pension expense - IPERS	(419,192)	
Pension expense - early retirement	(16,696)	(697,527)

Change in net position of governmental activities(page 19) \$ 421,652

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2017

	Enterprise
	School
	Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 19,511
Due from other governments	346
Inventories	13,140
Total current assets	<u>32,997</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	6,002
TOTAL ASSETS	<u>38,999</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>27,267</u>
LIABILITIES	
Current liabilities:	
Due to other funds	161,374
Accounts payable	10,794
Unearned revenue	7,007
Total current liabilities	<u>179,175</u>
Noncurrent liabilities	
Net pension liability	111,219
Net OPEB liability	110,499
Total noncurrent liabilities	<u>221,718</u>
TOTAL LIABILITIES	<u>400,893</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>7,281</u>
NET POSITION	
Net investment in capital assets	6,002
Unrestricted	(347,910)
TOTAL NET POSITION	<u>\$ (341,908)</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2017

	Enterprise
	School
	Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 212,338
Miscellaneous	6,046
Total operating revenues	218,384
Operating expenses:	
Non-instructional programs:	
Salaries	92,394
Benefits	56,604
Supplies	242,224
Depreciation	852
Other	74
Total operating expenses	392,148
Operating loss	(173,764)
Non-operating revenues:	
State sources	3,010
Federal sources	163,971
Interest on investments	8
Total non-operating revenues	166,989
Change in net position before other financing sources	(6,775)
Other financing sources:	
Capital contributions	597
Change in net position	(6,178)
Net position beginning of year	(335,730)
Net position end of year	\$ (341,908)

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Enterprise
	School
	Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 212,742
Cash received from miscellaneous	6,046
Cash payments to employees for services	(130,231)
Cash payments to suppliers for goods or services	(205,138)
Net cash used in operating activities	(116,581)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(25,000)
State grants received	3,010
Federal grants received	134,175
Net cash provided by non-capital financing activities	112,185
Cash flows from investing and other activities:	
Interest on investments	8
Net decrease in cash and pooled investments	(4,388)
Cash and pooled investments beginning of year	23,899
Cash and pooled investments end of year	\$ 19,511
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (173,764)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	29,861
Depreciation	852
Increase in inventories	(3,495)
Increase in accounts payable	10,794
Increase in other postemployment benefits	16,322
Increase in net pension liability	16,514
Increase in deferred outflows of resources	(4,777)
Decrease in deferred inflows of resources	(9,292)
Increase in unearned revenue	404
Net cash used in operating activities	\$ (116,581)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received \$29,861 of federal commodities.

During the year ended June 30, 2017, the Nutrition fund received \$597 in contributed capital from the Capital Projects: Statewide Sales, Service and Use Tax.

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 15,276
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 15,276</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 18,170</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 14,950</u>
Change in net position	3,220
Net position beginning of year	<u> 12,056</u>
Net position end of year	<u><u> \$ 15,276</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

Due from and Due to Other Funds - To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund accounts receivable or payable have been recorded.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,200
Buildings	1,200
Land improvements	1,200
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch balances in student lunch accounts will either be reimbursed or served lunches. The revenue will be considered earned when services are provided.

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2017 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 and the Treasurer of the State of Iowa; 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. The District had no such investments as of June 30, 2017.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	<u>\$ 161,374</u>

The Enterprise, School Nutrition Fund is repaying the General Fund \$161,374 used to pay salaries and benefits of the School Nutrition Fund in prior years. (See Comment II-N-17 for details.) The School Nutrition Fund repaid \$25,000 to the General Fund during fiscal year 2017 for amounts owed from prior fiscal years.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 134,687
Student Activity	General Fund	4,707
Total		<u>\$ 139,394</u>

The transfer from Capital Projects: Statewide, Sales, Services and Use Tax to Debt Service was needed for principal and interest payments on the District's revenue bond indebtedness as well as to record the money associated with the refunding revenue bonds issued during the year.

The transfer from the General Fund to the Student Activity Fund was to move money for the purchase of protective equipment.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,126	-	-	112,126
Construction in progress	640,697	254,680	718,723	176,654
Total capital assets not being depreciated	<u>752,823</u>	<u>254,680</u>	<u>718,723</u>	<u>288,780</u>
Capital assets being depreciated:				
Buildings	9,615,505	65,877	-	9,681,382
Land improvements	2,185,864	671,820	-	2,857,684
Machinery and equipment	1,198,248	33,678	-	1,231,926
Total capital assets being depreciated	<u>12,999,617</u>	<u>771,375</u>	<u>-</u>	<u>13,770,992</u>
Less accumulated depreciation for:				
Buildings	4,258,825	154,873	-	4,413,698
Land improvements	650,444	115,948	-	766,392
Machinery and equipment	993,967	52,895	-	1,046,862
Total accumulated depreciation	<u>5,903,236</u>	<u>323,716</u>	<u>-</u>	<u>6,226,952</u>
Total capital assets being depreciated, net	<u>7,096,381</u>	<u>447,659</u>	<u>-</u>	<u>7,544,040</u>
Governmental activities capital assets, net	<u>\$ 7,849,204</u>	<u>702,339</u>	<u>718,723</u>	<u>7,832,820</u>
Business type activities:				
Machinery and equipment	\$ 76,411	597	-	77,008
Less accumulated depreciation	70,154	852	-	71,006
Business type activities capital assets, net	<u>\$ 6,257</u>	<u>(255)</u>	<u>-</u>	<u>6,002</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 11,769
Other	501
Support services:	
Administration	5,576
Operation and maintenance of plant	4,865
Transportation	30,184
	<u>52,895</u>
Unallocated depreciation	<u>270,821</u>
Total governmental activities depreciation expense	<u>\$ 323,716</u>
Business type activities:	
Food service operations	<u>\$ 852</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,450,000	-	150,000	1,300,000	150,000
Revenue bonds	1,517,000	-	112,000	1,405,000	104,000
Compensated absences	8,746	6,748	8,746	6,748	6,748
Net OPEB liability	1,521,207	334,862	71,225	1,784,844	-
Net pension liability - IPERS	2,779,221	698,398	-	3,477,619	-
Net pension liability - early retirement	111,350	54,985	38,289	128,046	-
Total	\$ 7,387,524	1,094,993	380,260	8,102,257	260,748
Business type activities:					
Net OPEB liability	\$ 94,177	20,730	4,408	110,499	-
Net pension liability - IPERS	94,705	16,514	-	111,219	-
Total	\$ 188,882	37,244	4,408	221,718	-

General Obligation Bonds

Details of the District's June 30, 2017 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 30, 2015			
	Interest Rate	Principal	Interest	Total
2018	1.50 %	\$ 150,000	32,436	182,436
2019	2.00	155,000	29,437	184,437
2020	2.00	155,000	26,338	181,338
2021	2.50	160,000	22,463	182,463
2022	2.50	165,000	18,462	183,462
2023-2025	2.75-2.85	515,000	28,989	543,989
Total		\$ 1,300,000	158,125	1,458,125

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services, and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond dated April 26, 2016			
	Interest Rate	Principal	Interest	Total
2018	1.20 %	\$ 104,000	31,122	135,122
2019	1.45	104,000	29,811	133,811
2020	1.65	110,000	28,212	138,212
2021	1.80	109,000	26,373	135,373
2022	2.00	114,000	24,319	138,319
2023-2027	2.20-2.75	607,000	81,553	688,553
2028-2029	2.90-3.00	257,000	9,411	266,411
Total		\$ 1,405,000	230,801	1,635,801

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,517,000 of bonds issued April 2016. The bonds were issued for the purpose of refinancing a prior revenue bond issuance. 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 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 21 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,635,801. For the current year, \$112,000 in principal and \$21,852 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$675,830.

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

- a) The holder of these bonds, City State Bank, does not require a debt reserve account.
- b) Monthly transfers will be made from the statewide sales, services and use tax account at City State Bank to a sinking account at the same bank to make the semi-annual principal and interest payments for the bonds.

(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 information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who

began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 were \$390,881.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$5,806,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was 0.057026%, which was a decrease of 0.001145% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$429,102. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,718	\$ 42,831
Changes of assumptions	54,755	-
Net difference between projected and actual earnings on IPERS' investments	511,296	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	241,243	167,320
District contributions subsequent to the measurement date	390,881	-
Total	<u>\$ 1,229,893</u>	<u>\$ 210,151</u>

\$390,881 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amounts
2018	\$ 72,609
2019	72,609
2020	321,630
2021	166,200
2022	(4,187)
Total	<u>\$ 628,861</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00%, per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	-0.26
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,806,254	\$ 3,588,838	\$ 1,717,310

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$47,275 for legally required employer contributions and \$31,499 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 76 active and 14 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65, the District pays the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Also included are explicit benefits which include single monthly health insurance premiums for District retirees, these results in an additional explicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 454,194
Interest on net OPEB obligation	40,385
Adjustment to annual required contribution	<u>(138,987)</u>
Annual OPEB cost	355,592
Contributions made	<u>(75,634)</u>
Increases in net OPEB obligation	279,958
Net OPEB obligation beginning of year	<u>1,615,384</u>
 Net OPEB obligation end of year	 <u><u>\$ 1,895,342</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$75,634 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2015	\$ 465,253	17.13%	\$ 1,338,395
2016	380,804	27.26%	1,615,384
2017	355,592	21.27%	1,895,342

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$2,600,879, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,600,879. The covered payroll (annual payroll of active employees covered by the plan) was \$4,012,770 and the ratio of the UAAL to covered payroll was 64.82%. As of June 30, 2017, 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 assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements presents multiyear trend information about whether the actuarial value of plan

assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year.

There are 78 active members in the plan as of June 30, 2017. The pension benefit is defined as 35% of the retiree's regular contracted salary.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Special Revenue, Management Levy fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs 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 pension cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 56,788
Interest on net pension obligation	2,784
Adjustment to annual required contribution	(4,587)
Annual pension cost	<u>54,985</u>
Contributions made	<u>(38,289)</u>
Decreases in net pension obligation	16,696
Net pension obligation beginning of year	<u>111,350</u>
Net pension obligation end of year	<u><u>\$ 128,046</u></u>

For calculation of the net pension obligation, the actuary has set the transition date as July 1, 2012. The end of year net pension 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, 2017.

For the year ended June 30, 2017, the District contributed \$38,289 to the pension plan.

The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the pension obligation summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2015	\$ 48,658	77.10%	\$ 111,874
2016	48,294	101.09%	111,350
2017	54,985	69.63%	128,046

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$521,679 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$521,679. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$929,559 and the ratio of the UAAL to covered payroll was 56.12%. As of June 30, 2017, 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 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 Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method as a percent of pay was used. The actuarial assumptions include a 2.50% discount rate based on the District’s funding policy. The salary increase rate was assumed to be 3.0% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(10) Risk Management

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

(11) 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 \$289,034 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending balances for categorical funding by program as of June 30, 2017, are as follows:

<u>Program</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 1,294
Home school assistance program	95,044
At-risk supplemental weighting	10,339
Gifted and talented programs	4,092
Returning dropout and dropout prevention program	557
Four-Year-Old Preschool State Aid	7,488
Beginning teacher mentoring and induction program	10,203
Teacher salary supplement	521
Beginning administrator mentoring and induction program	895
Successful progression for early readers	42,480
Professional development for model core curriculum	56,639
Professional development	9,710
Market factor incentives	1,165
Teacher leadership grants	69,307
Model core curriculum	3,726
Total	<u>\$ 313,460</u>

(13) Detailed Reconciliation of Certain Governmental Fund Balances to Net Position

The following is a detailed reconciliation of certain governmental fund balances to the Statement of Net Position.

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	107,101	963,588
Capital assets, net of accumulated depreciation	7,832,820	-	-
Capitalized general obligation bond indebtedness	(1,300,000)	-	-
Capitalized revenue bond indebtedness	(1,405,000)	-	-
Accrued interest payable	-	(21,088)	-
Income surtax	-	-	115,571
Accrued compensated absences	-	-	(6,748)
Net pension liability - early retirement	-	-	(128,046)
Pension related deferred outflows	-	-	1,202,626
Net pension liability - IPERS	-	-	(3,477,619)
Pension related deferred inflows	-	-	(202,870)
Net OPEB liability	-	-	(1,784,844)
Net position (Exhibit A)	<u>\$ 5,127,820</u>	<u>86,013</u>	<u>(3,318,342)</u>

(14) Deficit Balances

At June 30, 2017, the District had deficit unrestricted net position of \$347,910 and deficit total net position of \$341,908 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position of \$3,318,342 in its governmental activities. These deficit unrestricted net

positions in the School Nutrition Fund and the governmental activities were contributed to by the net pension and related deferred inflow and outflow reporting requirements of GASB Statements No. 68 and No. 71. However, these Statements were not the sole reason for the deficit balances at June 30, 2017.

(15) Construction Commitments

During the year ended June 30, 2017, the District had outstanding contract for electronic upgrade project totaling \$241,807. Costs of \$176,654 have been incurred against these contracts. The remaining balances will be paid out as work on the projects progresses. Upon completion, these projects will be capitalized as part of the District's official capital asset listing.

(16) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(17) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits that governments or the citizens of those governments.

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2017.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net position is expected to include a significant liability for the government's other postemployment benefits.



REQUIRED SUPPLEMENTARY INFORMATION

MADRID 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, 2017

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,764,519	218,392	2,982,911	4,015,022	4,015,022	(1,032,111)
Intermediate sources	-	-	-	651,500	651,500	(651,500)
State sources	5,853,689	3,010	5,856,699	4,976,976	4,976,976	879,723
Federal sources	144,443	163,971	308,414	531,001	531,001	(222,587)
Total revenues	8,762,651	385,373	9,148,024	10,174,499	10,174,499	(1,026,475)
Expenditures/Expenses:						
Instruction	5,329,467	-	5,329,467	5,840,000	5,840,000	510,533
Support services	1,948,335	-	1,948,335	2,740,000	2,740,000	791,665
Non-instructional programs	-	392,148	392,148	500,000	500,000	107,852
Other expenditures	1,032,899	-	1,032,899	1,305,409	1,305,409	272,510
Total expenditures/expenses	8,310,701	392,148	8,702,849	10,385,409	10,385,409	1,682,560
Excess(Deficiency) of revenues over(under) expenditures/expenses	451,950	(6,775)	445,175	(210,910)	(210,910)	656,085
Other financing sources(uses), net	3,595	597	4,192	(50,000)	(50,000)	(54,192)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	455,545	(6,178)	449,367	(260,910)	(260,910)	710,277
Balances beginning of year	2,641,132	(335,730)	2,305,402	2,048,717	2,048,717	256,685
Balances end of year	\$ 3,096,677	(341,908)	2,754,769	1,787,807	1,787,807	966,962

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

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

MADRID COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST THREE YEARS *
 REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.057026%	0.058171%	0.051610%
District's proportionate share of the net pension liability	\$ 3,588,838	2,873,926	2,046,814
District's covered-employee payroll	\$ 4,092,408	3,985,238	3,374,099
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	60.66%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amount presented for each fiscal year were determined as of June 30 of the preceding year.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 390,881	365,452	355,882	301,307	318,864	294,105	236,442	227,474	212,280	188,397
Contributions in relation to the statutorily required contribution	(390,881)	(365,452)	(355,882)	(301,307)	(318,864)	(294,105)	(236,442)	(227,474)	(212,280)	(188,397)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,377,165	4,092,408	3,985,238	3,374,099	3,677,785	3,644,424	3,402,043	3,420,662	3,342,992	3,114,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MADRID COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 672,326	\$ 672,326	0.0%	\$ 3,102,329	21.67%
2011	July 1, 2009	-	672,326	672,326	0.0%	2,983,186	22.54%
2012	July 1, 2009	-	672,326	672,326	0.0%	2,767,268	24.30%
2013	July 1, 2012	-	2,236,790	2,236,790	0.0%	3,456,549	64.71%
2014	July 1, 2012	-	2,042,075	2,042,075	0.0%	3,063,118	66.67%
2015	July 1, 2012	-	1,846,720	1,846,720	0.0%	3,607,318	51.19%
2016	July 1, 2015	-	2,651,694	2,651,694	0.0%	3,701,350	71.64%
2017	July 1, 2015	-	2,600,879	2,600,879	0.0%	4,012,770	64.82%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	July 1, 2012	-	\$ 400,143	400,143	0.0%	2,677,118	14.95%
2014	July 1, 2013	-	331,417	331,417	0.0%	750,901	44.14%
2015	July 1, 2013	-	373,899	373,899	0.0%	970,425	38.53%
2016	July 1, 2015	-	450,575	450,575	0.0%	897,859	50.18%
2017	July 1, 2015	-	521,679	521,679	0.0%	929,559	56.12%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 348,621	48,963	397,584	105,729	503,313
Receivables:					
Property tax:					
Delinquent	1,583	-	1,583	1,372	2,955
Succeeding year	193,174	-	193,174	183,938	377,112
Accounts	-	75	75	-	75
TOTAL ASSETS	\$ 543,378	49,038	592,416	291,039	883,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 294	1,306	1,600	-	1,600
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	193,174	-	193,174	183,938	377,112
Fund equity:					
Fund balances:					
Restricted for:					
Student activities	-	47,732	47,732	-	47,732
Management levy purposes	349,910	-	349,910	-	349,910
Debt service	-	-	-	107,101	107,101
Total fund balances	349,910	47,732	397,642	107,101	504,743
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 543,378	49,038	592,416	291,039	883,455

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 212,506	-	212,506	186,623	399,129
Other	10,910	102,585	113,495	44	113,539
State sources	1,801	-	1,801	1,542	3,343
Total revenues	225,217	102,585	327,802	188,209	516,011
Expenditures:					
Current:					
Instruction:					
Regular	190,640	-	190,640	-	190,640
Other	-	104,397	104,397	-	104,397
Support services:					
Operation and maintenance of plant	21,349	-	21,349	-	21,349
Transportation	5,782	-	5,782	-	5,782
Long-term debt:					
Principal	-	-	-	262,000	262,000
Interest and fiscal charges	-	-	-	57,039	57,039
Total expenditures	217,771	104,397	322,168	319,039	641,207
Excess(Deficiency) of revenues over(under) expenditures	7,446	(1,812)	5,634	(130,830)	(125,196)
Other financing sources:					
Transfer in	-	4,707	4,707	134,687	139,394
Total other financing sources	-	4,707	4,707	134,687	139,394
Change in fund balances	7,446	2,895	10,341	3,857	14,198
Fund balances beginning of year	342,464	44,837	387,301	103,244	490,545
Fund balances end of year	\$ 349,910	47,732	397,642	107,101	504,743

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 945,706	340,568	1,286,274
Receivables:			
Property tax:			
Delinquent	-	1,217	1,217
Succeeding year	-	173,097	173,097
Due from other governments	56,294	-	56,294
TOTAL ASSETS	\$ 1,002,000	514,882	1,516,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 25,671	3,228	28,899
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	173,097	173,097
Fund balances:			
Restricted for:			
School infrastructure	976,329	-	976,329
Physical plant and equipment	-	338,557	338,557
Total fund balances	976,329	338,557	1,314,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,002,000	514,882	1,516,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	165,563	165,563
Other	303	109	412
State sources	675,830	1,368	677,198
Total revenues	<u>676,133</u>	<u>167,040</u>	<u>843,173</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	35,760	35,760
Support services:			
Instructional staff	-	17,969	17,969
Administration	1,000	18,235	19,235
Operation and maintenance of plant	-	10,206	10,206
Transportation	-	11,245	11,245
Capital outlay	384,277	40,549	424,826
Total expenditures	<u>385,277</u>	<u>133,964</u>	<u>519,241</u>
Excess of revenues over expenditures	290,856	33,076	323,932
Other financing uses:			
Transfer out	<u>(134,687)</u>	-	<u>(134,687)</u>
Change in fund balances	156,169	33,076	189,245
Fund balances beginning of year	<u>820,160</u>	<u>305,481</u>	<u>1,125,641</u>
Fund balances end of year	<u>\$ 976,329</u>	<u>338,557</u>	<u>1,314,886</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Inter- Fund Transfers	Balance End of Year
Drama	\$ 1,895	1,307	311	-	2,891
High School Music Trip	1,342	3,380	2,724	-	1,998
7-12 Instrumental Music	551	1,351	1,386	-	516
Elementary Music	788	244	-	-	1,032
K-12 Activities	172	382	126	-	428
Yearbook	693	300	-	-	993
HS Student Council	3,235	1,977	2,436	(104)	2,672
JH Student Council	1,398	315	419	-	1,294
K-6 Student Council	274	-	-	-	274
K-6 Building	1,271	504	35	-	1,740
Athletic Uniforms	-	55	-	-	55
Activity Passes	-	4,230	-	(4,230)	-
Cross Country	-	3,433	4,700	1,267	-
Boys Basketball	2,094	5,884	6,258	(731)	989
Boys Basketball Camp	774	26	800	-	-
Football	5,039	26,189	21,537	(3,961)	5,730
Baseball	719	3,086	4,606	876	75
Boys Track	140	2,836	3,774	798	-
Golf	10	-	1,823	1,813	-
Wrestling	-	-	6,500	6,500	-
Girls Basketball	1,816	4,970	5,112	(1,033)	641
Volleyball	1,610	7,375	6,108	(1,873)	1,004
Softball	834	3,244	4,929	851	-
Girls Track	50	1,853	3,958	2,055	-
FCCLA	1,810	-	90	-	1,720
Spanish Club	613	83	186	-	510
Java Jungle	1,360	1,685	-	-	3,045
HS Cheerleaders	1,025	4,811	5,358	-	478
JH Cheerleaders	334	-	-	-	334
Special Olympics	823	330	792	-	361
Archery Club	879	5,434	3,546	-	2,767
K-12 Guidance Counselor	100	-	100	-	-
HS Garden Project	-	1,000	1,104	104	-
7-12 Activity Awards	-	-	2,375	2,375	-
Team Tigers	8,454	7,605	5,825	-	10,234
Class of 2017	2,600	-	2,600	-	-
Class of 2018	724	4,650	3,731	1,200	2,843
Class of 2019	309	242	-	-	551
Class of 2020	541	160	-	-	701
Class of 2021	560	1,122	574	-	1,108
Class of 2022	-	2,522	574	(1,200)	748
Total	\$ 44,837	102,585	104,397	4,707	47,732

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 2,164,279	2,266,359	2,208,897	2,202,065	2,553,921	2,409,654	2,296,222	2,126,882	2,087,555	1,955,185
Tuition	440,770	415,684	442,913	358,782	303,193	301,690	290,362	240,222	241,925	202,345
Other	159,470	246,887	364,180	214,560	203,613	224,956	223,534	247,727	248,380	265,845
State sources	5,853,689	5,131,895	4,737,025	4,807,371	3,951,865	3,983,160	3,608,229	3,024,596	3,374,291	3,248,506
Federal sources	144,443	91,505	142,581	142,939	146,039	301,456	237,069	500,455	192,811	128,854
Total	\$ 8,762,651	8,152,330	7,895,596	7,725,717	7,158,631	7,220,916	6,655,416	6,139,882	6,144,962	5,800,735
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,778,107	3,559,656	3,410,813	3,108,201	3,006,747	2,995,658	2,693,765	2,687,857	2,601,546	2,420,174
Special	799,632	788,314	813,331	752,493	624,743	543,324	625,324	608,764	619,247	529,503
Other	751,728	757,051	680,099	699,300	612,524	620,900	593,624	592,104	517,616	537,375
Support services:										
Student	228,587	196,421	193,031	184,157	165,854	189,281	132,284	129,294	117,730	111,518
Instructional staff	116,379	81,449	169,632	165,260	203,877	199,840	221,920	181,813	134,805	151,619
Administration	870,561	865,577	712,484	654,938	557,141	583,600	569,338	553,073	549,483	523,941
Operation and maintenance of plant	516,079	517,511	517,918	603,640	428,455	470,323	507,326	463,686	430,363	463,548
Transportation	216,729	299,891	196,815	250,647	192,753	306,466	179,109	244,019	147,956	185,104
Non-instructional programs	-	-	-	-	-	-	-	9,373	6,638	6,000
Capital outlay	424,826	1,598,449	833,929	1,168,804	1,235,956	229,666	89,516	332,135	478,403	393,693
Long-term debt:										
Principal	262,000	1,712,000	775,000	223,000	188,192	184,827	176,460	110,000	95,000	95,000
Interest	57,039	116,165	89,664	79,081	35,723	41,789	47,521	42,412	82,787	67,868
Other expenditures:										
AEA flow-through	289,034	273,558	254,654	254,460	236,932	231,651	242,504	230,760	207,737	194,028
Total	\$ 8,310,701	10,766,042	8,647,370	8,143,981	7,488,897	6,597,325	6,078,691	6,185,290	5,989,311	5,679,371

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



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

To the Board of Education of Madrid Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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.

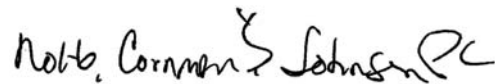
Madrid Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2018
Newton, Iowa

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so that authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - We noted one individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital Assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - preparing, approving and posting journal entries to the accounting records.
- 11) School Lunch Program - collecting money, recording initial receipt, filling out deposit slip, recording money in student accounts, depositing and reconciling,

Cause - The District has a limited number of employees and procedure have not been designed to adequately segregate duties or provide compensation controls through additional oversight if transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, error, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-17 Board Policies

Criteria - The Scholl Board is responsible for establishing and maintaining updated board policies.

Condition - We noted during our audit instances of District board policies which do not appear to have been updated within the past five years.

Cause - The District has not implemented a board policy review plan to ensure that all board policies are updated within a timely manner.

Effect - The District operates under policies which may be outdated or are not being enforced as intended when originally implemented.

Recommendation - The District should review its board policy and update all policies which have not been updated within the past five years. The District should implement additional steps to review board policies in a timely manner.

Response - The District has completed their updating of policies. The District has implemented Board Policy Code 209.6 – Review & Revision of Policy.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-17 Certified Budget - District expenditures for the year ended June 30, 2017, did not exceed the certifies amounts budgeted.

II-B-17 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.

II-C-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-17 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-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-17 Certified Enrollment - No variance in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting - We noted a variance in the supplementary weighting certified to the Iowa Department of Education. The supplementary weighting was overstated by 1.295.

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

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

Conclusion - Response accepted.

II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	820,160
Revenues/transfers in:			
Sales tax revenues	\$	675,830	
Other local revenues		303	676,133
			<hr/>
			1,496,293
Expenditures/transfers out:			
School infrastructure		304,785	
Equipment		57,252	
Other		23,240	
Transfers to other funds:			
Debt service fund		134,687	519,964
			<hr/>
Ending balance		\$	<u>976,329</u>

For the year ended June 30, 2017, 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-17 Financial Condition - At June 30, 2017, the District had deficit unrestricted net position of \$347,910 and deficit total net position of \$341,908 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position of \$3,318,342 in its governmental activities. A contributing factor for these deficit net positions is the GASB Statements No. 68 and No. 71 pension and related deferred outflow and inflow reporting requirements. The deficit net position in the School Nutrition is also contributed to by the large interfund loan owed to the General Fund.

Recommendation - The District should continue to review the School Nutrition Fund and develop a plan, or continue its plan, to make this fund solvent each year. The District should also take steps to ensure the District's administration and Board of Education understand how GASB Statements No. 68 and 71 may affect the District's financials moving forward.

Response - The District will educate administration and board of education about GASB Statements No. 68 and No. 71 and how they will affect the District's financials moving forward. The District will continue to review the School Nutrition Fund and develop a plan to make it solvent each year.

Conclusion - Response accepted.

II-N-17 Interfund Loan - In fiscal year 2012 we noted a permanent transfer of \$86,813 from the General Fund to the Nutrition Fund to cover cash shortages at year end. We had requested a corrective transfer from Nutrition Fund to General Fund for this transfer that was completed by the District without permission from the School Budget Review Committee.

The District created an interfund loan between the General Fund and the Nutrition Fund of \$64,773 without approval from the District's Board of Directors to cover cash shortages created during the year ended June 30, 2013. The District created additional additional interfund loans of \$31,836, and \$61,452 during the years ended June 30, 2014 and June 30, 2015 respectively, without approval from the District's Board of Directors to cover cash shortages. We did note the District paid \$30,000, \$28,500, and \$25,000 against this loan in fiscal years 2015, 2016, and 2017, respectively. Additionally, as of the date of this report, \$161,374 of the interfund loan between the General Fund and the Nutrition Fund had not been repaid.

Recommendation - According to a Declaratory Order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be approved by the District's Board of Directors and be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

The District may wish contact the Iowa Department of Education to create a workout plan to eliminate the interfund loan. The Iowa Department of Education would work with the District to develop ideas of how to manage the Nutrition Fund budget on the revenues collected.

Additionally, the District should continue to review program costs compared to sales, labor costs of staff, and possible issues with internal controls and reporting. We noted the District significantly cut back staffing costs during fiscal year 2016. The District should continue to review the School Nutrition Fund in order to get back to a level of self-sustainability. District nutrition and accounting staff may also need additional training to gain the knowledge needed to properly manage costs to revenues.

Response - The District has been in contact with the Iowa Department of Education. Until further action can be taken, the District reviews ways to bring the School Nutrition Fund back to a level of self-sustainability, such as raising revenue and reducing expenditures.

Conclusion - Response accepted.