EAST MARSHALL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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East Marshall Community School District

Officials

Name	Title	Term Expires
	Board of Education	
Terry Thompson	President	2015
Deanna Berkey	Vice President	2015
Terry Collins	Board Member	2017
Julie Schossow	Board Member	2017
Nicole Huisinga	Board Member (Resigned December 2014)	2017
Tonya Dixon	Board Member (Appointed January 2015)	2015
	School Officials	
Dianne Anderson	Superintendent	2015
Randy Denham	Business Manager/ Board Secretary	2015
Cartwright, Druker and Ryden	Attorney	2015
Gruhn Law Firm	Attorney	2015

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the East Marshall 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 East Marshall Community School District, Gilman, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, East Marshall Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 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 East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, 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 15, 2016, on our consideration of East Marshall 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 East Marshall Community School District's internal control over financial reporting and compliance.

NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $9,215,850 in fiscal year 2014 to $9,072,889 in fiscal year 2015, while General Fund expenditures increased from $8,833,307 in fiscal year 2014 to $8,961,933 in fiscal year 2015. Overall, the District's General Fund balance increased from $1,547,154 at June 30, 2014 to $1,658,110 at June 30, 2015, a 7.17% increase from the prior year.

- The decrease in General Fund revenues was attributable to decreases in state source revenue received compared to the prior year.. The increase in expenditures was due primarily to increased salaries and benefits paid to employees.

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 East Marshall 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 East Marshall 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 East Marshall Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds, Capital Projects Accounts and Private Purpose Trust Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
East Marshall Community School District Annual Financial Report

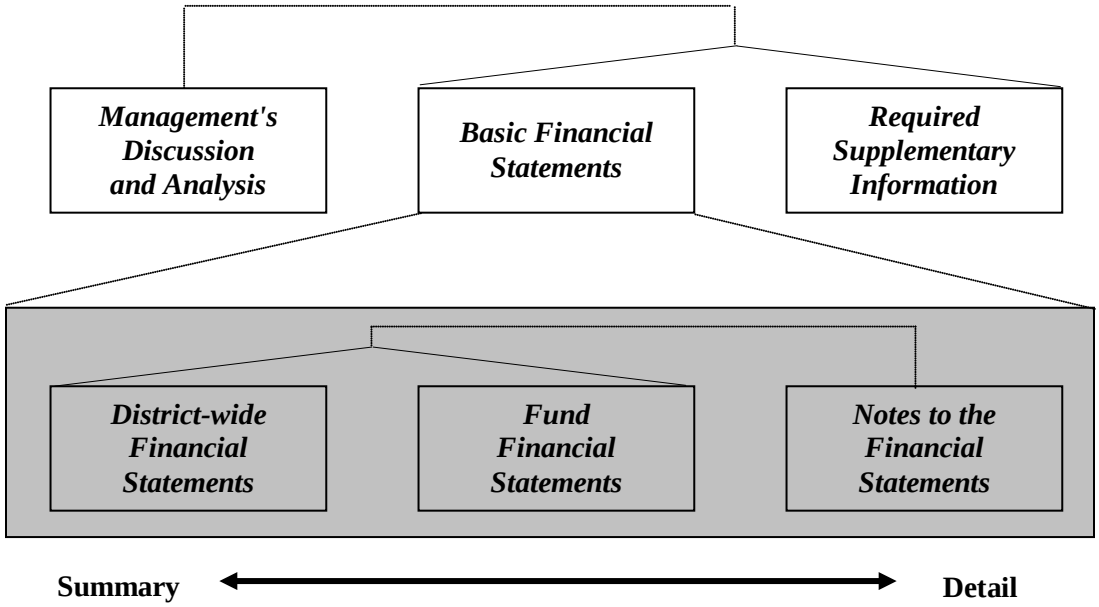

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, a type of proprietary fund, is the same as its business type activities, but

provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	$ 7,277,881	7,106,356	163,849	179,428	7,441,730	7,285,784	2.14%
Capital assets	9,260,677	9,061,567	68,293	81,329	9,328,970	9,142,896	2.04%
Total assets	16,538,558	16,167,923	232,142	260,757	16,770,700	16,428,680	2.08%
Deferred outflows of resources	680,622	-	20,193	-	700,815	-	100.00%
Long-term liabilities	7,732,492	4,960,417	108,529	8,283	7,841,021	4,968,700	57.81%
Other liabilities	1,093,096	1,154,567	29,300	36,892	1,122,396	1,191,459	-5.80%
Total liabilities	8,825,588	6,114,984	137,829	45,175	8,963,417	6,160,159	45.51%
Deferred inflows of resources	4,606,761	3,094,682	42,896	-	4,649,657	3,094,682	50.25%
Net position:							
Net investment in capital assets	5,609,974	4,919,844	68,293	81,329	5,678,267	5,001,173	13.54%
Restricted	1,319,718	1,189,577	-	-	1,319,718	1,189,577	10.94%
Unrestricted	(3,142,861)	848,836	3,317	134,253	(3,139,544)	983,089	-419.36%
Total net position	$ 3,786,831	6,958,257	71,610	215,582	3,858,441	7,173,839	-46.22%

The District's combined net position decreased by 46.22%, or $3,315,398, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt category. 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 $130,141, or 10.94% from the prior year. The increase in restricted net position is primarily due to the increase in categorical funding which was received and carried over to the succeeding fiscal year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased $4,122,633, or 419.36%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by $4,247,452 and $130,011, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	$ 2,634,451	2,569,759	184,885	180,039	2,819,336	2,749,798	2.53%
Operating grants, contributions and restricted interest	693,512	632,253	222,304	242,286	915,816	874,539	4.72%
Capital grants, contributions and restricted interest	562,907	87,396	-	-	562,907	87,396	544.09%
General revenues:							
Property tax	3,112,460	2,989,430	-	-	3,112,460	2,989,430	4.12%
Income surtax	326,388	316,625	-	-	326,388	316,625	3.08%
Statewide sales, services and use tax	578,051	573,663	-	-	578,051	573,663	0.76%
Unrestricted state grants	3,121,440	3,446,189	-	-	3,121,440	3,446,189	-9.42%
Unrestricted interest earnings	9,965	20,321	365	747	10,330	21,068	-50.97%
Other	72,916	110,355	1,156	652	74,072	111,007	-33.27%
Total revenues	11,112,090	10,745,991	408,710	423,724	11,520,800	11,169,715	3.14%
Program expenses:							
Instruction	6,027,234	5,912,861	-	-	6,027,234	5,912,861	1.93%
Support services	3,344,075	3,460,228	23,972	21,348	3,368,047	3,481,576	-3.26%
Non-instructional programs	12,852	8,601	398,699	401,883	411,551	410,484	0.26%
Other expenses	651,903	753,862	-	-	651,903	753,862	-13.52%
Total expenses	10,036,064	10,135,552	422,671	423,231	10,458,735	10,558,783	-0.95%
Change in net position	1,076,026	610,439	(13,961)	493	1,062,065	610,932	73.84%
Net position beginning of year, as restated	2,710,805	6,347,818	85,571	215,089	2,796,376	6,562,907	-57.39%
Net position end of year	$ 3,786,831	6,958,257	71,610	215,582	3,858,441	7,173,839	-46.22%

In fiscal year 2015, property tax and unrestricted state grants account for 56.10% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.63% of the revenue from business type activities.

The District's total revenues were approximately $11.52 million of which approximately $11.11 million was for governmental activities and approximately $0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.14% in revenues and a 0.95% decrease in expenses. Capital grants and contributions increased $475,511 , which was the primary reason for the increase in total revenue, while the decrease in expenses was related to decrease in other expenditures throughout the year.

Governmental Activities

Revenues for governmental activities were $11,112,090 and expenses were $10,036,064 for the year ended June 30, 2015.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	$ 6,027,234	5,912,861	1.93%	2,979,287	3,027,083	-1.58%
Support services	3,344,075	3,460,228	-3.36%	2,777,560	3,338,968	-16.81%
Non-instructional	12,852	8,601	49.42%	12,852	4,861	164.39%
Other expenses	651,903	753,862	-13.52%	375,495	475,232	-20.99%
Totals	$ 10,036,064	10,135,552	-0.98%	6,145,194	6,846,144	-10.24%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was $2,634,451.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling $1,256,419.
- The net cost of governmental activities was financed with $3,112,460 in property tax, $326,388 in income surtax, $578,051 in statewide sales, services and use tax, $3,121,440 in unrestricted state grants, $9,965 in interest income and $72,916 in other general revenues.

Business type Activities

Revenues of the District's business type activities were $408,710 and expenses were $422,671 for the year ended June 30, 2015. 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 East Marshall 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 $2,679,799, above last year's ending combined fund balances of a $2,575,066. This is primarily due to the increase in the General Fund balance compared to the previous year.

Governmental Fund Highlights

The District's financial position is the product of many factors:

- The General Fund balance increased from $1,547,154 at June 30, 2014 to $1,658,110 at June 30, 2015. Revenues decreased due in part to decrease in state source revenue received compared to the prior year. Expenditures increased during the year due to increased negotiated salaries and benefits paid to employees. Total revenues outpaced total expenditures during the year ensuring an increase in ending fund balance.

- The Capital Projects Fund balance decreased from $732,624 at June 30, 2014 to $700,952 at June 30, 2015. This decrease in fund balance is primarily due to the increase in capital outlays expenditures required for construction incurred compared to the prior fiscal year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from $85,571 as restated on July 1, 2014 to $71,610 at June 30, 2015. The decrease in net position was the result of decreased federal source revenues received compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Marshall Community School District amended its budget one time to reflect additional expenditures associated with the high school track project.

The District's revenues were $342,104 more than budgeted revenues, a variance of 3.06%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested $9,328,970 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.04% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $467,812.

The original cost of the District's capital assets was $15,898,404. Governmental funds account for $15,631,392 with the remainder of $267,012 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the Land Improvement category. The District's Land Improvements totaled $392,176 at June 30, 2014, compared to $875,297 at June 30, 2015. The increase in Land Improvements is due to completion and reclassification of the District's track project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	$ 120,725	120,725	-	-	120,725	120,725	0.00%
Construction in progress	-	59,396	-	-	-	59,396	-100.00%
Buildings	7,847,061	8,092,194	-	-	7,847,061	8,092,194	-3.03%
Land improvements	875,297	392,176	-	-	875,297	392,176	123.19%
Machinery and equipment	417,594	397,076	68,293	81,329	485,887	478,405	1.56%
Total	$ 9,260,677	9,061,567	68,293	81,329	9,328,970	9,142,896	2.04%

Long-Term Debt

At June 30, 2015, the District had $7,840,991 in long-term debt outstanding. This represents a increase of 57.81% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	$ 3,310,000	3,620,000	-	-	3,310,000	3,620,000	-8.56%
Energy loan notes	340,703	411,723	-	-	340,703	411,723	-17.25%
Capital loan notes	-	110,000	-	-	-	110,000	-100.00%
Computer lease	178,162	263,921	-	-	178,162	263,921	-32.49%
Compensated absences	19,256	18,877	-	-	19,256	18,877	2.01%
Termination benefits	5,893	24,813	-	-	5,893	24,813	-76.25%
Net pension liability	3,224,647	-	98,703	-	3,323,350	-	100.00%
Net OPEB obligation	653,831	511,083	9,826	8,283	663,657	519,366	27.78%
Total	$ 7,732,492	4,960,417	108,529	8,283	7,841,021	4,968,700	57.81%

The District had general obligation bonds payable of $3,310,000 at June 30, 2015.

The District had energy loan notes payable from the General Fund of $340,703 at June 30, 2015.

The District had computer lease payable of $178,162 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had compensated absences payable of $19,256 at June 30, 2015.

The District had termination benefits payable of $5,893 at June 30, 2015, payable from the Management Levy Fund.

The District has net pension liability of $3,323,350 at June 30, 2015. Governmental activities accounted for $3,224,647 and business type activities accounted for $98,703.

The District had a net OPEB liability of $663,657 at June 30, 2015. The governmental activities accounted for $653,831 of this total while business type activities account for $9,826.

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:

- The instructional support program allows the district to generate 10% of the total regular program district cost for the budget year for additional or enhanced current educational programs. The District can participate in the instructional support program by either holding an election, which allows participation for ten years or by Board resolution, which allows for participation for five years. The East Marshall School Board implemented the program by resolution for a period of five years starting in 2002-03. The program is funded with a combination of state aid, property tax, and income surtax. Income surtax is paid in the year following the year it is levied. On July 10, 2006, the Board adopted a resolution to continue participation in the instructional support program for an additional five year period through June 30, 2012. On November 14, 2011, the Board adopted a resolution to continue the instructional support program for an additional five year period through June 30, 2017.

Fiscal Year	Instructional Support Levy	ISL State Aid	Income Surtax	Property Tax
2015-16	$ 316,511	$ -	$ 286,964	$ 29,547
2014-15	$ 319,542	$ -	$ 298,111	$ 21,431
2013-14	$ 310,487	$ -	$ 286,730	$ 23,757
2012-13	$ 316,801	$ -	$ 298,112	$ 18,689
2011-12	$ 313,289	$ -	$ 293,303	$ 19,986
2010-11	$ 325,358	$ -	$ 310,613	$ 2,771
2009-10	$ 330,035	$ 22,045	$ 306,068	$ 1,922
2008-09	$ 324,570	$ 23,987	$ 277,317	$ 23,266
2007-08	$ 317,699	$ 26,690	$ 260,620	$ 30,389
2006-07	$ 316,157	$ 27,797	$ 273,019	$ 15,341

- The District resident enrollment trend over the past five years is downward by an average of 24 students per year.

- The District's open enrollment in trend has seen an average increase of 20 students per year the last five years. However the last two years the District has seen a steady decrease. The District has had a decrease of 11 open enrolled in students the last two years. This has resulted in roughly over $60,000 in lost revenues for the District.

Fiscal Year	Enrolled In	Enrolled Out
2015-2016	318.4	30.0
2014-2015	318.6	44.1
2013-2014	329.1	35.1
2012-2013	296.2	38.1
2011-2012	264.2	35.1
2010-2011	238.2	40.2
2009-2010	220	41.7
2008-2009	209	46.6
2007-2008	202	45.6
2006-2007	193	49.7

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 Randy Denham, District Business Manager, East Marshall Community School District, 204 West Center St, Gilman, Iowa, 50106.

East Marshall Community School District

BASIC FINANCIAL STATEMENTS

EXHIBIT A

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	$ 3,143,881	153,598	3,297,479
Receivables:			
Property tax:			
Delinquent	34,820	-	34,820
Succeeding year	3,205,342	-	3,205,342
Income surtax	298,111	-	298,111
Accounts	16,108	-	16,108
Due from other governments	579,619	-	579,619
Inventories	-	10,251	10,251
Capital assets, net of accumulated depreciation	9,260,677	68,293	9,328,970
TOTAL ASSETS	16,538,558	232,142	16,770,700
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	680,622	20,193	700,815
LIABILITIES			
Accounts payable	166,354	-	166,354
Salaries and benefits payable	911,994	20,953	932,947
Advances for student fees/deposits	3,579	-	3,579
Accrued interest payable	11,169	-	11,169
Unearned revenue	-	8,347	8,347
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	-	315,000
Energy loan notes payable	73,234	-	73,234
Computer lease payable	87,955	-	87,955
Termination benefits payable	5,893	-	5,893
Compensated absences payable	19,256	-	19,256
Portion due after one year:			
General obligation bonds payable	2,995,000	-	2,995,000
Energy loan notes payable	267,469	-	267,469
Computer lease payable	90,207	-	90,207
Net pension liability	3,224,647	98,703	3,323,350
Net OPEB liability	653,831	9,826	663,657
TOTAL LIABILITIES	8,825,588	137,829	8,963,417
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	3,205,342	-	3,205,342
Pension related deferred inflows	1,401,419	42,896	1,444,315
TOTAL DEFERRED INFLOWS OF RESOURCES	4,606,761	42,896	4,649,657
NET POSITION			
Net investment in capital assets	5,609,974	68,293	5,678,267
Restricted for:			
Categorical funding	309,073	-	309,073
Management levy purposes	152,096	-	152,096
Student activities	108,885	-	108,885
Public education and recreation levy	48,712	-	48,712
School infrastructure	659,082	-	659,082
Physical plant and equipment	41,870	-	41,870
Unrestricted	(3,142,861)	3,317	(3,139,544)
TOTAL NET POSITION	$ 3,786,831	71,610	3,858,441

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT B

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	$ 3,689,834	1,714,583	69,627	-	(1,905,624)	-	(1,905,624)
Special	1,187,715	698,830	30,374	-	(458,511)	-	(458,511)
Other	1,149,685	219,041	315,492	-	(615,152)	-	(615,152)
	6,027,234	2,632,454	415,493	-	(2,979,287)	-	(2,979,287)
Support services:							
Student	394,591	-	-	-	(394,591)	-	(394,591)
Instructional staff	368,600	-	-	-	(368,600)	-	(368,600)
Administration	1,056,476	-	-	-	(1,056,476)	-	(1,056,476)
Operation and maintenance of plant	959,266	-	-	562,907	(396,359)	-	(396,359)
Transportation services	565,142	1,997	1,611	-	(561,534)	-	(561,534)
	3,344,075	1,997	1,611	562,907	(2,777,560)	-	(2,777,560)
Non-instructional programs:							
Food service operations	5,000	-	-	-	(5,000)	-	(5,000)
Community service operations	7,852	-	-	-	(7,852)	-	(7,852)
Total non-instructional	12,852	-	-	-	(12,852)	-	(12,852)
Long-term debt interest	76,455	-	-	-	(76,455)	-	(76,455)
Other expenses:							
AEA flowthrough	276,408	-	276,408	-	-	-	-
Depreciation(unallocated)*	299,040	-	-	-	(299,040)	-	(299,040)
	575,448	-	276,408	-	(299,040)	-	(299,040)
Total governmental activities	10,036,064	2,634,451	693,512	562,907	(6,145,194)	-	(6,145,194)
Business type activities:							
Support services:							
Administration	18,208	-	-	-	-	(18,208)	(18,208)
Operation and maintenance of plant	5,764	-	-	-	-	(5,764)	(5,764)
Total support services	23,972	-	-		-	(23,972)	(23,972)
Non-instructional programs:							
Food service operations	398,699	184,885	222,304	-	-	8,490	8,490
Total business type activities	422,671	184,885	222,304	-	-	(15,482)	(15,482)
Total	$ 10,458,735	2,819,336	915,816	562,907	(6,145,194)	(15,482)	(6,160,676)
General Revenues:							
Property tax levied for:							
General purposes					$ 2,684,198	-	2,684,198
Capital outlay					210,362	-	210,362
Debt service					217,900	-	217,900
Income surtax					326,388	-	326,388
Statewide sales, services and use tax					578,051	-	578,051
Unrestricted state grants					3,121,440	-	3,121,440
Unrestricted investment earnings					9,965	365	10,330
Other					72,916	1,156	74,072
Total general revenues					7,221,220	1,521	7,222,741
Change in net position					1,076,026	(13,961)	1,062,065
Net position beginning of year, as restated					2,710,805	85,571	2,796,376
Net position end of year					$ 3,786,831	71,610	3,858,441

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

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT C

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	$ 2,163,590	644,726	322,863	3,131,179
Receivables:				
Property tax:				
Delinquent	27,236	2,353	5,231	34,820
Succeeding year	2,430,998	219,730	554,614	3,205,342
Income surtax	298,111	-	-	298,111
Accounts	5,806	10,302	-	16,108
Due from other governments	489,410	89,636	573	579,619
TOTAL ASSETS	$ 5,415,151	966,747	883,281	7,265,179
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 112,839	46,065	7,450	166,354
Salaries and benefits payable	911,994	-	-	911,994
Advances for student fees/deposits	3,099	-	480	3,579
Total liabilities	1,027,932	46,065	7,930	1,081,927
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	2,430,998	219,730	554,614	3,205,342
Income surtax	298,111	-	-	298,111
Total deferred inflows of resources	2,729,109	219,730	554,614	3,503,453
Fund balances:				
Restricted for:				
Categorical funding	309,073	-	-	309,073
Debt service	-	-	5,151	5,151
Management levy purposes	-	-	157,989	157,989
Student activities	-	-	108,885	108,885
Public education and recreation levy	-	-	48,712	48,712
School infrastructure	-	659,082	-	659,082
Physical plant and equipment	-	41,870	-	41,870
Assigned	99,686	-	-	99,686
Unassigned	1,249,351	-	-	1,249,351
Total fund balances	1,658,110	700,952	320,737	2,679,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,415,151	966,747	883,281 -	7,265,179

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT D

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

Total fund balances of governmental funds(page 22)		$ 2,679,799
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,260,677
Accounts receivable income surtax, is not yet available to pay current year expenditures and, therefore, is recognized as a deferred inflow of resources in the governmental funds.		298,111
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		12,702
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,169)
Pension related deferred outdlows of resources and deferred inflows of resources are not due and payables in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 680,622	
Deferred inflows of resources	(1,401,419)	(720,797)
Long-term liabilities, including general obligation bonds, energy loan notes, net pension liability, computer lease, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported asliabilities in the governmental funds.		(7,732,492)
Net position of governmental activities(page 20)		$ 3,786,831

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT E

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	$ 2,749,542	210,362	467,563	3,427,467
Tuition	2,384,296	-	-	2,384,296
Other	165,914	564,737	208,218	938,869
State sources	3,584,151	578,149	218	4,162,518
Federal sources	187,559	-	-	187,559
Total revenues	9,071,462	1,353,248	675,999	11,100,709
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,558,180	53,641	109,985	3,721,806
Special	1,144,176	-	-	1,144,176
Other	927,023	-	190,326	1,117,349
	5,629,379	53,641	300,311	5,983,331
Support services:				
Student	387,177	-	1,092	388,269
Instructional staff	286,178	74,957	1,249	362,384
Administration	1,011,582	31,183	16,286	1,059,051
Operation and maintenance of plant	830,277	63,101	74,921	968,299
Transportation	457,561	97,492	25,882	580,935
	2,972,775	266,733	119,430	3,358,938
Non-instructional programs:				
Food service operations	-	-	5,000	5,000
Community service operations	946	-	6,906	7,852
Total non-instructional programs	946	-	11,906	12,852
Capital outlay	-	710,820	722	711,542
Long-term debt:				
Principal	-	-	576,779	576,779
Interest and fiscal charges	-	-	77,553	77,553
	-	-	654,332	654,332
Other expenditures:				
AEA flowthrough	276,408	-	-	276,408
TOTAL EXPENDITURES	8,879,508	1,031,194	1,086,701	10,997,403
Excess(Deficiency) of revenues over(under) expenditures	191,954	322,054	(410,702)	103,306
Other financing sources(uses):				
Transfer in	-	-	436,151	436,151
Transfer out	(82,425)	(353,726)	-	(436,151)
Sale of equipment	1,427	-	-	1,427
Total other financing sources(uses)	(80,998)	(353,726)	436,151	1,427
Change in fund balances	110,956	(31,672)	25,449	104,733
Fund balances beginning of year	1,547,154	732,624	295,288	2,575,066
Fund balances end of year	$ 1,658,110	700,952	320,737	2,679,799

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT F

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

Change in fund balances - total governmental funds(page 24)			$	104,733
Amounts reported for governmental activities in the Statement of Activities are different because:				
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay, depreciation expense and loss on disposal in the year are as follows:				
Capital outlay	$	653,413		
Depreciation expense		(452,977)		
Loss on disposal		(1,326)		199,110
Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.				576,779
Income surtax account receivable is not considered available revenue and is recognized as a deferred inflow or resources in the governmental funds.				11,381
Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.				5,124
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.				1,098
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position				503,265
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:				
Termination benefits		18,920		
Compensated absences		(379)		
Pension expense		(201,257)		
Other postemployment benefits		(142,748)		(325,464)
Change in net position of governmental activities(page 21)			$	1,076,026

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT G

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

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and pooled investments	$ 153,598	12,702
Inventories	10,251	-
Capital assets, net of accumulated depreciation	68,293	-
TOTAL ASSETS	232,142	12,702
DEFFERED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	20,193	-
LIABILITIES		
Current Liabilities:		
Unearned revenue	8,347	-
Salaries and benefits payable	20,953	-
Total current liabilites	29,300	-
Noncurrent liabilities:		
Net Pension liability	98,703	-
Net OPEB liability	9,826	-
Total noncurrent liabilities	108,529	-
TOTAL LIABILITIES	137,829	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	42,896	-
NET POSITION		
Net investment in capital assets	68,293	-
Unrestricted	3,317	12,702
TOTAL NET POSITION	$ 71,610	12,702

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT H

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

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for service	$ 184,885	-
Miscellaneous	1,156	39,200
TOTAL OPERATING REVENUES	186,041	39,200
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	11,991	-
Benefits	1,988	-
Services	4,229	34,086
Operation and maintenance of plant:		
Services	5,755	-
Supplies	9	-
Total support services	23,972	34,086
Non-instructional programs:		
Food service operations:		
Salaries	161,790	-
Benefits	35,864	-
Services	572	-
Supplies	185,638	-
Depreciation	14,835	-
Total non-instructional programs	398,699	-
TOTAL OPERATING EXPENSES	422,671	34,086
OPERATING INCOME(LOSS)	(236,630)	5,114
NON-OPERATING REVENUES:		
State sources	3,835	-
Federal sources	218,469	-
Interest income	365	10
TOTAL NON-OPERATING REVENUES	222,669	10
Change in net position	(13,961)	5,124
Net position beginning of year, as restated	85,571	7,578
Net position end of year	$ 71,610	12,702

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

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

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 185,310	-
Cash received from miscellaneous	1,156	39,200
Cash payments to employees for services	(226,654)	-
Cash payments to suppliers for goods or services	(160,596)	(34,086)
Net cash provided by(used in) operating activities	(200,784)	5,114
Cash flows from non-capital financing activities:		
State grants received	3,835	-
Federal grants received	188,291	-
Net cash provided by non-capital financing activities	192,126	-
Cash flows from capital and related financing activites:		
Purchase of capital assets	(1,799)	-
Cash flows from investing activities:		
Interest on investments	365	10
Net increase(decrease) in cash and pooled investments	(10,092)	5,124
Cash and pooled investments beginning of year	163,690	7,578
Cash and pooled investments end of year	$ 153,598	12,702
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	$ (236,630)	5,114
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	30,178	-
Depreciation	14,835	-
Decrease in inventories	5,436	-
Decrease in accounts receivable	51	-
Decrease in accounts payable	(7)	-
Decrease in salaries and benefits payable	(7,959)	-
Decrease in net pension liability	(45,851)	-
Increase in deferred outflows of resources	(5,650)	-
Increase in deferred inflows of resources	42,896	-
Increase in unearned revenue	374	-
Increase in other postemployment benefits	1,543	-
Net cash provided by(used in) operating activities	$ (200,784)	5,114

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at $30,178.

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT J

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	$ 35,431
LIABILIITES	-
NET POSITION	
Held in trust for scholarships	$ 35,431

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT K

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	$ 132
Deductions:	-
Change in net position	132
Net position beginning of year	35,299
Net position end of year	$ 35,431

SEE NOTES TO FINANCIAL STATEMENTS.

Note 1. Summary of Significant Accounting Policies

The East Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Grand, Gilman, Laurel and Ferguson, Iowa, and the predominate agricultural territory in Marshall, Tama, Poweshiek and Jasper 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, East Marshall 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 East Marshall 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 Marshall, Tama, Poweshiek and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

Net investments 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 is 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 that does not meet 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 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 utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the partially self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if 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 is 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-restricted classifications – committed, assigned, and then unassigned fund balances.

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1,

2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

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

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

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

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

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

Advances for Student Fees/Deposits - Proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period 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 year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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.

Assigned – Amounts assigned by District's administration to be used for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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.

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $390,050 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from		Amount
Debt Service	General	$	82,425
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax		239,326
Debt Service	Capital Projects: Physical Plant and Equipment Levy		114,400
Total		$	436,151

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the District's energy loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for debt relief on the District's general obligation bond indebtedness and the District's Computer Lease.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 120,725	-	-	120,725
Construction in progress	59,396	458,428	517,824	-
Total capital assets not being depreciated	180,121	458,428	517,824	120,725
Capital assets being depreciated:				
Buildings	11,699,440	1,200	-	11,700,640
Land improvements	673,507	535,828	11,569	1,197,766
Machinery and equipment	2,624,445	175,781	187,965	2,612,261
Total capital assets being depreciated	14,997,392	712,809	199,534	15,510,667
Less accumulated depreciation for:				
Buildings	3,607,246	246,333	-	3,853,579
Land improvements	281,331	52,707	11,569	322,469
Machinery and equipment	2,227,369	153,937	186,639	2,194,667
Total accumulated depreciation	6,115,946	452,977	198,208	6,370,715
Total capital assets being depreciated, net	8,881,446	259,832	1,326	9,139,952
Governmental activities capital assets, net	$ 9,061,567	718,260	519,150	9,260,677

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	$ 265,213	1,799	-	267,012
Less accumulated depreciation	183,884	14,835	-	198,719
Business type activities capital assets, net	$ 81,329	(13,036)	-	68,293

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	$	42,013
Other		6,125
Support services:		
Student		10,908
Operation and maintenance of plant		11,302
Transportation		83,589
		153,937
Unallocated depreciation		299,040
Total governmental activities depreciation expense	$	452,977
Business type activities:		
Food service operations	$	14,835

Note 5. Long-Term Liabilities

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

		Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:						
General obligation bonds	$	3,620,000	-	310,000	3,310,000	315,000
Energy loan notes		411,723	-	71,020	340,703	73,234
Capital loan notes		110,000	-	110,000	-	-
Computer lease		263,921	-	85,759	178,162	87,955
Compensated absences		18,877	19,256	18,877	19,256	19,256
Termination benefits		24,813	-	18,920	5,893	5,893
Net Pension liability		4,722,575	-	1,497,928	3,224,647	-
Net OPEB liability		511,083	142,748	-	653,831	-
Total	$	9,682,992	162,004	2,112,504	7,732,492	501,338
Business type activities:						
Net Pension liability		144,554	-	45,851	98,703	-
Net OPEB liability		8,283	1,543	-	9,826	-
Total	$	152,837	1,543	45,851	108,529	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue Dated August 8, 2012				
	Interest Rates		Principal	Interest	Total
2016	0.65	% $	315,000	54,450	369,450
2017	0.85		315,000	52,403	367,403
2018	1.10		315,000	49,725	364,725
2019	1.35		320,000	46,260	366,260
2020	1.60		325,000	41,940	366,940
2021-2025	1.80-2.35		1,720,000	116,610	1,836,610
Total		$	3,310,000	361,388	3,671,388

Energy Loan Notes Payable

Details of the District's June 30, 2015 energy loan notes indebtedness, which will be paid from the General Fund, are as follows:

Year Ending June 30,	Energy Loan Notes Dated February 1, 2007				
	Interest Rates		Principal	Interest	Total
2016	4.05	% $	56,000	4,617	60,617
2017	4.05		58,000	2,349	60,349
Subtotal		$	114,000	6,966	120,966

Year Ending June 30,	Energy Loan Notes Dated March 1, 2012				
	Interest Rates		Principal	Interest	Total
2016	1.00	% $	17,234	2,188	19,422
2017	1.00		17,450	2,015	19,465
2018	1.00		17,670	1,839	19,509
2019	1.00		17,892	1,662	19,554
2020	1.00		18,117	1,482	19,599
2021-2025	1.00		94,059	4,629	98,688
2026-2028	1.00		44,281	520	44,801
Subtotal		$	226,703	14,335	241,038
Total		$	340,703	21,301	362,004

Computer Lease Payable

Details of the District computer lease indebtedness as of June 30, 2015 is as follows:

Year Ending June 30,	Computer Lease Dated March 3, 2014				
	Interest Rates		Principal	Interest	Total
2016	1.90	% $	87,955	4,561	92,516
2017	1.90		90,207	2,309	92,516
Total		$	178,162	6,870	185,032

Termination Benefits Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits include $500 per month towards group insurance premium for single coverage. This liability is included as an explicit subsidy in the District net OPEB liability. Retirees receive this retirement benefit until age 65 or they become eligible for Medicaid.

The District had offered a different voluntary early retirement plan in prior years. Early retirement benefits under these previous plans included an option of a cash payment. This liability remains accounted for as a termination benefit under GASB Statement 47. As of June 30, 2015, the District had total termination benefits payable to two retirees of $5,893. Actual termination benefits expenditures for the year ended June 30, 2015 totaled $18,920.

Note 6. Pension Plan

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

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, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were $518,030.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of $3,323,350 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.082117 percent, which was an decrease of 0.003844 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $207,417. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,118	$ -
Changes of assumptions	146,667	-
Net difference between projected and actual earnings on pension plan investments	-	1,267,430
Changes in proprotion and differences between District contributions and proportionate share of contributions	-	176,885
District contributions subsequent to the measurement date	518,030	-
Total	$ 700,815	$ 1,444,315

$518,030 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	$	(315,479)
2017		(315,479)
2018		(315,479)
2019		(315,479)
2020		386
	$	(1,261,530)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at

contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 6,279,376	$ 3,323,350	$ 828,157

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of $69,256 for legally required employer contributions and $46,145 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 69 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark and ISEBA. Retirees under age 69 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers the option of $500 a month in insurance payments to District retirees. These benefits are accounted for as an explicit benefit.

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

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

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

Annual required contribution	$	221,143
Interest on net OPEB obligation		12,984
Adjustment to annual required contribution		(34,861)
Annual OPEB cost		199,266
Contributions made		(54,975)
Increase in net OPEB obligation		144,291
Net OPEB obligation beginning of year		519,366
Net OPEB obligation end of year	$	663,657

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

For the year ended June 30, 2015, the District contributed $54,975 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 is summarized as follows:

Year Ended June 30,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2013	$	197,460	31.23%	$	384,279
2014		196,644	31.30%		519,366
2015		199,266	27.59%		663,657

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $1,188,157, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,188,157. The covered payroll (annual payroll of active employees covered by the plan) was $4,828,328, and the ratio of the UAAL to covered payroll was 24.61%. As of June 30, 2015 there were no trust fund assets.

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

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were $652,121.

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

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

Note 9. 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 $276,408 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

Program		Amount
Home school assistance programs	$	46,527
Returning dropout and dropout prevention programs		40,192
Beginning teacher mentoring and induction program		3,623
Teacher salary supplement		98
Four-year old preschool state aid		120,823
Successful progression for early readers		13,705
Professional development for model core curriculum		7,405
Professional development		4,299
Market factor incentives		3,757
Teacher leadership grants		68,644
Total	$	309,073

Note 11. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	$ -	5,151	157,989	1,249,351
Capital assets, net of accumulated depreciation	9,260,677	-	-	-
General obligation bond indebtedness	(3,310,000)	-	-	-
Capital loan note indebtedness	-	-	-	-
Energy loan note indebtedness	(340,703)	-	-	-
Computer lease indebtedness	-	-	-	(178,162)
Accrued interest payable	-	(5,151)	-	(6,018)
Termination benefits liability	-	-	(5,893)	-
Net pension liability	-	-	-	(3,224,647)
Pension related deferred outflows	-	-	-	680,622
Pension related deferred inflows	-	-	-	(1,401,419)
Assigned fund balance	-	-	-	99,686
Compensated absences liability	-	-	-	(19,256)
Net OPEB liability	-	-	-	(653,831)
Internal service fund	-	-	-	12,702
Income surtax receivable	-	-	-	298,111
Net position (Exhibit A)	$ 5,609,974	-	152,096	(3,142,861)

Note 12. Deficit Unrestricted Net Position

The District had deficit unrestricted net position in its Governmental Activities of $3,142,861 at June 30, 2015.

Note 13. Accounting Change/Restatement Note

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

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	$ 6,958,257	$ 215,582
Net pension liability at June 30, 2014	(4,722,575)	(144,554)
Deferred outlfows of resources related to the contributions made after the June 30, 2013 measurement date	475,123	14,543
Net position July 1, 2014, as restated	$ 2,710,805	$ 85,571

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 6,750,632	186,406	6,937,038	6,428,326	6,428,326	508,712
State sources	4,162,518	3,835	4,166,353	4,300,219	4,300,219	(133,866)
Federal sources	187,559	218,469	406,028	438,770	438,770	(32,742)
Total revenues	11,100,709	408,710	11,509,419	11,167,315	11,167,315	342,104
Expenditures/Expenses:						
Instruction	5,983,331	-	5,983,331	6,338,481	6,338,481	355,150
Support services	3,358,938	23,972	3,382,910	3,655,635	3,655,635	272,725
Non-instructional programs	12,852	398,699	411,551	453,955	453,955	42,404
Other expenditures	1,642,282	-	1,642,282	1,509,995	1,659,995	17,713
Total expenditures/expenses	10,997,403	422,671	11,420,074	11,958,066	12,108,066	687,992
Excess(Deficiency) of revenues over(under) expenditures/expenses	103,306	(13,961)	89,345	(790,751)	(940,751)	1,030,096
Other financing sources, net	1,427	-	1,427	(2,000)	(2,000)	3,427
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	104,733	(13,961)	90,772	(792,751)	(942,751)	1,033,523
Balances beginning of year, as restated	2,575,066	85,571	2,660,637	2,632,000	2,632,000	28,637
Balances end of year	$ 2,679,799	71,610	2,751,409	1,839,249	1,689,249	1,062,160

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by $150,000.

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

		2015
District's proportion of the net pension liablity		0.082117%
District's proportionate share of the net pension liability	$	3,323,350
District's covered-employee payroll	$	5,807,929
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		57.22%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

Note: Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EASR MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 518,648	490,554	482,057	428,627	364,259	340,275	318,238	299,132	260,593	239,694
Contributions in relation to the statutorily required contribution	$ (518,648)	(490,554)	(482,057)	(428,627)	(364,259)	(340,275)	(318,238)	(299,132)	(260,593)	(239,694)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 5,807,929	5,493,326	5,560,058	5,311,363	5,241,137	4,896,043	5,011,622	4,944,331	45,320,052	4,168,591
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	$ -	$ 1,532,553	1,532,553	0.00%	$ 4,057,796	37.77%
2011	July 1, 2009	-	1,417,884	1,417,884	0.00%	4,184,344	33.89%
2012	July 1, 2009	-	1,419,309	1,419,309	0.00%	3,473,174	40.86%
2013	July 1, 2012	-	1,441,330	1,441,330	0.00%	4,461,669	32.30%
2014	July 1, 2012	-	1,333,578	1,333,578	0.00%	4,362,416	30.57%
2015	July 1, 2012	-	1,188,157	1,188,157	0.00%	4,828,328	24.61%

See Note 7 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.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue					
	Manage-ment Levy	Student Activity	Public Education and Recreation Levy	Total	Debt Service	Total
ASSETS						
Cash and pooled investments	$ 155,501	113,743	50,919	320,163	2,700	322,863
Receivables:						
Property tax:						
Delinquent	2,475	-	318	2,793	2,438	5,231
Succeeding year	230,000	-	29,664	259,664	294,950	554,614
Due from other governments	13	545	2	560	13	573
TOTAL ASSETS	$ 387,989	114,288	80,903	583,180	300,101	883,281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	4,923	2,527	7,450	-	7,450
Advances for student fees/deposits	-	480	-	480	-	480
Total liabilities	-	5,403	2,527	7,930	-	7,930
Deferred inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	230,000	-	29,664	259,664	294,950	554,614
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	5,151	5,151
Management levy purposes	157,989	-	-	157,989	-	157,989
Student activities	-	108,885	-	108,885	-	108,885
Public education and recreation levy	-	-	48,712	48,712	-	48,712
Total fund balances	157,989	108,885	48,712	315,586	5,151	320,737
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 387,989	114,288	80,903	583,180	300,101	883,281

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

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

	Special Revenue					
	Manage-ment Levy	Student Activity	Public Education and Recreation Levy	Total	Debt Service	Total
REVENUES:						
Local sources:						
Local tax	$ 221,264	-	28,399	249,663	217,900	467,563
Other	405	207,548	113	208,066	152	208,218
State sources	103	-	13	116	102	218
TOTAL REVENUES	221,772	207,548	28,525	457,845	218,154	675,999
EXPENDITURES:						
Current:						
Instruction:						
Regular	109,985	-	-	109,985	-	109,985
Other	-	190,326	-	190,326	-	190,326
Support services:						
Student	1,092	-	-	1,092	-	1,092
Instructional staff	505	744	-	1,249	-	1,249
Administration	13,245	3,041	-	16,286	-	16,286
Operation and maintenance of plant	57,280	6,510	11,131	74,921	-	74,921
Transportation	25,882	-	-	25,882	-	25,882
Non-instructional programs:						
Food service operations	5,000	-	-	5,000	-	5,000
Community service operations	-	-	6,906	6,906	-	6,906
Capital outlay	-	-	722	722	-	722
Long-term debt:						
Principal	-	-	-	-	576,779	576,779
Interest and fiscal charges	-	-	-	-	77,553	77,553
TOTAL EXPENDITURES	212,989	200,621	18,759	432,369	654,332	1,086,701
Excess(Deficiency) of revenues over(under) expenditures	8,783	6,927	9,766	25,476	(436,178)	(410,702)
Other financing sources:						
Transfer in	-	-	-	-	436,151	436,151
Change in fund balances	8,783	6,927	9,766	25,476	(27)	25,449
Fund balances beginning of year	149,206	101,958	38,946	290,110	5,178	295,288
Fund balances end of year	$ 157,989	108,885	48,712	315,586	5,151	320,737

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 3

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	$ 529,347	74,268	41,111	644,726
Receivables:				
Property tax:				
Delinquent	-	-	2,353	2,353
Succeeding year	-	-	219,730	219,730
Accounts	10,302	-	-	10,302
Due from other governments	89,624	-	12	89,636
TOTAL ASSETS	$ 629,273	74,268	263,206	966,747
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 44,459	-	1,606	46,065
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	219,730	219,730
Fund balances:				
Restricted for:				
School infrastructure	584,814	74,268	-	659,082
Physical plant and equipment	-	-	41,870	41,870
Total fund balances	584,814	74,268	41,870	700,952
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 629,273	74,268	263,206	966,747

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 4

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	$ -	-	210,362	210,362
Other	11,854	532,695	20,188	564,737
State sources	578,051	-	98	578,149
TOTAL REVENUES	589,905	532,695	230,648	1,353,248
EXPENDITURES:				
Current:				
Instruction:				
Regular	39,050	-	14,591	53,641
Support services:				
Instructional staff	69,802	-	5,155	74,957
Administration	4,505	-	26,678	31,183
Operation and maintenance of plant	27,530	-	35,571	63,101
Transportation	97,492	-	-	97,492
Capital outlay	196,639	458,427	55,754	710,820
TOTAL EXPENDITURES	435,018	458,427	137,749	1,031,194
Excess of revenues over expenditures	154,887	74,268	92,899	322,054
Other financing uses:				
Transfer out	(239,326)	-	(114,400)	(353,726)
Change in fund balances	(84,439)	74,268	(21,501)	(31,672)
Fund balances beginning of year	669,253	-	63,371	732,624
Fund balances end of year	$ 584,814	74,268	41,870	700,952

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

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

Account	Balance Beginning of Year	Revenues	Expendi-tures	Intra-Fund Transfers	Balance End of Year
Drama	$ 5,948	1,456	1,374	1,275	7,305
HS Vocal	2,146	2,957	3,770	1,911	3,244
Spec MS Vocal	182	214	495	99	-
HS Band	6,479	313	1,728	1,195	6,259
Band Fundraising	5,078	15,322	12,135	35	8,300
Spec MS Band	2,022	3,293	2,954	10	2,371
MS Band Resale	87	773	531	1	330
Athletics	18,639	4,516	12,218	7,269	18,206
Athletic Uniforms	-	9,265	11,258	4,949	2,956
Track Equipment Fundraising	5,910	12,700	11,469	30	7,171
Spec MS Athletics	5,257	-	2,551	3,325	6,031
Cross Country	-	-	1,754	1,754	-
Golf	-	-	1,601	1,601	-
Boys Basketball	-	6,841	4,054	(2,787)	-
Football	-	12,206	8,572	(3,634)	-
Baseball	-	6,150	6,183	103	70
Boys Track	-	2,270	3,419	1,149	-
Wrestling	-	5,688	5,680	(8)	-
Alumni Basketball Uniforms	988	435	-	6	1,429
Girls Basketball	-	6,631	4,380	(2,251)	-
Volleyball	-	6,580	4,397	(2,183)	-
Softball	135	8,083	8,771	753	200
Girls Track	-	2,000	3,376	1,376	-
Interest	-	476	-	(476)	-
Middle School Fine Arts	13,553	-	-	3,271	16,824
MS Yearbook	367	2,985	2,514	3	841
MS Student Council	1,008	3,110	1,949	9	2,178
MS Activities	-	1,068	1,068	-	-
High School Fine Arts	5,189	-	-	22	5,211
Class of 2015	4,799	165	1,802	(3,154)	8
Class of 2016	-	8,408	6,992	6	1,422
HS Yearbook	3,949	11,410	15,649	290	-
Spec HS Art	4,576	-	1,911	1,261	3,926
Silk Screening	1,234	2,157	2,025	588	1,954
Cheerleaders	994	1,443	1,671	(579)	187
FFA	11,280	15,120	15,220	49	11,229
National Honor Society	1,415	-	983	-	432
HS Student Council	723	731	831	178	801
Concession	-	52,782	35,336	(17,446)	-
Total	$ 101,958	207,548	200,621	-	108,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 6

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
JUNE 30, 2015

	Private Purpose Trust - Scholarship		
	Blackburn Scholarship	Dunham Scholarship	Total
ASSETS			
Cash and pooled investments	$ 31,901	3,530	35,431
LIABILITIES	-	-	-
NET POSITION			
Held in trust for scholarships	$ 31,901	3,530	35,431

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 7

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship		
	Blackburn Scholarship	Dunham Scholarship	Total
Additions:			
Local sources:			
Interest income	$ 119	13	132
Deductions	-	-	-
Change in net position	119	13	132
Net position beginning of year	31,782	3,517	35,299
Net position end of year	$ 31,901	3,530	35,431

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 8

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	$ 3,427,467	3,317,437	3,599,167	3,757,789	3,716,260	3,329,046	3,233,021	3,084,414	3,146,783	3,159,955
Tuition	2,384,296	2,338,991	2,015,452	1,774,798	1,524,337	1,372,977	1,287,996	1,276,568	1,249,157	1,084,449
Other	938,869	430,326	411,988	337,388	311,573	289,867	324,444	487,198	492,617	524,229
Intermediate sources	-	-	811	-	2,937	10,414	-	-	-	-
State sources	4,162,518	4,462,442	3,638,736	3,971,194	3,898,484	3,517,058	3,821,565	3,846,326	3,448,468	3,581,775
Federal sources	187,559	208,177	167,746	219,106	406,297	812,903	274,774	252,322	400,479	228,858
Total	$ 11,100,709	10,757,373	9,833,900	10,060,275	9,859,888	9,332,265	8,941,800	8,946,828	8,737,504	8,579,266
Expenditures:										
Current:										
Instruction:										
Regular	$ 3,721,806	3,895,534	3,546,233	3,467,814	3,318,567	3,254,908	3,154,199	3,263,097	3,070,843	2,738,703
Special	1,144,176	1,180,814	1,219,627	1,166,313	1,148,872	1,166,517	1,246,523	1,106,333	1,034,926	889,705
Other	1,117,349	1,040,081	1,006,684	911,550	900,022	922,263	883,985	756,644	789,754	722,381
Support services:										
Student	388,269	379,405	342,793	318,211	307,470	289,971	283,357	280,838	278,505	253,518
Instructional staff	362,384	355,670	293,577	318,954	350,709	323,819	392,755	289,776	269,037	328,213
Administration	1,059,051	1,045,464	929,922	911,686	1,018,387	866,715	828,893	826,278	800,010	800,782
Operation and maintenance of plant	968,299	941,483	866,159	909,086	826,917	806,918	853,631	943,058	805,329	944,385
Transportation	580,935	629,464	538,336	636,634	583,384	604,605	475,124	724,232	468,739	468,872
Non-instructional programs:										
Food service operations	5,000	-	-	-	-	-	2,527	3,892	3,635	2,354
Community service operations	7,852	8,601	4,991	5,268	4,812	4,861	5,131	5,473	5,738	3,470
Capital outlay	711,542	248,424	172,921	464,338	101,988	596,714	848,284	1,094,240	4,656,475	1,289,281
Long-term debt:										
Principal	576,779	3,888,808	397,469	374,000	357,000	345,000	244,000	230,000	185,000	190,000
Interest and fiscal charges	77,553	225,528	263,836	202,338	210,852	225,948	228,861	232,517	213,226	182,405
Other expenditures:										
AEA flow-through	276,408	278,630	272,285	282,484	311,385	308,807	251,378	248,491	231,586	218,952
Total	$ 10,997,403	14,117,906	9,854,833	9,968,676	9,440,365	9,717,046	9,698,648	10,004,869	12,812,803	9,033,021

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 9

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	$ 28,273
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	190,196 *
			218,469
U.S. DEPARTMENT OF ENERGY:			
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES:			
STATE ENERGY PROGRAM	81.041	FY12	226,703
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1968-G	101,082
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1968-GC	10,300
			111,382
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	20,150
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 15	4,515
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	30,374
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	21,138
TOTAL			$ 632,731

* Includes $30,178 on non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the East Marshall Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the East Marshall 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 East Marshall Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Marshall 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 East Marshall Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Marshall 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 and Questioned Costs, 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 and Questioned Costs as item II-A-15 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Marshall 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

East Marshall Community School District's Responses to Findings

East Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. East Marshall 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 East Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.

Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Education of East Marshall Community School District:

Report on Compliance for Each Major Federal Program

We have audited East Marshall Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. East Marshall Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East Marshall Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Marshall Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of East Marshall Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, East Marshall Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of East Marshall Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Marshall Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Marshall Community School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

East Marshall Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. East Marshall Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2016
Newton, Iowa

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

(a) Unmodified opinions were issued on the financial statements.

(b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.

(e) An unmodified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:

Child Nutrition Cluster:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program

- CFDA Number 84.010 - Title I Grants to Local Educational Agencies

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) East Marshall Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-15 **Segregation of Duties** - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over the following areas for the District:

1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.

2) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.

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

Response - The District will continue to investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-15 (2015-001) **Segregation of Duties** - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.

2) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.

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 and Corrective Action Plan - The District will continue to investigate available alternatives and implement them as soon as possible.

Conclusion - Response acknowledged.

Part IV: Other Findings Related to Required Statutory Reporting:

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

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

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

IV-D-15 **Business Transactions** - No business transactions between the District and District officials or employees were noted.

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

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

IV-G-15 **Certified Enrollment** - No variance regarding the certified enrollment certified to the Iowa Department of Education were noted.

IV-H-15 **Supplementary Weighting** - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 **Deposits and Investments** - 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 were noted.

IV-J-15 **Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education, and we noted no deficiencies in amounts reported.

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

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		$ 669,253
Revenues:		
Sales tax revenues	$ 578,051	
Other local revenues	11,854	589,905
		1,259,158
Expenditures:		
School infrastructure construction	178,634	
Equipment	187,741	
Other	68,643	
Transfers to other funds:		
Debt service fund	239,326	674,344
Ending Balance		$ 584,814

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per $1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 0.70190	$ 146,810

IV-M-15 **Financial Condition** - The District had deficit unrestricted net position in the District's Governmental Activities of $ 3,142,861 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No.68 and No.71 during the year.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which requires the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was $3,224,647 at June 30, 2015. (See Note 13, Accounting Change/Restatement).

Conclusion – Response accepted.