

MARION INDEPENDENT SCHOOL DISTRICT
MARION, IOWA

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

JUNE 30, 2015

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-7
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	8-18
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26-27
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	28
E Statement of Revenues, Expenditures and Changes in Fund Balances	29-30
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	31-32
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	33
H Statement of Revenues, Expenses and Changes in Fund Net Position	34
I Statement of Cash Flows	35-36
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities	37
Notes to Financial Statements	38-59
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	62
Notes to Required Supplementary Information – Budgetary Reporting	63
Schedule of the District’s Proportionate Share of the Net Pension Liability	64
Schedule of District Contributions	66-67
Notes to Required Supplementary Information – Pension Liability	68-69
Schedule of Funding Progress for the Retiree Health Plan	70
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	72-73
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	74-75
Capital Projects Accounts:	
3 Combining Balance Sheet	76
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	77
Nonmajor Enterprise Funds:	
5 Combining Schedule of Fund Net Position	78
6 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	79
7 Combining Schedule of Cash Flows	80-81
8 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	82-83
9 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	84
10 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	86-87

TABLE OF CONTENTS
(continued)

	Page
SUPPLEMENTARY INFORMATION (continued):	
Schedule (continued)	
11 Schedule of Expenditures of Federal Awards	88-89
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	90-91
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	92-93
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	94-100

MARION INDEPENDENT SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
David Law	President	2015
Dan Barkley	Vice President	2015
Shelly Pearson	Board Member	2015
Dennis Trout	Board Member	2015
Shari Funck	Board Member	2017
Bill Huntoon	Board Member	2017
Alan Tribble	Board Member	2017
<u>School Officials</u>		
Sarah Pinion	Superintendent	2015
Brian Bartz	District Secretary/Treasurer and Business Manager (Resigned August 2014)	
John Donner	District Secretary/Treasurer (Appointed and Business Manager September 2014)	2015
Brett Nitzschke	Attorney	2015

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Marion Independent 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 Marion Independent School District, Marion Iowa, 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 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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 Marion Independent 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 14 to the financial statements, Marion Independent School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*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 8 through 18 and 62 through 70 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 Marion Independent 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 two years ended June 30, 2013 and the four years ended June 30, 2009 (which are not presented herein). For the two years ended June 30, 2013 and the three years ended June 30, 2009, we expressed unmodified opinions on those financial statements. For the year ended June 30, 2006, we expressed qualified opinions on the business-type activities and aggregate remaining fund information due to the inability to observe School Nutrition Fund inventory and unmodified opinions on the governmental activities and each major fund. The financial statements for the three years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits 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 financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2016 on our consideration of Marion Independent 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. 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 Marion Independent School District's internal control over financial reporting and compliance.

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 17, 2016

**Marion Independent School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2015**

Marion Independent 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.

Financial Highlights

- The District showed a decrease in total net position to \$7,143,961 for the year ended June 30, 2015, a 55% decrease compared to \$15,830,640 from the prior year. This is primarily due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions an Amendment of GASB No. 27 and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date during fiscal year 2015. See note 14
- Governmental funds reported a total fund balance on June 30, 2015 of \$9,984,798 compared to \$8,248,414 reported on June 30, 2014, or an increase of \$1,736,384. Fund balances by fund are as follows: general fund \$1,632,776, capital projects fund \$6,604,175, student activities fund \$261,721, debt service \$896,625, management fund \$236,468, recreation levy \$1,465 and support trust fund \$351,568.
- The general fund unassigned fund balance increased by \$804,140 compared to a decline of \$191,948 for the prior fiscal year.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Marion Independent School District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements .The district-wide financial statements are designed to provide readers with a broad overview of Marion Independent School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Marion Independent School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements reflect functions of the Marion Independent School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional programs, operation and maintenance of plant, student transportation and capital construction. Business-type activities are those that the District charges a fee to help cover the cost, such as school nutrition and student construction.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental

fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financial requirements.

Because of the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes to fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Funds which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation.

Proprietary funds. Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the district-wide statements. The District has two types of proprietary funds: enterprise and internal service. The District has three enterprise funds: School Nutrition, Student Store and Student Construction. The District maintains one internal service fund to account for the flexible benefits plan of the District.

Fiduciary funds. The District is the trustee, or fiduciary, for assets that belong to others. The District has one Agency Fund to account for outside donations for a holiday giving project.

Notes to the financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that 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.

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

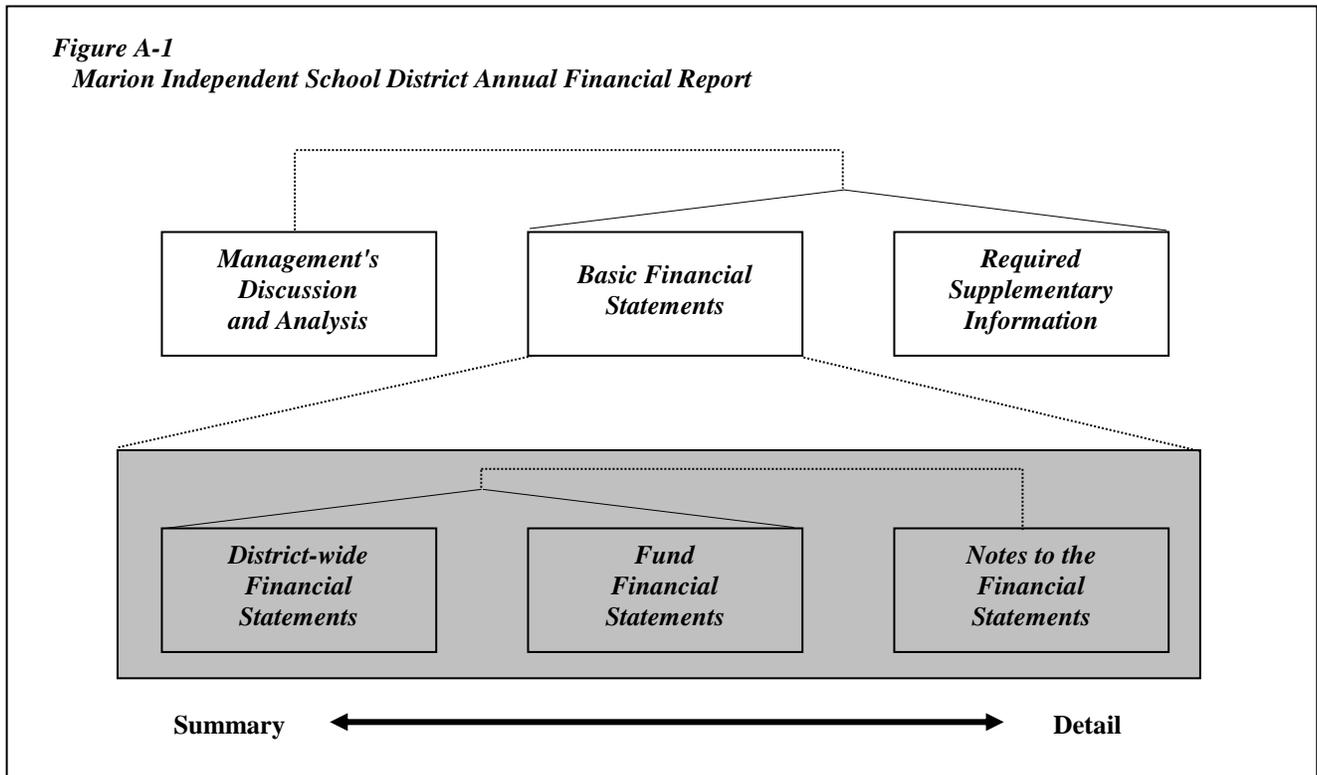


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-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 services and student built house	Instances in which the district administers resources on behalf of someone else, such as agency funds
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 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 applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Net Position – Table 1 below provides a summary of the District’s net position for the year ended June 30, 2015 compared to June 30, 2014.

Table 1-Net Position

	<u>Governmental Activities</u>		<u>Business Type</u>		<u>Total District</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>
ASSETS						
Current and other assets	21,244,039	19,280,048	277,499	246,656	21,521,538	19,526,704
Capital assets	29,274,689	30,141,986	414,104	460,508	29,688,793	30,602,494
Total assets	<u>50,518,728</u>	<u>49,422,034</u>	<u>691,603</u>	<u>707,164</u>	<u>51,210,331</u>	<u>50,129,198</u>
Deferred outflows of resources –pension related	1,801,531		39,346		1,840,877	
LIABILITIES						
Other liabilities	3,075,247	3,069,772	50,036	38,562	3,125,283	3,108,334
Net pension liability	8,894,834		193,419		9,088,253	
Long-term liabilities	22,235,652	23,403,059			22,235,652	23,403,059
Total liabilities	<u>34,205,733</u>	<u>26,472,831</u>	<u>243,455</u>	<u>38,562</u>	<u>34,449,188</u>	<u>26,511,393</u>
Deferred inflow of resources						
Pension related	3,394,911		75,013		3,469,924	
Unavailable property tax	7,988,135	7,787,165			7,988,135	7,787,165
	<u>11,383,046</u>	<u>7,787,165</u>	<u>75,013</u>		<u>11,458,059</u>	<u>7,787,165</u>
NET POSITION						
Net investment in capital assets	7,744,689	7,426,986	414,104	460,508	8,158,793	7,887,494
Restricted	10,012,794	9,022,797			10,012,794	9,022,797
Unrestricted	<u>(11,026,003)</u>	<u>(1,287,745)</u>	<u>(1,623)</u>	<u>208,094</u>	<u>(11,027,626)</u>	<u>(1,079,651)</u>
Total Net Position	<u>6,731,480</u>	<u>15,162,038</u>	<u>412,481</u>	<u>668,602</u>	<u>7,143,961</u>	<u>15,830,640</u>

Net investment in capital assets, such as land, buildings, machinery and equipment, less any outstanding debt used to acquire those assets is \$8,158,793. These assets are considered non-spendable since they represent capital assets used to provide services to students. The resource needed to pay the obligations from the debt related to these assets must be provided for other resources. Restricted net position of \$10,012,794 has some restrictions as to how these funds may be used. Unrestricted net position may be used to meet the District’s ongoing obligations without constraints, however, it was negative \$11,027,626.

The District’s net position declined by \$8,686,679 due to recognition of pension liabilities as required by GASB. Specifically net pension liabilities of \$9,088,253, deferred pension related outflows of \$1,840,877 and deferred pension related inflows of 3,469,924, resulting in a \$10,717,300 reduction in unrestricted net position.

Long-term liabilities declined by \$1,167,407 mainly due to the payment of outstanding bond obligations.

Table 2 – Statement of Activities and Changes to Net Positions

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014 - 2015</u>
Revenues							
Program Revenues							
Charges for services	5,205,286	5,087,286	685,505	696,245	5,890,791	5,783,531	1.9%
Operating grants and contributions	2,963,711	3,188,419	381,517	357,364	3,345,228	3,545,783	-5.7%
Capital Contributions							
General Revenues							
Property and other taxes	8,108,839	7,235,901			8,108,839	7,235,901	12.1%
Income surtax	534,721	516,488			534,721	516,488	3.5%
Local option sales tax	1,769,881	1,622,527			1,769,881	1,622,527	9.1%
State and federal grants	9,586,925	9,582,054			9,586,925	9,582,054	.1%
Other	82,194	113,999	104	111	82,298	114,110	-27.9%
Total Revenues	28,251,557	27,346,674	1,067,126	1,053,720	29,318,683	28,400,394	3.2%
Expenditures							
Instruction	16,834,346	17,784,158			16,834,346	17,784,158	-5.3%
Pupil and instructional services	1,591,179	1,573,830			1,591,179	1,573,830	1.1%
Administrative and business services	2,091,489	2,155,809	14,726	11,432	2,106,215	2,167,241	-2.8%
Maintenance and operations	1,948,108	1,919,434		10,708	1,948,108	1,930,142	.9%
Transportation	429,014	463,195			429,014	463,195	-7.4%
Other	2,648,077	2,404,505			2,648,077	2,404,505	10.1%
Non instructional			1,069,179	1,118,990	1,069,179	1,118,990	-4.5%
Total Expenditures	25,542,213	26,300,931	1,083,905	1,141,130	26,626,118	27,442,061	-3.0%
Change in net position	2,709,344	1,045,743	(16,779)	(87,410)	2,692,565	958,333	181%
Net Pension Liability**		(12,450,579)		(267,502)		(12,718,081)	
Deferred outflow of resources**		1,310,677		28,160		1,338,837	
Net position beginning of year	4,022,136	14,116,295	429,260	756,012	4,451,396	14,872,307	-70.1%
Net position end of year	6,731,480	4,022,136	412,481	429,260	7,153,961	4,451,396	60.5%

Governmental Activities

Net position increased by \$2,709,344 or 67%, as revenues increased by \$904,883 or 3.3% and expenditures decreased by \$758,718 or -2.9%.

Business Type Activities

Revenues from business-type activities net of capital contributions increased by \$13,406 or 1.2% with expenditures decreasing \$57,225 or -5.0%.

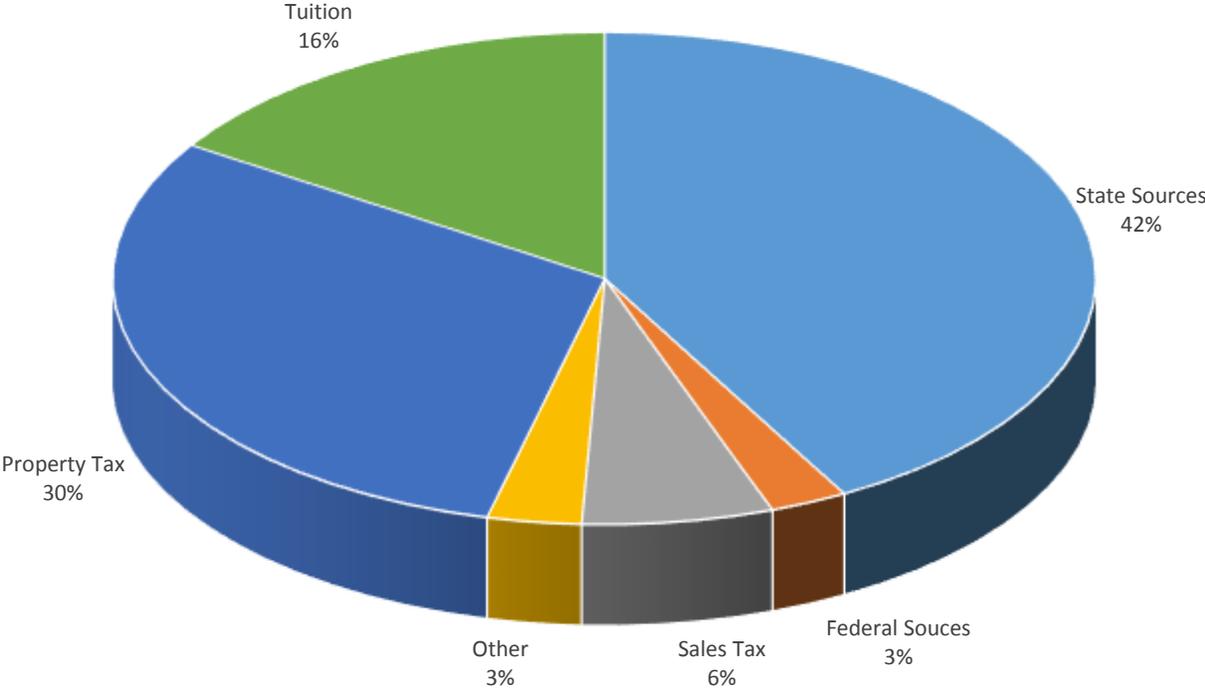
**Note: 2014 net position was restated for net pension liability and deferred outflows of resources per GASB No 68.

Table 3 -Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds

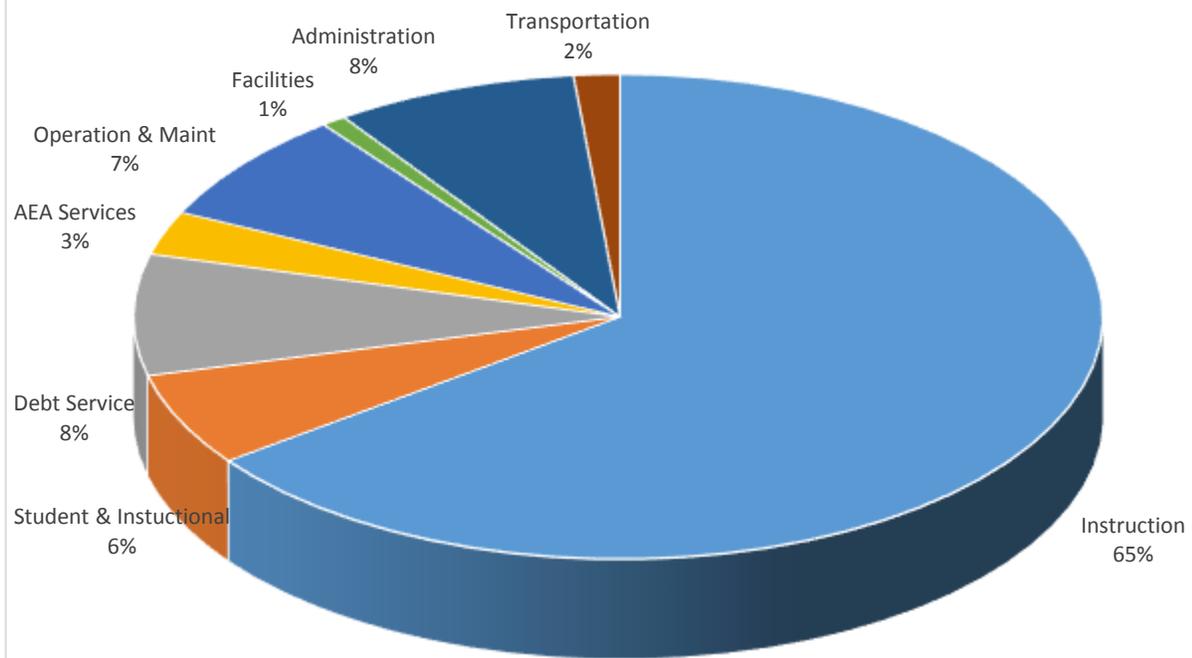
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Local Tax	8,537,782	7,731,369	806,413	10.4%
Sales Tax	1,769,881	1,622,527	147,354	9.1%
Local Other	5,353,546	5,422,948	-69,402	-1.3%
State sources	11,820,261	11,680,606	139,655	1.2%
Federal sources	722,831	828,883	-106,052	-12.8%
Total Revenues	<u>28,204,301</u>	<u>27,286,333</u>	<u>917,968</u>	<u>3.4%</u>
Expenditures				
Instruction	17,171,393	17,721,221	-549,828	-3.1%
Student services	863,302	840,251	23,051	2.7%
Instructional staff services	784,423	729,652	54,771	7.5%
Administration services	2,142,280	2,142,184	96	0%
Operation and maintenance of plant services	1,977,069	1,897,751	79,318	4.2%
Transportation	405,380	448,341	-42,961	-9.6%
Facilities acquisition	218,552	1,430,817	-1,202,265	-84.7%
Debt Service	2,135,181	2,167,419	-32,067	-1.5%
AEA flowthrough	772,988	745,248	27,740	3.7%
Total Expenditures	<u>26,470,568</u>	<u>28,122,884</u>	<u>-1,652,145</u>	<u>-5.9%</u>
Excess revenues over expenditures	<u>1,733,733</u>	<u>(836,551)</u>	<u>2,540,113</u>	<u>-304%</u>
Other financing sources(uses)				
Other financing sources	2,651	39,256	-36,605	-93.3%
Total Other Financing Sources	<u>2,651</u>	<u>39,256</u>	<u>-36,605</u>	<u>-93.3%</u>
Net change in fund balances	1,736,384	(797,295)	2,533,679	-317.8%
Fund balances beginning of year	8,248,414	9,045,709	-797,295	-8.8%
Fund balances end of year	<u>9,984,798</u>	<u>8,248,414</u>	<u>1,736,384</u>	<u>21.1%</u>

Government funds revenues for FY 2015 increased by \$917,968 or 3.4% as the District experienced increased local taxes and sales tax receipts due to an increase in enrollment. Expenditures decreased by \$1,652,145 or 5.9%, revenues exceeded expenditures by \$1,736,384.

Revenue-Governmental Funds FY15



Expenditures - Governmental Funds FY 15



Financial Analysis of the District's Funds

A summary financial analysis of each individual District fund follows:

Governmental Fund Highlights

The focus of the Marion Independent School District's governmental funds is to provide information on the near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

- On June 30, 2015 the District reported a total government funds fund balance of \$9,984,798, an increase of \$1,736,384, or 21.0%, from the prior year.

General Fund

- Total general fund revenues for FY 2015 were \$23,863,643, an increase of \$814,501 or 3.5% from the prior year. Local tax funding increased by \$823,969 or 14.4%.
- Expenditures for FY 2015 were \$23,089,545, a decrease of \$355,181, or 1.5%, from the prior year.
- For FY 2015 revenues exceeded expenditures by \$774,098, increasing fund balance to \$1,632,776.

Management Levy Fund

- The management levy fund balance decreased by \$1,055 to \$236,468 with revenues of \$293,934 and expenditures and transfers of \$294,989.

Student Activities Fund

- The student activity fund remains stable with a balance of \$261,721, a decrease of \$10,618 from the prior year. Revenues were \$507,808 and expenditures were \$518,426 for the year.

Capital Projects Fund

- The capital project fund reported an increase to the fund balance of \$943,867, to \$6,604,175. Revenues for the year were \$2,555,715 with expenditures of \$433,520 and net transfers out of \$1,178,328.

Proprietary Fund Highlights

School Nutrition Fund

- Net position decreased by \$16,165 to \$197,440 with revenues of \$811,549 and expenditures of \$827,714.

Budgetary Highlights

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 its internal service and agency funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with generally accepted accounting principles. For FY 2015 the District's total budget included revenue of \$28,465,795 and expenses of \$31,204,680. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

Actual revenues were \$805,632 more than budgeted and expenditures were \$3,650,207 less than budgeted. The variance in actual expenditures to budgeted, was due to delaying of some budgeted facility projects to future years.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Total</u> <u>2015</u>
Land	1,734,945	1,734,945			1,734,945
Construction in progress	35,421				35,421
Buildings	37,243,408	37,243,408			37,243,408
Improvements non Bldgs	1,808,406	1,808,406			1,808,406
Furniture and Equipment	3,086,554	3,086,554	796,841	796,841	3,883,395
Total Capital Assets	43,908,734	43,873,313	796,841	796,841	44,670,154
Accumulated Depreciation	14,634,045	13,731,327	382,737	336,333	14,067,660
Capital Net Assets	29,274,689	30,141,986	414,104	460,508	29,688,793

Governmental Activities - Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Compensated Absences	115,944	(20,462)	95,482
General Obligation Bonds	9,735,000	(640,000)	9,095,000
Sales and Service Tax Bonds	12,980,000	(545,000)	12,435,000
Net pension liability	12,450,579	(3,555,745)	8,894,834
Net OPEB Liability	572,1152	38,855	610,170
Total	35,853,638	(4,723,152)	31,130,486

The District retired \$1,205,000 of bonded debt or 5.3% during fy15.

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 District's certified enrollment increased by 71.3 students in 2014 and by 39.7 students in 2015 or 3.8% and 2.1% respectively. The prior year's enrollment is a factor in calculating the next years funding.
- The State of Iowa has set state aide supplement growth for FY 2016 at 1.25%.
- Contributions to the Iowa Public Employees Retirement System (IPERS) will remain unchanged for FY 2016 and FY 2017. Future increases will be limited to a maximum of 1% annually.
- The District has made substantial reductions in staff expenditures for the 2014-15 school year. Expenditures on General Fund salaries and benefits will be approximately the same as during the 2015-16 school year.

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 John Donner, Marion Independent School District, 777 S. 15th Street, Marion, Iowa, 52302.

Basic Financial Statements

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 11,738,729	\$ 12,235	\$ 11,750,964
Receivables:			
Property tax:			
Current year	77,653	-	77,653
Succeeding year	7,988,135	-	7,988,135
Income surtax	495,674	-	495,674
Accounts	90,136	-	90,136
Due from other governments	853,712	-	853,712
Inventories	-	265,264	265,264
Capital assets, net of accumulated depreciation (note 4)	29,274,689	414,104	29,688,793
Total assets	50,518,728	691,603	51,210,331
Deferred Outflows of Resources			
Pension related deferred outflows	1,801,531	39,346	1,840,877
Liabilities			
Accounts payable	436,613	80	436,693
Salaries and benefits payable	2,308,780	309	2,309,089
Accrued interest payable	329,854	-	329,854
Bank loan payable (note 5)	-	38,000	38,000
Unearned revenue	-	11,647	11,647
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	1,235,000	-	1,235,000
Compensated absences	95,482	-	95,482
Portion due after one year:			
Bonds payable	20,295,000	-	20,295,000
Net pension liability	8,894,834	193,419	9,088,253
Net OPEB liability	610,170	-	610,170
Total liabilities	34,205,733	243,455	34,449,188

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 7,988,135	\$ -	\$ 7,988,135
Pension related deferred inflows	3,394,911	75,013	3,469,924
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	11,383,046	75,013	11,458,059
Net Position			
Net investment in capital assets	7,744,689	414,104	8,158,793
Restricted for:			
Categorical funding	1,494,952	-	1,494,952
Capital projects	2,588,657	-	2,588,657
Physical plant and equipment levy purposes	3,075,583	-	3,075,583
Debt service	2,002,380	-	2,002,380
Management levy purposes	236,468	-	236,468
Student activities	261,721	-	261,721
Public education and recreation	1,465	-	1,465
Support trust purposes	351,568	-	351,568
Unrestricted	(11,026,003)	(1,623)	(11,027,626)
	<hr/>	<hr/>	<hr/>
Total net position	\$ <u>6,731,480</u>	\$ <u>412,481</u>	\$ <u>7,143,961</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 16,834,346	\$ 5,137,278	\$ 1,952,948
Support services:			
Student	833,134	-	-
Instructional staff	758,045	-	177,418
Administration	2,091,489	-	-
Operation and maintenance of plant	1,948,108	12,108	33,964
Transportation	429,014	55,900	26,393
	<u>6,059,790</u>	<u>68,008</u>	<u>237,775</u>
Other expenditures:			
Facilities acquisition	183,131	-	-
Long-term debt interest and fiscal charges	937,000	-	-
AEA flowthrough	772,988	-	772,988
Depreciation (unallocated) *	754,958	-	-
	<u>2,648,077</u>	<u>-</u>	<u>772,988</u>
 Total governmental activities	 <u>25,542,213</u>	 <u>5,205,286</u>	 <u>2,963,711</u>
Business-Type Activities:			
Support services:			
Administration	9,556	-	-
Operation and maintenance of plant	5,170	-	-
	<u>14,726</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (9,744,120)	\$ -	\$ (9,744,120)
(833,134)	-	(833,134)
(580,627)	-	(580,627)
(2,091,489)	-	(2,091,489)
(1,902,036)	-	(1,902,036)
(346,721)	-	(346,721)
(5,754,007)	-	(5,754,007)
(183,131)	-	(183,131)
(937,000)	-	(937,000)
-	-	-
(754,958)	-	(754,958)
(1,875,089)	-	(1,875,089)
(17,373,216)	-	(17,373,216)
-	(9,556)	(9,556)
-	(5,170)	(5,170)
-	(14,726)	(14,726)

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities (continued):			
Non-instructional programs:			
Food service operations	\$ 813,706	\$ 429,973	\$ 381,517
School store operations	5,114	4,462	-
Student built house operations	250,359	251,070	-
	<u>1,069,179</u>	<u>685,505</u>	<u>381,517</u>
Total business-type activities	<u>1,083,905</u>	<u>685,505</u>	<u>381,517</u>
Total	<u>\$ 26,626,118</u>	<u>\$ 5,890,791</u>	<u>\$ 3,345,228</u>

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (2,216)	\$ (2,216)
-	(652)	(652)
-	711	711
-	(2,157)	(2,157)
-	(16,883)	(16,883)
(17,373,216)	(16,883)	(17,390,099)

\$ 6,871,428	\$ -	\$ 6,871,428
983,102	-	983,102
254,309	-	254,309
534,721	-	534,721
1,769,881	-	1,769,881
9,586,925	-	9,586,925
9,745	104	9,849
72,449	-	72,449
20,082,560	104	20,082,664
2,709,344	(16,779)	2,692,565
4,022,136	429,260	4,451,396
<u>\$ 6,731,480</u>	<u>\$ 412,481</u>	<u>\$ 7,143,961</u>

MARION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,600,583	\$ 6,370,262	\$ 1,737,845	\$ 11,708,690
Receivables:				
Property tax:				
Current year	63,051	2,440	12,162	77,653
Succeeding year	6,495,112	266,774	1,226,249	7,988,135
Income surtax	-	495,674	-	495,674
Accounts	90,136	-	-	90,136
Due from other governments	579,530	274,182	-	853,712
 Total assets	 <u>\$ 10,828,412</u>	 <u>\$ 7,409,332</u>	 <u>\$ 2,976,256</u>	 <u>\$ 21,214,000</u>

MARION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 391,744	\$ 42,709	\$ 2,160	\$ 436,613
Salaries and benefits payable	2,308,780	-	-	2,308,780
Total liabilities	<u>2,700,524</u>	<u>42,709</u>	<u>2,160</u>	<u>2,745,393</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,495,112	266,774	1,226,249	7,988,135
Other	-	495,674	-	495,674
Total deferred inflows of resources	<u>6,495,112</u>	<u>762,448</u>	<u>1,226,249</u>	<u>8,483,809</u>
Fund balances:				
Restricted for:				
Categorical funding (note 12)	1,494,952	-	-	1,494,952
Revenue bonds	-	1,435,609	-	1,435,609
School infrastructure	-	2,588,657	-	2,588,657
Physical plant and equipment	-	2,579,909	-	2,579,909
Management levy purposes	-	-	236,468	236,468
Student activities	-	-	261,721	261,721
Public education and recreation	-	-	1,465	1,465
Support trust purposes	-	-	351,568	351,568
Revenue bonds sinking fund	-	-	874,177	874,177
Debt service	-	-	22,448	22,448
Unassigned	137,824	-	-	137,824
Total fund balances	<u>1,632,776</u>	<u>6,604,175</u>	<u>1,747,847</u>	<u>9,984,798</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,828,412</u>	<u>\$ 7,409,332</u>	<u>\$ 2,976,256</u>	<u>\$ 21,214,000</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances of governmental funds		\$ 9,984,798
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.		29,274,689
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		495,674
The Internal Service Fund is used to charge the costs of the District's flexible benefits plan to the governmental funds. The net position of the Internal Service Fund is therefore included in governmental activities.		30,039
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(329,854)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
	Deferred outflows of resources	\$ 1,801,531
	Deferred inflows of resources	<u>(3,394,911)</u> (1,593,380)
Long-term liabilities, including bonds payable, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(31,130,486)</u>
Net position of governmental activities		<u>\$ 6,731,480</u>

See notes to financial statements.

MARION INDEPENDENT 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	\$ 6,543,809	\$ 742,593	\$ 1,251,380	\$ 8,537,782
Tuition	4,482,273	-	-	4,482,273
Other	339,674	7,413	524,186	871,273
State sources	11,809,020	1,771,745	9,377	13,590,142
Federal sources	688,867	33,964	-	722,831
Total revenues	<u>23,863,643</u>	<u>2,555,715</u>	<u>1,784,943</u>	<u>28,204,301</u>
Expenditures:				
Current:				
Instruction	<u>16,367,167</u>	<u>174,698</u>	<u>629,528</u>	<u>17,171,393</u>
Support services:				
Student	863,302	-	-	863,302
Instructional staff	784,423	-	-	784,423
Administration	2,099,606	22,349	20,325	2,142,280
Operation and maintenance of plant	1,828,117	11,121	137,831	1,977,069
Transportation	373,942	6,800	24,638	405,380
	<u>5,949,390</u>	<u>40,270</u>	<u>182,794</u>	<u>6,172,454</u>
Other expenditures:				
Facilities acquisition	-	218,552	-	218,552
Long term debt:				
Principal	-	-	1,185,000	1,185,000
Interest and fiscal charges	-	-	950,181	950,181
AEA flowthrough	772,988	-	-	772,988
	<u>772,988</u>	<u>218,552</u>	<u>2,135,181</u>	<u>3,126,721</u>
Total expenditures	<u>23,089,545</u>	<u>433,520</u>	<u>2,947,503</u>	<u>26,470,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>774,098</u>	<u>2,122,195</u>	<u>(1,162,560)</u>	<u>1,733,733</u>

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ 2,651	\$ -	\$ -	\$ 2,651
Interfund transfers in (note 3)	1,093	-	1,178,328	1,179,421
Interfund transfers out (note 3)	-	(1,178,328)	(1,093)	(1,179,421)
Total other financing sources (uses)	<u>3,744</u>	<u>(1,178,328)</u>	<u>1,177,235</u>	<u>2,651</u>
Net change in fund balances	777,842	943,867	14,675	1,736,384
Fund balances beginning of year	<u>854,934</u>	<u>5,660,308</u>	<u>1,733,172</u>	<u>8,248,414</u>
Fund balances end of year	<u>\$ 1,632,776</u>	<u>\$ 6,604,175</u>	<u>\$ 1,747,847</u>	<u>\$ 9,984,798</u>

See notes to financial statements.

MARION INDEPENDENT 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

Net change in fund balances - total governmental funds \$ 1,736,384

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

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

Capital outlays	\$ 35,421	
Depreciation expense	<u>(902,718)</u>	(867,297)

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. 44,572

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 1,185,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 13,181

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. 1,803

The change in net position of the Internal Service Fund is reported with
governmental activities in the Statement of Activities due to the integral
nature of the fund to the governmental activities. (36,591)

MARION INDEPENDENT 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

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:

	Compensated absences	\$	20,462	
	Pension expense		649,885	
	Net OPEB liability		<u>(38,055)</u>	\$ <u>632,292</u>
Change in net position of governmental activities				\$ <u><u>2,709,344</u></u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
Assets		
Cash and cash equivalents	\$ 12,235	\$ 30,039
Inventories	265,264	-
Capital assets, net of accumulated depreciation (note 4)	414,104	-
Total assets	<u>691,603</u>	<u>30,039</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>39,346</u>	<u>-</u>
Liabilities		
Accounts payable	80	-
Salaries and benefits payable	309	-
Bank loan payable (note 5)	38,000	-
Unearned revenue	11,647	-
Net position liability	193,419	-
Total liabilities	<u>243,455</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>75,013</u>	<u>-</u>
Fund Net Position		
Net investment in capital assets	414,104	-
Unrestricted	<u>(1,623)</u>	<u>30,039</u>
Total fund net position	<u>\$ 412,481</u>	<u>\$ 30,039</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 685,505	\$ 158,820
Operating expenses:		
Support services:		
Administration	9,556	-
Operation and maintenance of plant	5,170	-
Non-instructional programs	832,138	195,444
Other expenditures:		
Facilities acquisition and construction	237,041	-
Total operating expenses	<u>1,083,905</u>	<u>195,444</u>
Operating loss	(398,400)	(36,624)
Non-operating revenues:		
Interest on investments	104	33
State sources	6,480	-
Federal sources	375,037	-
Total non-operating revenues	<u>381,621</u>	<u>33</u>
Change in fund net position	(16,779)	(36,591)
Fund net position beginning of year, as restated	<u>429,260</u>	<u>66,630</u>
Fund net position end of year	<u>\$ 412,481</u>	<u>\$ 30,039</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 420,946	\$ -
Cash received from miscellaneous operating activities	263,597	158,820
Cash paid to employees for services	(431,129)	-
Cash paid to suppliers for goods or services	<u>(610,373)</u>	<u>(195,444)</u>
Net cash used by operating activities	<u>(356,959)</u>	<u>(36,624)</u>
Cash flows from non-capital financing activities:		
State grants received	6,480	-
Federal grants received	326,263	-
Operating loan proceeds	41,000	-
Operating loan payments	<u>(27,000)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>346,743</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>104</u>	<u>33</u>
Net decrease in cash and cash equivalents	(10,112)	(36,591)
Cash and cash equivalents beginning of year	<u>22,347</u>	<u>66,630</u>
Cash and cash equivalents end of year	<u>\$ 12,235</u>	<u>\$ 30,039</u>

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (398,400)	\$ (36,624)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	46,404	-
Commodities used	48,774	-
Decrease in accounts receivable	93	-
(Increase) in inventories	(7,552)	-
(Decrease) in accounts payable	(1,212)	-
(Decrease) in interfund payable	(33,496)	-
(Decrease) in salaries and benefits payable	(259)	-
(Decrease) in unearned revenue	(1,055)	-
(Decrease) in net pension liability	(74,083)	-
(Increase) in deferred outflows of resources	(11,186)	-
Increase in deferred inflows of resources	<u>75,013</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (356,959)</u>	<u>\$ (36,624)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$48,774 of federal commodities.

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 June 30, 2015

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u><u>825</u></u>
Liabilities:	
Other payables	\$ <u><u>825</u></u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Marion Independent School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, a preschool program, an early childhood special education program for four and five year olds, and a junior kindergarten for five year olds who are not ready for kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marion, Iowa, and agricultural territory in Linn County. 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, Marion Independent 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. Marion Independent 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund, MDE School Store Fund and the Student Built House Fund. These funds are used to account for the food service, student-run store, and building and trades program operations of the District.

The Internal Service, Flexible Benefits Fund is used to account for the flexible benefits program offered by the District.

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. 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.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classification.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>4,184,836</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,178,328
General	Special Revenue: Management Levy	<u>1,093</u>
		\$ <u><u>1,179,421</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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	\$ 1,734,945	\$ -	\$ -	\$ 1,734,945
Construction in progress	-	35,421	-	35,421
Total capital assets not being depreciated	<u>1,734,945</u>	<u>35,421</u>	<u>-</u>	<u>1,770,366</u>
Capital assets being depreciated:				
Buildings	37,243,408	-	-	37,243,408
Improvements other than buildings	1,808,406	-	-	1,808,406
Furniture and equipment	3,086,554	-	-	3,086,554
Total capital assets being depreciated	<u>42,138,368</u>	<u>-</u>	<u>-</u>	<u>42,138,368</u>
Less accumulated depreciation for:				
Buildings	10,201,384	752,627	-	10,954,011
Improvements other than buildings	856,456	61,872	-	918,328
Furniture and equipment	2,673,487	88,219	-	2,761,706
Total accumulated depreciation	<u>13,731,327</u>	<u>902,718</u>	<u>-</u>	<u>14,634,045</u>
Total capital assets being depreciated, net	<u>28,407,041</u>	<u>(902,718)</u>	<u>-</u>	<u>27,504,323</u>
Governmental activities capital assets, net	<u>\$ 30,141,986</u>	<u>\$ (867,297)</u>	<u>\$ -</u>	<u>\$ 29,274,689</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 796,841	\$ -	\$ -	\$ 796,841
Less accumulated depreciation	336,333	46,404	-	382,737
Business-type activities capital assets, net	<u>\$ 460,508</u>	<u>\$ (46,404)</u>	<u>\$ -</u>	<u>\$ 414,104</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 89,766

Support services:

Administration 15,980

Operation and maintenance of plant 6,438

Transportation 35,576

147,760

Unallocated depreciation 754,958

Total depreciation expense - governmental activities \$ 902,718

Business-type activities:

Food service operations \$ 46,404

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Short-Term Bank Loans Payable

During the year ended June 30, 2015, the District entered into a short-term bank loan for the Enterprise, Student Built House Fund. The loan was necessary to provide temporary financing during periods of low cash flows. The loan is a line of credit with a credit limit of \$60,000 and is available until June 2016. The Student Built House Fund short-term bank loan includes interest at 5.5%.

	Balance Beginning of Year	Bank Loans Received	Bank Loans Repaid	Balance End of Year
Bank loan	\$ 24,000	\$ 41,000	\$ 27,000	\$ 38,000

Note 6. Short-Term Interfund Loans

During the year ended June 30, 2015 the District entered into short-term interfund loans from the Capital Projects Fund to the General Fund and the Special Revenue, Management Levy Fund. The loans were necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues.

A summary of the short-term interfund loan activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
General Fund	\$ -	\$ 920,000	\$ 920,000	\$ -
Management Levy Fund	-	35,000	35,000	-
	\$ -	\$ 955,000	\$ 955,000	\$ -

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. 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, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,735,000	\$ -	\$ 640,000	\$ 9,095,000	\$ 665,000
Revenue bonds	12,980,000	-	545,000	12,435,000	570,000
Compensated absences	115,944	95,482	115,944	95,482	95,482
Net pension liability	12,450,579	-	3,555,745	8,894,834	-
Net OPEB liability	572,115	38,055	-	610,170	-
Total	\$ 35,853,638	\$ 133,537	\$ 4,856,689	\$ 31,130,486	\$ 1,330,482
Business-type activities:					
Net pension liability	\$ 267,502	\$ -	\$ 74,083	\$ 193,419	\$ -

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of November 1, 2009			Bond Issue of October 1, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	3.00 %	\$ 450,000	\$ 27,000	3.00 %	\$ 215,000	\$ 281,150
2017	3.00	450,000	13,500	3.00	220,000	274,700
2018	-	-	-	3.00	485,000	268,100
2019	-	-	-	3.00	500,000	253,550
2020	-	-	-	3.00	515,000	238,550
2021-2025	-	-	-	3.00-3.50	2,855,000	937,125
2026-2030	-	-	-	3.50-4.00	3,405,000	401,650
		\$ 900,000	\$ 40,500		\$ 8,195,000	\$ 2,654,825

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 665,000	\$ 308,150	\$ 973,150
2017	670,000	288,200	958,200
2018	485,000	268,100	753,100
2019	500,000	253,550	753,550
2020	515,000	238,550	753,550
2021-2025	2,855,000	937,125	3,792,125
2026-2030	3,405,000	401,650	3,806,650
	<u>\$ 9,095,000</u>	<u>\$ 2,695,325</u>	<u>\$ 11,790,325</u>

Revenue Bonds

On April 1, 2009, the District issued revenue bonds of \$15,450,000 for capital facility construction. The Revenue Bonds will be paid with statewide sales, services and use taxes collected in the Capital Projects Fund. Details of the District's June 30, 2015 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.250 %	\$ 570,000	\$ 596,238	\$ 1,166,238
2017	4.250	590,000	571,588	1,161,588
2018	4.000	615,000	546,750	1,161,750
2019	4.200	640,000	521,010	1,161,010
2020	4.375	670,000	492,914	1,162,914
2021-2025	4.600-5.000	3,835,000	1,950,791	5,785,791
2026-2030	5.000-5.375	5,515,000	925,778	6,440,778
		<u>\$ 12,435,000</u>	<u>\$ 5,605,069</u>	<u>\$ 18,040,069</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$15,450,000 bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of the middle school classroom addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest are expected to require approximately 10 to 120 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$18,040,069. For the current year, principal of \$545,000 and interest of \$619,931 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,769,881.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- a) \$1,435,609 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Beginning July 1, 2009, monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 8. Pension Plan

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

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder.

Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

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 \$1,341,020.

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 \$9,088,253 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 proportion was 0.229160 percent, which was an increase of 0.007655 from its proportion measured as of June 30, 2013.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$679,312. 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
Difference between expected and actual experience	\$ 98,772	\$ -
Changes of assumptions	401,085	-
Net difference between projected and actual earnings on pension plan investments	-	3,465,998
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,926
District contributions subsequent to the measurement date	<u>1,341,020</u>	<u>-</u>
Total	<u>\$ 1,840,877</u>	<u>\$ 3,469,924</u>

\$1,341,020 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 ending 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 Ending June 30,	
2016	\$ (750,628)
2017	(750,628)
2018	(750,628)
2019	(750,628)
2020	<u>32,445</u>
Total	<u>\$ (2,970,067)</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

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
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

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

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

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 17,171,999	\$ 9,088,253	\$ 2,264,734

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.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in an agent multiple-employer health care plan called the Metro Interagency Insurance Plan (MIIP). This plan provides medical and prescription drug benefits for employees, retirees and their spouses. The District has 225 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-funded plan with MIIP. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

Annual required contribution	\$	100,879
Interest on net OPEB obligation		14,303
Adjustment to annual required contribution		(49,120)
Annual OPEB cost		<u>66,062</u>
Contributions made		<u>(28,007)</u>
Increase in net OPEB obligation		38,055
Net OPEB obligation beginning of year		<u>572,115</u>
Net OPEB obligation end of year	\$	<u><u>610,170</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$28,007 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 110,674	31.2%	\$ 533,256
2014	69,453	44.0%	572,115
2015	66,062	42.4%	610,170

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$625,566, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$625,566. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$15,506,000, and the ratio of the UAAL to covered payroll was 4.0%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2013 actuarial valuation date, the frozen 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 projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level percent of payroll expense on a closed basis over 30 years.

Note 10. Risk Management

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

Marion Independent School District is a member of the Metro Interagency Insurance Program (MIIP), an Iowa Code Chapter 28E organization. MIIP is a local government risk-sharing pool whose members include six public educational entities in central Iowa. MIIP was formed in 1990 for the purpose of establishing, operating and maintaining an insurance program for employee health and medical claims. MIIP provides coverage and protection in the following categories: medical, dental and vision.

Each member's contributions to MIIP fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, MIIP's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. The fund re-insures for stop-loss insurance for claims in excess of \$200,000 per year per individual. An insurance carrier is paid an administrative fee to process the claims.

The District's contributions to MIIP are recorded as expenditures from its General Fund at the time of payment. The total premiums paid into the plan by all six members from July 1, 2014 to June 30, 2015 were \$32,663,383 of which \$1,682,632 was paid by Marion Independent School District.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$772,988 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 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 1,043,944
Gifted and talented programs	83,949
Returning dropouts and dropout prevention programs	2,569
Four year old preschool state aid	65,486
Teacher salary supplement	96,819
Textbook aid for nonpublic students	2,897
Successful progression for early readers	21,432
Professional development for model core curriculum	97,431
Professional development	77,249
Market factor incentives	673
Teacher leadership grants	<u>2,503</u>
Total	<u>\$ 1,494,952</u>

Note 13. Deficit Net Positions

At June 30, 2015, the governmental activities and the business-type activities had deficit unrestricted net positions of \$11,026,003 and \$1,623, respectively and the School Nutrition Fund within the nonmajor enterprise funds had a deficit unrestricted fund net position of \$216,664.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 14. Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Enterprise, School Nutrition Fund</u>
Net position June 30, 2014, as previously reported	\$ 15,162,038	\$ 668,602	\$ 452,947
Net pension liability at June 30, 2014	(12,450,579)	(267,502)	(267,502)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,310,677</u>	<u>28,160</u>	<u>28,160</u>
Net position July 1, 2014, as restated	<u>\$ 4,022,136</u>	<u>\$ 429,260</u>	<u>\$ 213,605</u>

Note 15. Subsequent Events

In July 2015, the District approved three interfund loans from the General Fund at .5 percent interest as follows: up to \$50,000 to the Special Revenue, Management Levy Fund, up to \$80,000 to the Enterprise, School Nutrition Fund, and up to \$100,000 to the Enterprise, Student Built House Fund.

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Required Supplementary Information

MARION INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 13,891,328	\$ 685,609	\$ 14,576,937	\$ 15,301,502	\$ (724,565)
State sources	13,590,142	6,480	13,596,622	11,965,293	1,631,329
Federal sources	722,831	375,037	1,097,868	1,199,000	(101,132)
Total revenues	28,204,301	1,067,126	29,271,427	28,465,795	805,632
EXPENDITURES/EXPENSES:					
Instruction	17,171,393	-	17,171,393	17,395,000	223,607
Support services	6,172,454	14,726	6,187,180	7,235,350	1,048,170
Non-instructional programs	-	832,138	832,138	875,000	42,862
Other expenditures	3,126,721	237,041	3,363,762	5,699,330	2,335,568
Total expenditures/expenses	26,470,568	1,083,905	27,554,473	31,204,680	3,650,207
Excess (deficiency) of revenues over (under) expenditures/expenses	1,733,733	(16,779)	1,716,954	(2,738,885)	4,455,839
Other financing sources, net	2,651	-	2,651	250,000	(247,349)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	1,736,384	(16,779)	1,719,605	(2,488,885)	4,208,490
Balance beginning of year, as restated	8,248,414	429,260	8,677,674	7,267,258	1,410,416
Balance end of year	\$ 9,984,798	\$ 412,481	\$ 10,397,279	\$ 4,778,373	\$ 5,618,906

See accompanying independent auditor's report.

MARION INDEPENDENT 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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. 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 ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

MARION INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.229160
District's proportionate share of the net pension liability	\$ 9,088
District's covered-employee payroll	\$ 15,017
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.52%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

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MARION INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 1,341	\$ 1,339	\$ 1,260	\$ 1,106
Contributions in relation to the statutorily required contribution	<u>(1,341)</u>	<u>(1,339)</u>	<u>(1,260)</u>	<u>(1,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,017	\$ 14,993	\$ 14,532	\$ 13,705
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 963	\$ 927	\$ 848	\$ 765	\$ 677	\$ 638
<u>(963)</u>	<u>(927)</u>	<u>(848)</u>	<u>(765)</u>	<u>(677)</u>	<u>(638)</u>
<u>\$ -</u>					
\$ 13,857	\$ 13,939	\$ 13,358	\$ 12,639	\$ 11,773	\$ 11,102
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

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.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 830	\$ 830	0.0%	\$ 15,026	5.5%
2011	July 1, 2009	-	830	830	0.0%	14,969	5.5%
2012	July 1, 2011	-	678	678	0.0%	13,705	4.9%
2013	July 1, 2011	-	678	678	0.0%	14,981	4.5%
2014	July 1, 2013	-	626	626	0.0%	15,254	4.1%
2015	July 1, 2013	-	626	626	0.0%	15,506	4.0%

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

See accompanying independent auditor's report.

Supplementary Information

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Public</u>	<u>District</u>
	<u>Levy</u>	<u>Activity</u>	<u>Education</u>	<u>Support</u>
			<u>and</u>	<u>Trust</u>
			<u>Recreation</u>	
			<u>Levy</u>	
Assets				
Cash and pooled investments	\$ 235,381	\$ 262,238	\$ 1,465	\$ 351,568
Receivables:				
Property tax:				
Current year	2,730	-	-	-
Succeeding year	279,999	-	-	-
Total assets	<u>\$ 518,110</u>	<u>\$ 262,238</u>	<u>\$ 1,465</u>	<u>\$ 351,568</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	<u>\$ 1,643</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>279,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Management levy purposes	236,468	-	-	-
Student activities	-	261,721	-	-
Public education and recreation	-	-	1,465	-
Support trust purposes	-	-	-	351,568
Revenue bonds sinking fund	-	-	-	-
Debt service	-	-	-	-
Total fund balances	<u>236,468</u>	<u>261,721</u>	<u>1,465</u>	<u>351,568</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 518,110</u>	<u>\$ 262,238</u>	<u>\$ 1,465</u>	<u>\$ 351,568</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 887,193	\$ 1,737,845
9,432	12,162
<u>946,250</u>	<u>1,226,249</u>
\$ <u><u>1,842,875</u></u>	\$ <u><u>2,976,256</u></u>
\$ <u> -</u>	\$ <u> 2,160</u>
<u>946,250</u>	<u>1,226,249</u>
-	236,468
-	261,721
-	1,465
-	351,568
874,177	874,177
22,448	22,448
<u>896,625</u>	<u>1,747,847</u>
\$ <u><u>1,842,875</u></u>	\$ <u><u>2,976,256</u></u>

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	District Support Trust
Revenues:				
Local sources:				
Local tax	\$ 275,484	\$ -	\$ -	\$ -
Other	16,279	507,808	-	99
State sources	2,171	-	-	-
Total revenues	<u>293,934</u>	<u>507,808</u>	<u>-</u>	<u>99</u>
Expenditures:				
Current:				
Instruction	111,102	518,426	-	-
Support services:				
Administration	20,325	-	-	-
Operation and maintenance of plant	137,831	-	-	-
Transportation	24,638	-	-	-
Other expenditures:				
Long term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>293,896</u>	<u>518,426</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	38	(10,618)	-	99
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	(1,093)	-	-	-
Total other financing sources (uses)	<u>(1,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,055)	(10,618)	-	99
Fund balances beginning of year	<u>237,523</u>	<u>272,339</u>	<u>1,465</u>	<u>351,469</u>
Fund balances end of year	<u>\$ 236,468</u>	<u>\$ 261,721</u>	<u>\$ 1,465</u>	<u>\$ 351,568</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 975,896	\$ 1,251,380
-	524,186
7,206	9,377
983,102	1,784,943
-	629,528
-	20,325
-	137,831
-	24,638
1,185,000	1,185,000
950,181	950,181
2,135,181	2,947,503
(1,152,079)	(1,162,560)
1,178,328	1,178,328
-	(1,093)
1,178,328	1,177,235
26,249	14,675
870,376	1,733,172
\$ 896,625	\$ 1,747,847

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,792,793	\$ 2,577,469	\$ 6,370,262
Receivables:			
Property tax:			
Current year	-	2,440	2,440
Succeeding year	-	266,774	266,774
Income surtax	-	495,674	495,674
Due from other governments	274,182	-	274,182
 Total assets	 \$ 4,066,975	 \$ 3,342,357	 \$ 7,409,332
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 42,709	\$ -	\$ 42,709
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	266,774	266,774
Other	-	495,674	495,674
	-	762,448	762,448
Fund balances:			
Restricted for:			
Revenue bonds	1,435,609	-	1,435,609
School infrastructure	2,588,657	-	2,588,657
Physical plant and equipment	-	2,579,909	2,579,909
Total fund balances	4,024,266	2,579,909	6,604,175
 Total liabilities, deferred inflows of resources and fund balances	 \$ 4,066,975	 \$ 3,342,357	 \$ 7,409,332

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 742,593	\$ -	\$ 742,593
Other	6,010	1,360	43	7,413
State sources	1,769,881	1,864	-	1,771,745
Federal sources	-	33,964	-	33,964
Total revenues	<u>1,775,891</u>	<u>779,781</u>	43	<u>2,555,715</u>
Expenditures:				
Current:				
Instruction	-	174,698	-	174,698
Support services:				
Administration	22,349	-	-	22,349
Operation and maintenance of plant	-	11,121	-	11,121
Transportation	-	6,800	-	6,800
Other expenditures:				
Facilities acquisition	82,130	136,422	-	218,552
Total expenditures	<u>104,479</u>	<u>329,041</u>	-	<u>433,520</u>
Excess (deficiency) of revenues over (under) expenditures	1,671,412	450,740	43	2,122,195
Other financing sources (uses):				
Interfund transfers out	(1,178,328)	-	-	(1,178,328)
Intrafund transfers in	-	295,758	-	295,758
Intrafund transfers out	-	-	(295,758)	(295,758)
Total other financing sources (uses)	<u>(1,178,328)</u>	<u>295,758</u>	<u>(295,758)</u>	<u>(1,178,328)</u>
Net change in fund balances	493,084	746,498	(295,715)	943,867
Fund balances beginning of year	<u>3,531,182</u>	<u>1,833,411</u>	<u>295,715</u>	<u>5,660,308</u>
Fund balances end of year	<u>\$ 4,024,266</u>	<u>\$ 2,579,909</u>	<u>\$ -</u>	<u>\$ 6,604,175</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2015

	School Nutrition	MDE School Store	Student Built House	Total
Assets				
Cash and cash equivalents	\$ 9,451	\$ 2,454	\$ 330	\$ 12,235
Inventories	15,007	-	250,257	265,264
Capital assets, net of accumulated depreciation	414,104	-	-	414,104
Total assets	<u>438,562</u>	<u>2,454</u>	<u>250,587</u>	<u>691,603</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>39,346</u>	-	-	<u>39,346</u>
Liabilities				
Accounts payable	80	-	-	80
Salaries and benefits payable	309	-	-	309
Bank loan payable	-	-	38,000	38,000
Unearned revenue	11,647	-	-	11,647
Net pension liability	193,419	-	-	193,419
Total liabilities	<u>205,455</u>	<u>-</u>	<u>38,000</u>	<u>243,455</u>
Deferred Inflows of Resources				
Pension related deferred inflows	<u>75,013</u>	-	-	<u>75,013</u>
Fund Net Position				
Net investment in capital assets	414,104	-	-	414,104
Unrestricted	<u>(216,664)</u>	<u>2,454</u>	<u>212,587</u>	<u>(1,623)</u>
Total fund net position	<u>\$ 197,440</u>	<u>\$ 2,454</u>	<u>\$ 212,587</u>	<u>\$ 412,481</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2015

	<u>School Nutrition</u>	<u>MDE School Store</u>	<u>Student Built House</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 429,973	\$ 4,462	\$ 251,070	\$ 685,505
Operating expenses:				
Support services:				
Administration	9,149	-	407	9,556
Operation and maintenance of plant	4,859	-	311	5,170
Non-instructional programs	813,706	5,114	13,318	832,138
Other expenditures:				
Facilities acquisition and construction	-	-	237,041	237,041
Total operating expenses	<u>827,714</u>	<u>5,114</u>	<u>251,077</u>	<u>1,083,905</u>
Operating loss	(397,741)	(652)	(7)	(398,400)
Non-operating revenues:				
Interest on investments	59	-	45	104
State sources	6,480	-	-	6,480
Federal sources	375,037	-	-	375,037
Total non-operating revenues	<u>381,576</u>	<u>-</u>	<u>45</u>	<u>381,621</u>
Change in fund net position	(16,165)	(652)	38	(16,779)
Fund net position beginning of year, as restated	<u>213,605</u>	<u>3,106</u>	<u>212,549</u>	<u>429,260</u>
Fund net position end of year	<u>\$ 197,440</u>	<u>\$ 2,454</u>	<u>\$ 212,587</u>	<u>\$ 412,481</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2015

	School Nutrition	MDE School Store	Student Built House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 420,946	\$ -	\$ -	\$ 420,946
Cash received from miscellaneous operating activities	8,065	4,462	251,070	263,597
Cash paid to employees for services	(431,129)	-	-	(431,129)
Cash paid to suppliers for goods or services	(339,271)	(5,994)	(265,108)	(610,373)
Net cash used by operating activities	<u>(341,389)</u>	<u>(1,532)</u>	<u>(14,038)</u>	<u>(356,959)</u>
Cash flows from non-capital financing activities:				
State grants received	6,480	-	-	6,480
Federal grants received	326,263	-	-	326,263
Operating loan proceeds	-	-	41,000	41,000
Operating loan payments	-	-	(27,000)	(27,000)
Net cash provided by non-capital financing activities	<u>332,743</u>	<u>-</u>	<u>14,000</u>	<u>346,743</u>
Cash flows from investing activities:				
Interest on investments	<u>59</u>	<u>-</u>	<u>45</u>	<u>104</u>
Net increase (decrease) in cash and cash equivalents	(8,587)	(1,532)	7	(10,112)
Cash and cash equivalents beginning of year	<u>18,038</u>	<u>3,986</u>	<u>323</u>	<u>22,347</u>
Cash and cash equivalents end of year	<u>\$ 9,451</u>	<u>\$ 2,454</u>	<u>\$ 330</u>	<u>\$ 12,235</u>

MARION INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2015

	<u>School Nutrition</u>	<u>MDE School Store</u>	<u>Student Built House</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (397,741)	\$ (652)	\$ (7)	\$ (398,400)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	46,404	-	-	46,404
Commodities used	48,774	-	-	48,774
Decrease in accounts receivable	93	-	-	93
(Increase) decrease in inventories	6,479	-	(14,031)	(7,552)
(Decrease) in accounts payable	(332)	(880)	-	(1,212)
(Decrease) in interfund payable	(33,496)	-	-	(33,496)
(Decrease) in salaries and benefits payable	(259)	-	-	(259)
(Decrease) in unearned revenue	(1,055)	-	-	(1,055)
(Decrease) in net pension liability	(74,083)	-	-	(74,083)
(Increase) in deferred outflows of resources	(11,186)	-	-	(11,186)
Increase in deferred inflows of resources	75,013	-	-	75,013
Net cash used by operating activities	<u>\$ (341,389)</u>	<u>\$ (1,532)</u>	<u>\$ (14,038)</u>	<u>\$ (356,959)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$48,774 of federal commodities.

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Miscellaneous	\$ 19,707	\$ -	\$ -	\$ 19,707
Home School	16,914	12,799	12,651	17,062
Interest	-	490	-	490
Total District-Wide	36,621	13,289	12,651	37,259
Emerson Elementary:				
Library Activities	39	-	-	39
Miscellaneous	6,356	311	400	6,267
Foundation Donations	72	-	-	72
Quill/Yearbook	125	-	-	125
Total Emerson Elementary	6,592	311	400	6,503
Starry Elementary:				
Miscellaneous	5,852	311	2,227	3,936
Resale	1,501	-	-	1,501
Quill/Yearbook	1,540	-	-	1,540
Total Starry Elementary	8,893	311	2,227	6,977
Francis Marion Intermediate:				
Instrumental	-	1,061	-	1,061
Miscellaneous	7,354	-	587	6,767
Student Magazines	1,335	-	-	1,335
Total Francis Marion Intermediate	8,689	1,061	587	9,163
Vernon Middle School:				
Show Choir	2,442	27,829	24,752	5,519
Instrumental	1,978	12,308	9,218	5,068
Honor Band	4,872	7,852	11,166	1,558
Cheerleaders	522	-	-	522
General Activities	2,049	-	-	2,049
Library Activities	1,318	-	-	1,318
Miscellaneous	352	-	-	352
Science Club	224	-	-	224
Washington DC Trip	30	-	-	30
Soda - Students	1,213	9	-	1,222
Student Senate	1,992	320	940	1,372
Quill/Yearbook	6	2,241	2,247	-
Student Magazines	26,363	13,771	23,094	17,040
Athletics	6,292	15,897	12,661	9,528
Total Vernon Middle School	49,653	80,227	84,078	45,802

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama	\$ 3,195	\$ 1,620	\$ 1,459	\$ 3,356
Speech	52	619	671	-
Vocal	165	69,560	67,468	2,257
Choir	1,650	15,526	15,369	1,807
Instrumental	5,452	23,190	18,717	9,925
Archery	27	401	428	-
Day in May	-	5,094	2,597	2,497
Miscellaneous	5,893	1,001	1,008	5,886
Health	11	-	-	11
Science Club	387	-	-	387
Creative, Inc.	4	-	-	4
Student Newspaper	49	1,251	1,082	218
Musical	7,982	2,377	4,753	5,606
National Honor Society	649	718	658	709
Academic Competition	-	644	-	644
Thespians	1,717	74	728	1,063
Book Club	-	405	120	285
Tom Begley Memorial	86	-	-	86
FBLA	33	-	-	33
VTR Technician	7	-	-	7
Soda - Students	70	-	-	70
Spanish	712	-	-	712
Student Senate	1,854	725	818	1,761
Quill/Yearbook	1,719	6,511	7,356	874
Athletic Facilities	3,015	-	1,140	1,875
Arts & Crafts	493	2,286	2,746	33
Athletics	107,708	262,899	277,508	93,099
Class of 2014	2,371	-	-	2,371
Class of 2015	3,881	-	18	3,863
Class of 2016	4,850	4,163	3,452	5,561
Class of 2017	6,272	3,584	1,422	8,434
Class of 2018	-	1,130	500	630
Wellness	1,276	-	-	1,276
Robotics	311	8,831	8,465	677
Total High School	<u>161,891</u>	<u>412,609</u>	<u>418,483</u>	<u>156,017</u>
Grand Total	<u>\$ 272,339</u>	<u>\$ 507,808</u>	<u>\$ 518,426</u>	<u>\$ 261,721</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>924</u>	\$ <u>1,393</u>	\$ <u>1,492</u>	\$ <u>825</u>
Liabilities				
Other payables	\$ <u>924</u>	\$ <u>1,393</u>	\$ <u>1,492</u>	\$ <u>825</u>

See accompanying independent auditor's report.

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MARION INDEPENDENT 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
Revenues:				
Local sources:				
Local tax	\$ 8,537,782	\$ 7,731,369	\$ 8,548,495	\$ 8,889,612
Tuition	4,482,273	4,368,985	4,219,602	4,199,459
Other	871,273	1,053,963	984,754	853,061
State sources	13,590,142	13,303,133	11,439,687	11,153,150
Federal sources	722,831	828,883	571,201	691,651
Total revenues	\$ 28,204,301	\$ 27,286,333	\$ 25,763,739	\$ 25,786,933
Expenditures:				
Instruction	\$ 17,171,393	\$ 17,721,221	\$ 16,400,761	\$ 15,704,204
Support services:				
Student	863,302	840,251	799,443	747,945
Instructional staff	784,423	729,652	851,844	694,697
Administration	2,142,280	2,142,184	2,104,456	2,010,571
Operation and maintenance of plant	1,977,069	1,897,751	1,788,979	1,595,961
Transportation	405,380	448,341	439,122	414,020
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	218,552	1,430,817	1,796,570	5,314,417
Long-term debt:				
Principal	1,185,000	1,175,000	1,295,000	1,045,000
Interest and fiscal charges	950,181	992,419	1,037,812	1,275,834
AEA flowthrough	772,988	745,248	715,709	700,723
Total expenditures	\$ 26,470,568	\$ 28,122,884	\$ 27,229,696	\$ 29,503,372

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	8,227,569	\$ 7,816,155	\$ 7,383,182	\$ 7,518,496	\$ 5,813,388	\$ 5,265,851
	3,839,854	3,912,745	3,723,146	4,717,347	4,245,422	3,673,297
	857,061	796,687	873,374	820,513	966,980	854,494
	10,436,573	9,299,692	10,021,182	9,469,509	8,390,311	8,706,248
	1,476,384	1,841,651	975,253	466,853	435,553	398,266
\$	<u>24,837,441</u>	<u>23,666,930</u>	<u>22,976,137</u>	<u>22,992,718</u>	<u>19,851,654</u>	<u>18,898,156</u>
\$	15,755,164	\$ 15,191,450	\$ 14,660,244	\$ 13,487,534	\$ 12,340,648	\$ 11,563,732
	644,226	735,693	748,079	691,993	652,306	648,527
	661,537	762,839	878,369	986,728	844,966	720,864
	1,996,261	2,117,859	2,123,467	2,133,151	1,913,007	1,798,324
	1,572,162	1,607,511	1,750,650	1,752,569	1,681,926	1,728,086
	473,574	466,653	368,713	337,961	462,305	343,540
	41,083	260	220	450	9,974	-
	9,178,260	5,978,106	1,473,679	793,613	105,682	471,857
	875,000	594,343	540,621	1,033,717	714,583	546,719
	837,044	693,030	363,790	217,193	241,024	265,558
	750,677	744,881	667,084	616,027	577,950	562,508
\$	<u>32,784,988</u>	<u>28,892,625</u>	<u>23,574,916</u>	<u>22,050,936</u>	<u>19,544,371</u>	<u>18,649,715</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	S215F130099	\$ <u>161,786</u> **
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	4086-15	51,943
National School Lunch Program	10.555	4086-15	<u>323,094</u> *
			<u>375,037</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4806-G-15	219,002
Title I Grants to Local Educational Agencies	84.010	4086-SINA	<u>21,478</u>
			<u>240,480</u>
Fund for the Improvement of Education	84.215	4086-14	<u>33,964</u> **
Improving Teacher Quality State Grants	84.367	4086-15	<u>52,293</u>
Grants for State Assessments and Related Activities	84.369	4086-15	<u>7,956</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	4086-15	<u>88,440</u>
Career and Technical Education - Basic Grants to States	84.048	4086-15	<u>7,990</u>
English Language Acquisition State Grants	84.365	4086-15	<u>6,016</u>
Total			\$ <u><u>973,962</u></u>

* = Includes \$48,774 of non-cash awards.

** = Total for CFDA 84.215 = \$195,750

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion Independent School District and is presented on the accrual or modified accrual basis of accounting. The information in 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 basic financial statements.

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Marion Independent School District:

We have audited 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 Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion Independent 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 17, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether Marion Independent 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 that 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.

Marion Independent School District's Responses to the Findings

Marion Independent School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Marion Independent 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 results 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 report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marion Independent 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 17, 2016

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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
Marion Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Marion Independent 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. Marion Independent 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 Marion Independent 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 Marion Independent 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 program. However, our audit does not provide a legal determination of Marion Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marion Independent 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

In planning and performing our audit of compliance, we considered Marion Independent 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 Marion Independent School District's internal control over compliance.

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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 17, 2016

MARION INDEPENDENT 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 all opinion units.
- (b) No material weaknesses in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - 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) Marion Independent School District did not qualify as a low-risk auditee.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- IV-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- 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 – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Law, Board President	Substitute teacher	\$164(a)
Alan Tribble, Board Member	Athletic official	\$215(a)
Elizabeth Tribble, Spouse of Board Member	Teacher associate	\$15,907(b)
Michelle Fowler, Daughter of Board Member	Teacher associate	\$22,637(b)
Vivian Quinn, Teacher Spouse is owner of Quinn Storage Garages	Storage garage rental	\$480(c)

In accordance with Chapter 279.7A of the Code of Iowa, the transactions designated with an (a) do not appear to represent any conflict of interest since the cumulative amount for each Board Member does not exceed \$2,500 for the fiscal year.

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions designated with a (b) do not appear to represent any conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transaction designated with a (c) does not appear to represent any conflict of interest.

- 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 ensure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-G-15 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2014 was overstated by 2.5 due to the inclusion of one regular education student and one four year old pre-school student who were not enrolled in the District as of the official count date and one student who was a resident of another district.

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

Response – We will contact the Iowa Department of Education and Iowa Department of Management.

Conclusion – Response accepted.

IV-H-15 Supplementary Weighting – No variances 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 to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-15 Statewide Sales, Services and Use Tax (continued)

Beginning balance		\$	3,531,182
Revenues:			
Interest	\$	6,010	
Statewide sales, services and use tax		<u>1,769,881</u>	1,775,891
Expenditures/transfers out:			
School infrastructure construction		82,130	
Equipment		20,849	
Other		1,500	
Transfers to other funds:			
Debt Service Fund		<u>1,178,328</u>	<u>1,282,807</u>
Ending balance		\$	<u><u>4,024,266</u></u>

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

IV-M-15 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Special Revenue, Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for students.

We noted during our audit that there are numerous accounts within the Student Activity Fund which appear to be administratively maintained, rather than a student organization. These accounts include the Athletic Facilities, Tom Begley Memorial, District-Wide Miscellaneous and the various miscellaneous accounts at each building.

Recommendation – The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund. In addition, we noted items purchased from several of these accounts which appear instructional in nature and therefore more appropriate from the General Fund.

Response – We will work on reviewing these accounts and transferring items to a more appropriate fund.

Conclusion – Response accepted.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-N-15 Financial Condition – At June 30, 2015, the governmental activities, business-type activities, and the Enterprise, School Nutrition Fund had deficit unrestricted net positions of \$11,026,003, \$1,623, and \$216,664, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements.

Recommendation – Even though the deficits arose due to the net pension liability and deferred outflows and inflows of resources, the District should investigate ways to return the governmental activities, business-type activities and the School Nutrition Fund to sound financial conditions.

Response – We are unsure of what steps can be taken at this time to alleviate the strain on the District’s proportionate share of the IPERS pension liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities, business-type activities, and the School Nutrition Fund to sound financial conditions.

Conclusion – Response accepted.