

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Marshalltown Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kay Beach	President	2015
Anne Paullus	Vice President	2015
Sherman Welker	Board Member	2015
Jennifer Wilson	Board Member	2017
John Johnson	Board Member	2015
Bea Niblock	Board Member	2017
Kendall Derby	Board Member	2017
School Officials		
Dr. Marvin L. Wade, Jr.	Superintendent	2015
Kevin Posekany	District Secretary/ Director of Finance	2015
Rex J. Ryden, Cartwright, Druker, & Ryden	Attorney	2015
Ahlers & Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Marshalltown Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District, Marshalltown, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, Marshalltown Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 53 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 Marshalltown Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2016, on our consideration of Marshalltown Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$57,819,269 in fiscal year 2014 to \$60,148,845 in fiscal year 2015, while General Fund expenditures increased from \$57,178,329 in fiscal year 2014 to \$59,530,791 in fiscal year 2015. The overall result was an increase in the District's General Fund balance from \$4,667,228 at June 30, 2014 to \$5,285,282 at June 30, 2015, a 13.24% increase from the prior year.
- The increase in General Fund revenues occurred due to an increase in state sources revenue received as compared to the prior year. The increase in expenditures was due primarily to increased negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Marshalltown Community School District Annual Financial Report

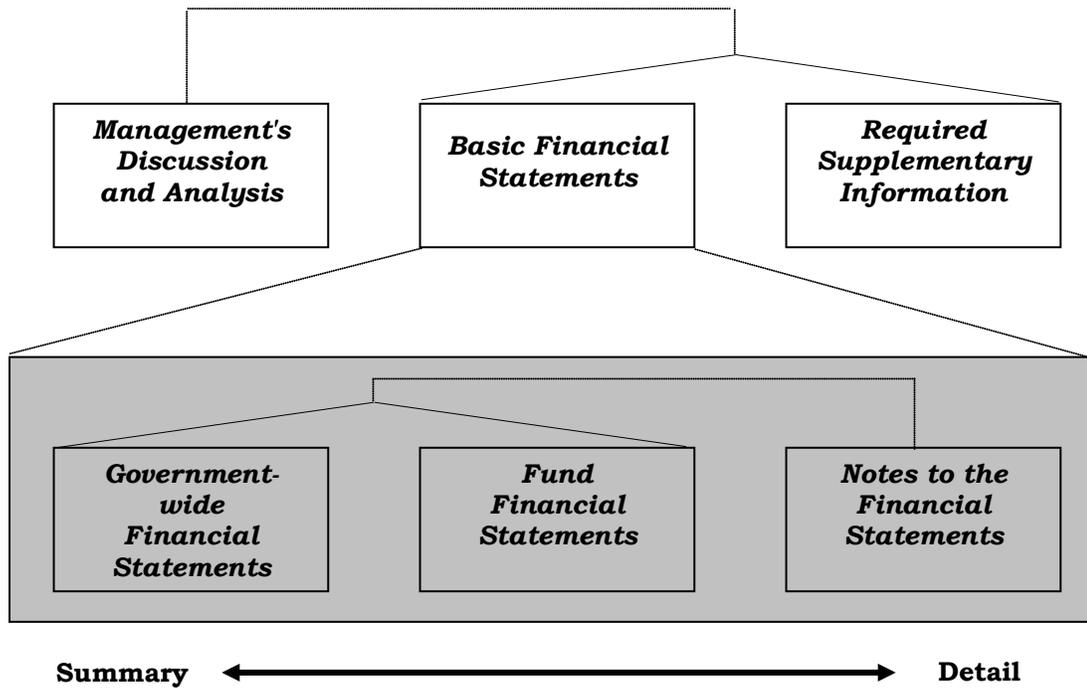


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust Fund.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 41,032,652	47,759,952	446,560	422,259	41,479,212	48,182,211	-13.91%
Capital assets	65,420,140	60,082,847	360,003	332,093	65,780,143	60,414,940	8.88%
Total assets	106,452,792	107,842,799	806,563	754,352	107,259,355	108,597,151	-1.23%
Deferred outflows of resources	4,163,380	-	133,851	-	4,297,231	-	100.00%
Long-term liabilities	57,393,455	40,567,617	630,535	2,383	58,023,990	40,570,000	43.02%
Other liabilities	8,365,390	11,239,721	27,395	57,475	8,392,785	11,297,196	-25.71%
Total liabilities	65,758,845	51,807,338	657,930	59,858	66,416,775	51,867,196	28.05%
Deferred inflows of resources	25,391,496	16,957,151	263,607	-	25,655,103	16,957,151	51.29%
Net position:							
Net investment in capital assets	30,443,962	22,292,847	360,003	332,093	30,803,965	22,624,940	36.15%
Restricted	6,549,634	11,130,118	-	-	6,549,634	11,130,118	-41.15%
Unrestricted	(17,527,765)	5,655,345	(341,126)	362,401	(17,868,891)	6,017,746	-396.94%
Total net position	\$ 19,465,831	39,078,310	18,877	694,494	19,484,708	39,772,804	-51.01%

The District's total net position decreased by 51.01%, or \$20,288,096, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$4,580,484, or 41.15% from the prior year. The decrease was primarily the result of the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund due primarily to continued capital outlay expenditures on required for District construction projects.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$23,886,637, or 396.94%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$25,472,735 and \$814,918, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of

resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,637,835	1,557,756	651,696	606,300	2,289,531	2,164,056	5.80%
Operating grants, contributions and restricted interest	6,840,618	7,953,971	2,600,932	2,526,387	9,441,550	10,480,358	-9.91%
General revenues:							
Property tax	16,940,548	17,000,441	-	-	16,940,548	17,000,441	-0.35%
Statewide sales, services and use tax	6,585,912	3,161,110	-	-	6,585,912	3,161,110	108.34%
Unrestricted state grants	37,526,225	33,798,592	-	-	37,526,225	33,798,592	11.03%
Unrestricted investment earnings	79,873	108,131	460	329	80,333	108,460	-25.93%
Other	187,847	534,531	-	-	187,847	534,531	-64.86%
Total revenues	<u>69,798,858</u>	<u>64,114,532</u>	<u>3,253,088</u>	<u>3,133,016</u>	<u>73,051,946</u>	<u>67,247,548</u>	<u>8.63%</u>
Program expenses:							
Instruction	42,402,053	39,956,000	-	-	42,402,053	39,956,000	6.12%
Support services	16,775,132	15,850,065	-	-	16,775,132	15,850,065	5.84%
Non-instructional programs	72,995	76,400	3,070,668	3,204,937	3,143,663	3,281,337	-4.20%
Other expenses	4,731,541	5,151,846	-	-	4,731,541	5,151,846	-8.16%
Total expenses	<u>63,981,721</u>	<u>61,034,311</u>	<u>3,070,668</u>	<u>3,204,937</u>	<u>67,052,389</u>	<u>64,239,248</u>	<u>4.38%</u>
Excess(Deficiency) of revenues over(under) expenses	5,817,137	3,080,221	182,420	(71,921)	5,999,557	3,008,300	99.43%
Transfers	<u>43,119</u>	<u>-</u>	<u>(43,119)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Change in net position	5,860,256	3,080,221	139,301	(71,921)	5,999,557	3,008,300	-99.43%
Net position beginning of year, as restated	<u>13,605,575</u>	<u>35,998,089</u>	<u>(120,424)</u>	<u>766,415</u>	<u>13,485,151</u>	<u>36,764,504</u>	<u>-63.32%</u>
Net position end of year	<u>\$ 19,465,831</u>	<u>39,078,310</u>	<u>18,877</u>	<u>694,494</u>	<u>19,484,708</u>	<u>39,772,804</u>	<u>-51.01%</u>

In fiscal year 2015, property tax, statewide sales, services and use tax, and unrestricted state grants account for 87.47% of the revenue from governmental activities while charges for services and operating grants account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$73.05 million of which approximately \$69.80 million was for governmental activities and approximately \$3.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.63% increase in revenues and a 4.38% increase in expenses. The increase in revenue was primarily due to an increase in unrestricted state grants and statewide sales, services and use tax revenue received compared to the prior year. The increase in expenses is primarily due to an increase in instructional expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$69,798,858 and expenses were \$63,981,721 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 42,402,053	39,956,000	6.12%	37,716,786	33,994,691	10.95%
Support services	16,775,132	15,850,065	5.84%	15,347,142	14,538,027	5.57%
Non-instructional programs	72,995	76,400	-4.46%	72,995	76,400	-4.46%
Other expenses	4,731,541	5,151,846	-8.16%	2,366,345	2,913,466	-18.78%
Totals	\$ 63,981,721	61,034,311	4.83%	55,503,268	51,522,584	7.73%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$1,637,835.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$6,840,618.
- The net cost of governmental activities was financed with \$16,940,548 in property tax, \$6,585,912 in statewide sales, services and use tax, \$37,526,225 in unrestricted state grants, \$79,873 in interest income, and \$187,847 in other general revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$3,253,088 and expenses were \$3,070,668. The District’s business type activities include the School Nutrition and the Caring Resale Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$12,306,923, compared to last year’s ending combined fund balances of \$16,189,413. The primary reason for the decrease in combined fund balances is due to the decrease in ending fund balance of the Capital Projects Fund due to continued expenditures required on District construction projects.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The Fund balance of the General Fund increased from \$4,667,228 at June 30, 2014 to \$5,285,282 at June 30, 2015. Increases during the year in state source revenues resulted in an increase in revenues. The increase revenues was more than enough to offset the increase in expenditures resulting in an increase of the District's General Fund balance by 13.24%.
- The Capital Projects Fund balance decreased from a balance of \$8,208,098 at June 30, 2014 to \$3,632,422 at June 30, 2015. The decrease was due in part to the District's continued capital outlay expenditures required for District construction commitments.

Proprietary Fund Highlights

The net position of the Enterprise: School Nutrition Fund increased from a restated deficit net position of \$163,543 at July 1, 2014 to a positive net position of \$18,877 at June 30, 2015, representing an increase of 111.54%. The primary reasons for the increase in net position is due to an increase in charge for service and federal grant revenues received as compared to the prior year.

The Enterprise: Caring Resale net position decreased from a net position of \$43,119 at June 30, 2014 to a net position of \$0 at June 30, 2015. This fund was closed by the District during fiscal year 2015, the remaining balance was transferred to the District's General Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$662,840 more than budgeted revenues, a variance of 0.92%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$65.78 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.88% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,848,212.

The original cost of the District's capital assets was \$92,249,528. Governmental funds account for \$91,236,036 with the remainder of \$1,013,492 in the Enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$48,680,693 at June 30, 2014, compared to \$53,558,326 reported at June 30, 2015. This increase resulted from the completion of various construction projects during the year including the middle school renovation, and the administration building renovation projects.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 859,396	637,187	-	-	859,396	637,187	34.87%
Construction in progress	9,024,623	8,784,315	-	-	9,024,623	8,784,315	2.74%
Buildings	53,558,326	48,680,693	-	-	53,558,326	48,680,693	10.02%
Land improvements	649,598	693,962	-	-	649,598	693,962	-6.39%
Machinery and equipment	1,328,197	1,286,690	360,003	332,093	1,688,200	1,618,783	4.29%
Total	\$ 65,420,140	60,082,847	360,003	332,093	65,780,143	60,414,940	8.88%

Long-Term Debt

At June 30, 2015, the District had \$58,023,990 in total long-term debt outstanding. This represents an increase of 43.02% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding general obligation bonded indebtedness of \$16,465,000 at June 30, 2015, payable from the Debt Service Fund.
- The District had total outstanding revenue bonded indebtedness of \$16,995,000 at June 30, 2015, which are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding capital loan notes payable and qualified zone academy bonds payable of \$100,000 and \$1,700,000, respectively, at June 30, 2015. Both of these debt issuances are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District also had total outstanding termination benefits payable of \$2,324,279 from the Special Revenue, Management Levy Fund at June 30, 2015.
- The District had compensated absences payable of \$213,783 at June 30, 2015, \$210,252 of the total is payable from the General Fund and \$3,531 is payable from the Enterprise: School Nutrition Fund.
- The District had a total net pension liability of \$20,225,928 at June 30, 2015. The District's governmental activities accounted for \$19,598,924 of the total while the District's business type activities accounted for the remaining \$627,004.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 16,465,000	17,990,000	-	-	16,465,000	17,990,000	-8.48%
Revenue bonds	16,995,000	17,900,000	-	-	16,995,000	17,900,000	-5.06%
Qualified zone academy bonds	1,700,000	1,700,000	-	-	1,700,000	1,700,000	0.00%
Capital loan notes	100,000	200,000	-	-	100,000	200,000	-50.00%
Termination benefits	2,324,279	2,577,187	-	-	2,324,279	2,577,187	-9.81%
Compensated absences	210,252	200,430	3,531	2,383	213,783	202,813	5.41%
Net OPEB liability	19,598,924	-	627,004	-	20,225,928	-	100.00%
Total	\$ 57,393,455	40,567,617	630,535	2,383	58,023,990	40,570,000	43.02%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced stable enrollment for a few years, the District expects enrollment to remain the same.
- Low supplemental state aid, also known as allowable growth, increases over the past several years has had a negative impact on the district's spending authority balance as increases in state aid have not kept up with the rising costs of District expenses.

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 Brian Bartz, District Board Secretary/Director of Finance, Marshalltown Community School District, 1002 S 3rd Avenue., Marshalltown, Iowa, 50158.

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,716,014	492,716	22,208,730
Receivables:			
Property tax:			
Delinquent	185,969	-	185,969
Succeeding year	17,151,636	-	17,151,636
Internal balances	127,451	(127,451)	-
Due from other governments	1,733,969	45,298	1,779,267
Inventories	38,937	35,673	74,610
Net OPEB asset	78,676	324	79,000
Capital assets, net of accumulated depreciation	65,420,140	360,003	65,780,143
TOTAL ASSETS	106,452,792	806,563	107,259,355
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	4,163,380	133,851	4,297,231
LIABILITIES			
Accounts payable	1,431,707	9,453	1,441,160
Salaries and benefits payable	5,936,934	-	5,936,934
Accrued interest payable	70,163	-	70,163
Advances from grantors	17,102	-	17,102
Advances from students accounts	65,642	-	65,642
Unearned revenue	-	17,942	17,942
Incurred but not reported claims	843,842	-	843,842
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,565,000	-	1,565,000
Revenue bonds payable	1,540,000	-	1,540,000
Capital loan notes payable	100,000	-	100,000
Qualified zone academy bonds payable	1,700,000	-	1,700,000
Termination benefits payable	608,344	-	608,344
Compensated absences payable	210,252	3,531	213,783
Portion due after one year:			
General obligation bonds payable	14,900,000	-	14,900,000
Revenue bonds payable	15,455,000	-	15,455,000
Termination benefits payable	1,715,935	-	1,715,935
Net pension liability	19,598,924	627,004	20,225,928
TOTAL LIABILITIES	65,758,845	657,930	66,416,775
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	17,151,636	-	17,151,636
Pension related deferred inflows	8,239,860	263,607	8,503,467
TOTAL DEFERRED INFLOWS OF RESOURCES	25,391,496	263,607	25,655,103
NET POSITION			
Net Investment in capital assets	30,443,962	360,003	30,803,965
Restricted for:			
Categorical funding	1,468,936	-	1,468,936
Student activities	206,748	-	206,748
Public education and recreation	146,872	-	146,872
Debt service	2,378,478	-	2,378,478
School infrastructure	1,290,895	-	1,290,895
Physical plant and equipment	1,057,705	-	1,057,705
Unrestricted	(17,527,765)	(341,126)	(17,868,891)
TOTAL NET POSITION	\$ 19,465,831	18,877	19,484,708

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 24,402,076	454,459	429,683	(23,517,934)	-	(23,517,934)
Special	8,871,376	265,434	327,056	(8,278,886)	-	(8,278,886)
Other	9,128,601	722,594	2,486,041	(5,919,966)	-	(5,919,966)
	<u>42,402,053</u>	<u>1,442,487</u>	<u>3,242,780</u>	<u>(37,716,786)</u>	<u>-</u>	<u>(37,716,786)</u>
Support services:						
Student	2,623,890	-	615,677	(2,008,213)	-	(2,008,213)
Instructional staff	2,676,481	-	596,161	(2,080,320)	-	(2,080,320)
Administration	4,532,660	-	-	(4,532,660)	-	(4,532,660)
Operation and maintenance of plant	4,980,664	-	-	(4,980,664)	-	(4,980,664)
Transportation	1,961,437	195,348	20,804	(1,745,285)	-	(1,745,285)
	<u>16,775,132</u>	<u>195,348</u>	<u>1,232,642</u>	<u>(15,347,142)</u>	<u>-</u>	<u>(15,347,142)</u>
Non-instructional programs:						
Community service operations	72,995	-	-	(72,995)	-	(72,995)
	<u>997,710</u>	<u>-</u>	<u>-</u>	<u>(997,710)</u>	<u>-</u>	<u>(997,710)</u>
Other expenses:						
AEA flowthrough	2,365,196	-	2,365,196	-	-	-
Depreciation(unallocated)*	1,368,635	-	-	(1,368,635)	-	(1,368,635)
	<u>3,733,831</u>	<u>-</u>	<u>2,365,196</u>	<u>(1,368,635)</u>	<u>-</u>	<u>(1,368,635)</u>
Total governmental activities	<u>63,981,721</u>	<u>1,637,835</u>	<u>6,840,618</u>	<u>(55,503,268)</u>	<u>-</u>	<u>(55,503,268)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	3,070,668	651,696	2,600,932	-	181,960	181,960
Total	<u>\$ 67,052,389</u>	<u>2,289,531</u>	<u>9,441,550</u>	<u>(55,503,268)</u>	<u>181,960</u>	<u>(55,321,308)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 15,974,866	-	15,974,866
Capital outlay				965,682	-	965,682
Statewide sales, services and use tax				6,585,912	-	6,585,912
Unrestricted state grants				37,526,225	-	37,526,225
Unrestricted investment earnings				79,873	460	80,333
Other				187,847	-	187,847
Transfers				43,119	(43,119)	-
Total general revenues and transfers				<u>61,363,524</u>	<u>(42,659)</u>	<u>61,320,865</u>
Change in net position				5,860,256	139,301	5,999,557
Net position beginning of year, as restated				13,605,575	(120,424)	13,485,151
Net position end of year				<u>\$ 19,465,831</u>	<u>18,877</u>	<u>19,484,708</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 11,135,791	2,873,318	3,619,196	17,628,305
Receivables:				
Property tax:				
Delinquent	160,711	10,773	14,485	185,969
Succeeding year	14,855,858	970,386	1,325,392	17,151,636
Due from other funds	363,006	-	-	363,006
Due from other governments	941,353	792,616	-	1,733,969
Inventories	38,937	-	-	38,937
TOTAL ASSETS	\$ 27,495,656	4,647,093	4,959,073	37,101,822
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	-	235,555	235,555
Accounts payable	1,334,838	44,285	8,907	1,388,030
Salaries and benefits payable	5,936,934	-	-	5,936,934
Advances from grantors	17,102	-	-	17,102
Advances from student accounts	65,642	-	-	65,642
Total liabilities	7,354,516	44,285	244,462	7,643,263
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	14,855,858	970,386	1,325,392	17,151,636
Fund balances:				
Nonspendable	38,937	-	-	38,937
Restricted for:				
Categorical funding	1,468,936	-	-	1,468,936
Management levy purposes	-	-	1,586,958	1,586,958
Student activities	-	-	206,748	206,748
Public education and recreation	-	-	146,872	146,872
Debt service	-	1,000,000	1,448,641	2,448,641
School infrastructure	-	1,574,717	-	1,574,717
Physical plant and equipment	-	1,057,705	-	1,057,705
Committed for:				
Cell tower projects	85,761	-	-	85,761
Anson fuel up to play 60	267	-	-	267
Project lead the way	192,600	-	-	192,600
Unassigned	3,498,781	-	-	3,498,781
Total fund balances	5,285,282	3,632,422	3,389,219	12,306,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 27,495,656	4,647,093	4,959,073	37,101,822

SEE NOTES TO FINANCIAL STATEMENTS .

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

Total fund balances of governmental funds(page 20)	\$	12,306,923
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		65,420,140
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,200,190
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(70,163)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		78,676
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	\$ 4,163,380	
Deferred inflows of resources	<u>(8,239,860)</u>	(4,076,480)
Long-term liabilities, including bonds and notes payable, compensated absences payable, termination benefits payable and the net pension liability payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(57,393,455)</u>
Net position of governmental activities(page 18)		<u><u>\$ 19,465,831</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 14,650,918	965,682	1,323,948	16,940,548
Tuition	581,413	-	-	581,413
Other	777,015	25,992	751,641	1,554,648
Intermediate sources	5,616	-	-	5,616
State sources	40,950,080	6,602,367	23,502	47,575,949
Federal sources	3,140,684	-	-	3,140,684
Total revenues	<u>60,105,726</u>	<u>7,594,041</u>	<u>2,099,091</u>	<u>69,798,858</u>
Expenditures:				
Current:				
Instruction:				
Regular	24,184,781	-	733,124	24,917,905
Special	8,961,367	-	-	8,961,367
Other	8,579,219	-	720,503	9,299,722
	<u>41,725,367</u>	<u>-</u>	<u>1,453,627</u>	<u>43,178,994</u>
Support services:				
Student	2,535,340	-	-	2,535,340
Instructional staff	2,500,207	1,864	-	2,502,071
Administration	4,122,383	-	391,157	4,513,540
Operation and maintenance of plant	4,644,745	-	145,352	4,790,097
Transportation	1,577,553	236,514	-	1,814,067
	<u>15,380,228</u>	<u>238,378</u>	<u>536,509</u>	<u>16,155,115</u>
Non-instructional programs:				
Community service operations	-	-	72,995	72,995
Capital outlay	-	8,209,694	207,598	8,417,292
Long-term debt:				
Principal	-	-	2,530,000	2,530,000
Interest and other fiscal charges	-	-	1,004,875	1,004,875
	<u>-</u>	<u>-</u>	<u>3,534,875</u>	<u>3,534,875</u>
Other expenditures:				
AEA flowthrough	2,365,196	-	-	2,365,196
Total expenditures	<u>59,470,791</u>	<u>8,448,072</u>	<u>5,805,604</u>	<u>73,724,467</u>
Excess(Deficiency)of revenues over(under)expenditures	634,935	(854,031)	(3,706,513)	(3,925,609)
Other financing sources(uses):				
Transfer in	43,119	7,000,000	3,781,645	10,824,764
Transfer out	(60,000)	(10,721,645)	-	(10,781,645)
Total other financing sources(uses)	<u>(16,881)</u>	<u>(3,721,645)</u>	<u>3,781,645</u>	<u>43,119</u>
Change in fund balances	618,054	(4,575,676)	75,132	(3,882,490)
Fund balances beginning of year	<u>4,667,228</u>	<u>8,208,098</u>	<u>3,314,087</u>	<u>16,189,413</u>
Fund balances end of year	<u>\$ 5,285,282</u>	<u>3,632,422</u>	<u>3,389,219</u>	<u>12,306,923</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (3,882,490)

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

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

Capital outlay	\$ 7,130,521	
Depreciation expense	<u>(1,793,228)</u>	5,337,293

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (174,756)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities Statement of Net Position. 2,530,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,165

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. 3,085,432

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 fund, as follows:

Termination benefits	\$ 252,908	
Compensated absences	(9,822)	
Pension expense	(1,288,101)	
Other postemployment benefits	<u>2,627</u>	<u>(1,042,388)</u>

Changes in net position of governmental activities(page 19) \$ 5,860,256

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 492,716	4,087,709
Due from other governments	45,298	-
Inventories	35,673	-
Total current assets	<u>573,687</u>	<u>4,087,709</u>
Noncurrent assets:		
Net OPEB asset	324	-
Capital assets, net of accumulated depreciation	360,003	-
Total noncurrent assets	<u>360,327</u>	<u>-</u>
TOTAL ASSETS	<u>934,014</u>	<u>4,087,709</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>133,851</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Due to other funds	127,451	-
Accounts payable	9,453	43,677
Unearned revenues	17,942	-
Incurred but not reported claims	-	843,842
Total current liabilities	<u>154,846</u>	<u>887,519</u>
Noncurrent liabilities:		
Compensated absences	3,531	-
Net pension liability	627,004	-
Total noncurrent liabilities	<u>630,535</u>	<u>-</u>
TOTAL LIABILITIES	<u>785,381</u>	<u>887,519</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>263,607</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	360,003	-
Unrestricted	(341,126)	3,200,190
TOTAL NET POSITION	<u>\$ 18,877</u>	<u>3,200,190</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:			Governmental Activities: Internal Service Fund
	Enterprise Funds			
	School Nutrition	Caring Resale	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 651,696	-	651,696	-
Miscellaneous	-	-	-	6,507,129
Total operating revenues	651,696	-	651,696	6,507,129
Operating expenses:				
Support services:				
Administration:				
Benefits	-	-	-	6,687,434
Non-instructional programs:				
Food service operations:				
Salaries	1,049,466	-	1,049,466	-
Benefits	136,751	-	136,751	-
Services	2,989	-	2,989	-
Supplies	1,796,519	-	1,796,519	-
Depreciation	54,984	-	54,984	-
Other	29,959	-	29,959	-
Total operating expenses	3,070,668	-	3,070,668	6,687,434
Operating loss	(2,418,972)	-	(2,418,972)	(180,305)
Non-operating revenues				
Interest income	460	-	460	5,549
State sources	27,713	-	27,713	-
Federal sources	2,573,219	-	2,573,219	-
Total non-operating revenues	2,601,392	-	2,601,392	5,549
Change in net position before other other financing uses	182,420	-	182,420	(174,756)
OTHER FINANCING USES:				
Transfer out	-	(43,119)	(43,119)	-
Change in net position	182,420	(43,119)	139,301	(174,756)
Net position beginning of year, as restated	(163,543)	43,119	(120,424)	3,374,946
Net position end of year	\$ 18,877	-	18,877	3,200,190

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Caring Resale	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 646,773	-	646,773	-
Cash received from miscellaneous operating activities	-	-	-	6,507,129
Cash payments to employees for services	(1,242,915)	-	(1,242,915)	-
Cash payments to suppliers for goods or services	(1,715,122)	-	(1,715,122)	(6,696,419)
Net cash used in operating activities	(2,311,264)	-	(2,311,264)	(189,290)
Cash flows from non-capital financing activities:				
Repayments to General Fund	(29,259)	-	(29,259)	-
Transfer to General Fund	-	(43,119)	(43,119)	-
State grants received	27,713	-	27,713	-
Federal grants received	2,522,837	-	2,522,837	-
Net cash provided by(used in) non-capital financing activities	2,521,291	(43,119)	2,478,172	-
Cash flows from investing activities:				
Interest on investments	460	-	460	5,549
Cash flows from capital financing activities:				
Purchase of capital assets	(82,894)	-	(82,894)	-
Net increase(decrease) in cash and pooled investments	127,593	(43,119)	84,474	(183,741)
Cash and pooled investments beginning of year	365,123	43,119	408,242	4,271,450
Cash and pooled investments end of year	\$ 492,716	-	492,716	4,087,709
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (2,418,972)	-	(2,418,972)	(180,305)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	94,785	-	94,785	-
Depreciation	54,984	-	54,984	-
Decrease in inventories	33,873	-	33,873	-
Decrease in accounts receivable	10,844	-	10,844	-
Decrease in accounts payable	(14,313)	-	(14,313)	(8,910)
Decrease in other postemployment benefits	312	-	312	-
Increase in compensated absences	1,148	-	1,148	-
Increase in incurred but not reported	-	-	-	(75)
Decrease in net pension liability	(280,297)	-	(280,297)	-
Increase in deferred outflows of resources	(41,468)	-	(41,468)	-
Increase in deferred inflows of resources	263,607	-	263,607	-
Decrease in unearned revenue	(15,767)	-	(15,767)	-
Net cash used in operating activities	\$ (2,311,264)	-	(2,311,264)	(189,290)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$94,785 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets		
Cash and pooled investments	\$	92,819
Liabilities		-
Net Position		
Held in trust for scholarships	\$	92,819

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 105
Gifts and contributions	572
Total additions	677
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,000
Change in net position	(1,323)
Net position beginning of year	94,142
Net position end of year	\$ 92,819

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) **Summary of Significant Accounting Policies**

The Marshalltown Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marshalltown, Iowa, and the predominate agricultural territory in Marshall 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, Marshalltown Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Marshalltown Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Marshall County Assessors' Conference Board.

B. Basis of Presentation

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

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

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 preceding categories. Unrestricted net position is often subject to constraints imposed by management on which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 proprietary funds are the Enterprise, School Nutrition Fund, the Caring Resale Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Caring Resale is used to account for the resale of the school store. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-12 years
Machinery and equipment	5-12 years

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

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Advances from Student Accounts - Proceeds from student registration which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition 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 future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

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

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

Nonspendable - Amounts that cannot be spent either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained intact and not expected to be converted to cash.

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accpimtong

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015 expenditures exceeded the amounts budgeted in the instruction and other expenditures functional areas.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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 which are valued at an amortized cost of \$157,325 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor’s Financial Services.

(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: Statewide Sales, Services and Use Tax	\$ 3,721,645
Capital Projects: Construction	Capital Projects: Statewide Sales, Services and Use Tax	7,000,000
Student Activity	General	60,000
General Total	Enterprise, Caring Resale	43,119 <u>\$ 10,824,764</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s revenue bonded and capital loan note indebtedness along with \$1,981,268 in general obligation bond debt relief.

The transfer from the Capital Projects: Statewide Sales, Services and use Tax Fund to the Capital Projects: Construction Fund was to move unspent revenue bond proceeds from a prior fiscal year issuance to the Construction Fund to be spent on the District’s roundhouse construction project.

The transfer from the General to the Student Activity Fund was to repay the Student Activity Fund for transportation costs incurred during the year.

The transfer from the Enterprise, Caring Resale Fund to the General Fund was to close-out the Enterprise, Caring Resale Fund at year end.

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 637,187	222,209	-	859,396
Construction in progress	8,784,315	6,442,212	6,201,904	9,024,623
Total capital assets not being depreciated	<u>9,421,502</u>	<u>6,664,421</u>	<u>6,201,904</u>	<u>9,884,019</u>
Capital assets being depreciated:				
Buildings	66,706,745	6,201,904	-	72,908,649
Land improvements	1,025,707	-	-	1,025,707
Machinery and equipment	7,156,610	466,100	205,049	7,417,661
Total capital assets being depreciated	<u>74,889,062</u>	<u>6,668,004</u>	<u>205,049</u>	<u>81,352,017</u>
Less accumulated depreciation for:				
Buildings	18,026,052	1,324,271	-	19,350,323
Land improvements	331,745	44,364	-	376,109
Machinery and equipment	5,869,920	424,593	205,049	6,089,464
Total accumulated depreciation	<u>24,227,717</u>	<u>1,793,228</u>	<u>205,049</u>	<u>25,815,896</u>
Total capital assets being depreciated, net	<u>50,661,345</u>	<u>4,874,776</u>	<u>-</u>	<u>55,536,121</u>
Governmental activities capital assets, net	<u>\$ 60,082,847</u>	<u>11,539,197</u>	<u>6,201,904</u>	<u>65,420,140</u>
Business type activities:				
Machinery and equipment	\$ 941,643	82,894	11,045	1,013,492
Less accumulated depreciation	609,550	54,984	11,045	653,489
Business type activities capital assets, net	<u>\$ 332,093</u>	<u>27,910</u>	<u>-</u>	<u>360,003</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 70,331
Support services:	
Operation and maintenance of plant	51,647
Transportation	302,615
	<u>424,593</u>
Unallocated depreciation	<u>1,368,635</u>
Total governmental activities depreciation expense	<u>\$ 1,793,228</u>
Business type activities:	
Food service operations	<u>\$ 54,984</u>

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,990,000	-	1,525,000	16,465,000	1,565,000
Revenue bonds	17,900,000	-	905,000	16,995,000	1,540,000
Qualified zone academy bonds	1,700,000	-	-	1,700,000	1,700,000
Capital loan notes	200,000	-	100,000	100,000	100,000
Termination benefits	2,577,187	503,757	756,665	2,324,279	608,344
Compensated absences	200,430	210,252	200,430	210,252	210,252
Net pension liability	28,360,462	-	8,761,538	19,598,924	-
Total	\$ 68,928,079	714,009	12,248,633	57,393,455	5,723,596
Business type activities:					
Compensated absences	\$ 2,383	3,531	2,383	3,531	3,531
Net pension liability	907,301	-	280,297	627,004	-
Total	\$ 909,684	3,531	282,680	630,535	3,531

General Obligation Bonds

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

Year Ending June 30,	Series A Bond Issue of June 20, 2012			Series B Bond Issue of June 20, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.00	\$ -	19,108	2.55	\$ 1,565,000	397,673	\$ 1,565,000	416,781	1,981,781
2017	2.00	135,000	19,107	2.55	1,605,000	357,765	1,740,000	376,872	2,116,872
2018	2.15	130,000	16,408	2.55	1,645,000	316,837	1,775,000	333,245	2,108,245
2019	2.25	125,000	13,612	2.55	1,680,000	274,890	1,805,000	288,502	2,093,502
2020	2.25	100,000	10,800	2.55	1,730,000	232,050	1,830,000	242,850	2,072,850
2021-2024	2.25	380,000	21,038	2.55	7,370,000	476,085	7,750,000	497,123	8,247,123
Total		\$ 870,000	100,073		\$ 15,595,000	2,055,300	\$ 16,465,000	2,155,373	18,620,373

Capital Loan Note

Details of the District's June 30, 2015 capital loan note indebtedness paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Note Issue of May 30, 2008			
	Interest Rates	Principal	Interest	Total
2016	4.20%	\$ 100,000	4,200	104,200

Qualified Zone Academy Bonds

During the year ended June 30, 2008, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual payments of \$186,860.23 will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a debt sinking fund to pay the indebtedness due December 2015 of \$1,700,000.

Revenue Bonds

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

Year Ending June 30,	Bond Issue of November 6, 2013			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.92%	\$ 650,000	289,080	2.40%	\$ 890,000	227,885	\$ 1,540,000	516,965	2,056,965
2017	2.92	650,000	270,100	2.70	930,000	206,525	1,580,000	476,625	2,056,625
2018	2.92	675,000	251,120	3.00	970,000	181,415	1,645,000	432,535	2,077,535
2019	2.92	695,000	231,410	3.20	1,010,000	152,315	1,705,000	383,725	2,088,725
2020	2.92	715,000	211,116	3.40	1,055,000	119,995	1,770,000	331,111	2,101,111
2021-2025	2.92	3,895,000	730,292	3.50-4.00	2,240,000	129,925	6,135,000	860,217	6,995,217
2026-2028	2.92	2,620,000	154,468		-	-	2,620,000	154,468	2,774,468
		<u>\$ 9,900,000</u>	<u>2,137,586</u>		<u>\$ 7,095,000</u>	<u>1,018,060</u>	<u>\$ 16,995,000</u>	<u>3,155,646</u>	<u>20,150,646</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in April 2011 and \$10,000,000 of bonds issued in November 2013. The bonds were issued for the purpose of financing a portion of various school infrastructure projects. 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 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 31 percent of the statewide sales, services, and use tax revenues. The total principal and interest paid remaining to be paid is \$20,150,646. For the current year principal of \$905,000 and interest of \$536,807 was paid on the bonds and total statewide sales, services and use tax revenues were \$6,585,912.

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

- a) \$1,000,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District has in place a voluntary retirement incentive plan, this plan provides that the District shall pay for the cost of the group health insurance coverage on behalf of the retiree, the same amount being paid by the District on behalf of the retiree for the retiree's last full month of insurance coverage in the fiscal year immediately preceding July 1st of the year of retirement. The District will assume up to a 5% increase per year in its contribution toward the cost of such coverage and this incentive will end after a period of 96 months or when the retiree reaches 65 years of age, whichever is earlier. The District will also continue to pay, on behalf of the retiree, the full premium for group term life insurance coverage in the same face amount as in effect for the retiree immediately prior to retirement. These payments will continue for a period of 96 months.

At June 30, 2015 the District had obligations to 83 retirees with a total liability of \$2,342,279. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$756,665.

(6) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 127,451
General	Management Levy	235,555
Total		<u>\$ 363,006</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits not repaid to the General Fund from prior fiscal years.

The Management Levy Fund is repaying the General Fund for early retirees who were incorrectly paid from the General Fund but were eligible to be paid from the Management Fund and not repaid prior to the end of the fiscal year.

(7) Pension Plan

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

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$3,184,798.

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 \$20,225,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.499765 percent, which was a decrease of 0.017150 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,329,309. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,817	\$ -
Changes of assumptions	892,616	-
Net difference between projected and actual earnings on pension plan investments	-	7,713,587
Changes in proportion and differences between District contributions and proportionate share of contributions	-	789,880
District contributions subsequent to the measurement date	3,184,798	-
Total	<u>\$ 4,297,231</u>	<u>\$ 8,503,467</u>

\$3,184,798 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (1,853,034)
2017	(1,853,034)
2018	(1,853,034)
2019	(1,853,034)
2020	21,102
	<u>\$ (7,391,034)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

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	\$ 38,216,323	\$ 20,225,998	\$ 5,040,171

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$404,416 for legally required employer contributions and \$269,459 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription, dental, vision, and life benefits for employees, retirees and their spouses. There are 653 active and 83 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription and dental coverage is provided through a fully-insured plan with Wellmark. The vision coverage is provided through a fully-insured plan with Avisis. The life coverage is provided through a fully-insured plan with Madison National Life. Retirees under age 65 pay the same premium for the medical/prescription, dental, vision, and life benefits 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.

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	\$ 1,004,000
Interest on net OPEB obligation	(3,067)
Adjustment to annual required contribution	2,752
Annual OPEB cost	<u>1,003,685</u>
Contributions made	<u>(1,006,000)</u>
Increase in net OPEB obligation	(2,315)
Net OPEB obligation beginning of year	<u>(76,685)</u>
Net OPEB obligation end of year	<u><u>\$ (79,000)</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 \$1,006,000 to the medical/prescription, dental, vision, and life plans. Plan members eligible for benefits contributed \$36,000 or 3.45% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 575,681	162.42 %	\$ 341,000
2014	573,315	172.85	(76,685)
2015	1,003,685	100.23	(79,000)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$10,063,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,063,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$27,822,380 and the ratio of the UAAL to covered payroll was 36.17%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014, projected to 2030, Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$447 per month for the Blue Advantage Plan and \$540 per month for the Alliance Select Plan for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,200,190 at June 30, 2015. The incurred but not recorded and unpaid claims liability of \$843,842 reported in the plan at June 30, 2015 based on the requirements of GASB Statement Number 10 is set up as a liability on the Statement of Net Position.

In addition, 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$2,365,196 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.

(11) Construction Commitments

The District has entered into various contracts totaling for school infrastructure improvements for the Marshalltown Roundhouse, and parking lot projects. As of June 30, 2015, costs of \$9,024,623 had been incurred against these contracts. The balance remaining on these projects will be paid as work on the projects progresses.

(12) Deficit Balances

The District had deficit unrestricted net position of \$341,126 in the Enterprise, School Nutrition Fund and deficit unrestricted net position of \$17,527,765 in its governmental activities at June 30, 2015.

(13) Budget Overexpenditures

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the instruction and other expenditures functional areas exceeded the certified budget.

(14) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Four-year-old preschool state aid	\$ 384,218
Teacher salary supplement	24,230
Professional development for model core curriculum	597,206
Professional development	62,768
Market factor incentives	3,831
Textbook aid for nonpublic students	4,199
Successful progression for early readers	107,936
Teacher leadership grant	176,399
Governors advisory council STEM scale-up programs	108,149
Total	<u>\$ 1,468,936</u>

(15) Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 39,078,310	\$ 694,494
Net pension liability at June 30, 2014	(28,360,462)	(907,301)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	2,887,727	92,383
Net position July 1, 2014, as restated	<u>\$ 13,605,575</u>	<u>\$ (120,424)</u>

A more detailed breakout of the effects of the business type activities restatement on individual enterprise funds is as follows:

	<u>School Nutrition</u>	<u>Caring Resale</u>	<u>Total</u>
Net position June 30, 2014, as previously reported	\$ 651,375	43,119	694,494
Net pension liability at June 30, 2014	(907,301)	-	(907,301)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	92,383	-	92,383
Net position July 1, 2014, as restated	<u>\$ (163,543)</u>	<u>43,119</u>	<u>(120,424)</u>

(16) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment In Capital Assets	School Infrastructure	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,574,717	1,586,958	2,448,641	3,498,781
Net investment in capital assets	65,420,140	-	-	-	-
General obligation bond capitalized indebtedness	(16,465,000)	-	-	-	-
Revenue bond capitalized indebtedness	(16,711,178)	-	-	-	-
Unspent revenue bond proceeds	-	(283,822)	-	-	-
Capital loan note capitalized indebtedness	(100,000)	-	-	-	-
QZAB capitalized indebtedness	(1,700,000)	-	-	-	-
Accrued interest payable	-	-	-	(70,163)	-
Termination benefits	-	-	(1,586,958)	-	(737,321)
Compensated absences	-	-	-	-	(210,252)
Net pension liability	-	-	-	-	(19,598,924)
Pension related deferred outflows	-	-	-	-	4,163,380
Pension related deferred inflows	-	-	-	-	(8,239,860)
Internal service fund	-	-	-	-	3,200,190
Net OPEB asset	-	-	-	-	78,676
Nonspendable fund balance	-	-	-	-	38,937
Committed fund balances	-	-	-	-	278,628
Net position (Exhibit A)	\$ 30,443,962	1,290,895	-	2,378,478	(17,527,765)

Marshalltown Community School District

Required Supplementary Information

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 19,076,609	652,156	19,728,765	24,231,760	24,231,760	(4,502,995)
Intermediate sources	5,616	-	5,616	-	-	5,616
State sources	47,575,949	27,713	47,603,662	41,057,346	41,057,346	6,546,316
Federal sources	3,140,684	2,573,219	5,713,903	7,100,000	7,100,000	(1,386,097)
Total revenues	69,798,858	3,253,088	73,051,946	72,389,106	72,389,106	662,840
Expenditures/Expenses:						
Instruction	43,178,994	-	43,178,994	42,188,275	42,188,275	(990,719)
Support services	16,155,115	-	16,155,115	19,049,680	19,049,680	2,894,565
Non-instructional programs	72,995	3,070,668	3,143,663	3,385,530	3,385,530	241,867
Other expenditures	14,317,363	-	14,317,363	13,852,074	13,852,074	(465,289)
Total expenditures/expenses	73,724,467	3,070,668	76,795,135	78,475,559	78,475,559	1,680,424
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,925,609)	182,420	(3,743,189)	(6,086,453)	(6,086,453)	2,343,264
Other financing sources, net	43,119	(43,119)	-	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(3,882,490)	139,301	(3,743,189)	(6,086,453)	(6,086,453)	2,343,264
Balances beginning of year, as restated	16,189,413	(120,424)	16,068,989	38,111,233	38,111,233	(22,042,244)
Balances end of year	\$ 12,306,923	18,877	12,325,800	32,024,780	32,024,780	(19,698,980)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2015, the expenditures in the instruction and other expenditures functional areas exceeded the certified budgeted amounts.

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

	2015
District's proportion of the net pension liability	0.499765%
District's proportionate share of the net pension liability	\$ 20,225,928
District's covered-employee payroll	\$ 35,664,032
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.71%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 3,184,798	2,979,997	2,898,690	2,612,959	2,182,769	2,030,362	1,884,835	1,647,289	1,443,852	1,380,152
Contributions in relation to the statutorily required contribution	(3,184,798)	(2,979,997)	(2,898,690)	(2,612,959)	(2,182,769)	(2,030,362)	(1,884,835)	(1,647,289)	(1,443,852)	(1,380,152)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 35,664,032	33,370,627	33,433,564	32,378,674	31,406,748	29,213,842	29,682,441	27,227,917	25,110,470	24,002,643
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 7,613,000	7,613,000	0.00%	\$ 26,552,674	28.67%
2010	July 1, 2008	-	7,613,000	7,613,000	0.00	24,526,604	31.04
2011	July 1, 2010	-	11,564,000	11,564,000	0.00	25,754,952	44.90
2012	July 1, 2010	-	11,564,000	11,564,000	0.00	25,333,628	45.65
2013	July 1, 2012	-	6,464,000	6,464,000	0.00	26,531,152	24.36
2014	July 1, 2012	-	6,464,000	6,464,000	0.00	28,868,452	22.39
2015	July 1, 2014	-	10,063,000	10,063,000	0.00	27,822,380	36.17

See Note 8 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.

Marshalltown Community School District

Supplementary Information

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

	Special Revenue					
	Management Levy	Student Activity	Public Education and Recreation Levy	Total	Debt Service	Total
ASSETS						
Cash and pooled investments	\$ 1,809,525	213,027	148,003	2,170,555	1,448,641	3,619,196
Receivables:						
Property tax:						
Delinquent	13,116	-	1,369	14,485	-	14,485
Succeeding year	1,199,997	-	125,395	1,325,392	-	1,325,392
TOTAL ASSETS	\$ 3,022,638	213,027	274,767	3,510,432	1,448,641	4,959,073
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 235,555	-	-	235,555	-	235,555
Accounts payable	128	6,279	2,500	8,907	-	8,907
Total liabilities	235,683	6,279	2,500	244,462	-	244,462
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,199,997	-	125,395	1,325,392	-	1,325,392
Fund balances:						
Restricted for:						
Management levy purposes	1,586,958	-	-	1,586,958	-	1,586,958
Student activities	-	206,748	-	206,748	-	206,748
Public education and recreation levy	-	-	146,872	146,872	-	146,872
Debt service	-	-	-	-	1,448,641	1,448,641
Total fund balances	1,586,958	206,748	146,872	1,940,578	1,448,641	3,389,219
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,022,638	213,027	274,767	3,510,432	1,448,641	4,959,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY 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	Total	Debt Service	Total
Revenues:						
Local sources:						
Local tax	\$ 1,198,812	-	125,136	1,323,948	-	1,323,948
Other	53,379	653,609	210	707,198	44,443	751,641
State sources	21,281	-	2,221	23,502	-	23,502
Total revenues	<u>1,273,472</u>	<u>653,609</u>	<u>127,567</u>	<u>2,054,648</u>	<u>44,443</u>	<u>2,099,091</u>
Expenditures:						
Current:						
Instruction:						
Regular	733,124	-	-	733,124	-	733,124
Other	-	720,503	-	720,503	-	720,503
Support services:						
Administration	391,157	-	-	391,157	-	391,157
Operation and maintenance of plant	145,352	-	-	145,352	-	145,352
Non-instructional programs:						
Community service operations	-	-	72,995	72,995	-	72,995
Capital outlay	-	-	207,598	207,598	-	207,598
Long-term debt:						
Principal	-	-	-	-	2,530,000	2,530,000
Interest and fiscal charges	-	-	-	-	1,004,875	1,004,875
Total expenditures	<u>1,269,633</u>	<u>720,503</u>	<u>280,593</u>	<u>2,270,729</u>	<u>3,534,875</u>	<u>5,805,604</u>
Excess(Deficiency) of revenues over(under) expenditures	3,839	(66,894)	(153,026)	(216,081)	(3,490,432)	(3,706,513)
Other financing sources:						
Transfer in	-	60,000	-	60,000	3,721,645	3,781,645
Change in fund balances	3,839	(6,894)	(153,026)	(156,081)	231,213	75,132
Fund balances beginning of year	<u>1,583,119</u>	<u>213,642</u>	<u>299,898</u>	<u>2,096,659</u>	<u>1,217,428</u>	<u>3,314,087</u>
Fund balances end of year	<u>\$ 1,586,958</u>	<u>206,748</u>	<u>146,872</u>	<u>1,940,578</u>	<u>1,448,641</u>	<u>3,389,219</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Construction	Total
ASSETS				
Cash and pooled investments	\$ 1,498,279	1,057,884	317,155	2,873,318
Receivables:				
Property tax:				
Delinquent	-	10,773	-	10,773
Succeeding year	-	970,386	-	970,386
Due from other governments	792,616	-	-	792,616
TOTAL ASSETS	\$ 2,290,895	2,039,043	317,155	4,647,093
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	10,952	33,333	44,285
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	970,386	-	970,386
Fund balances:				
Restricted for:				
Debt service	1,000,000	-	-	1,000,000
School infrastructure	1,290,895	-	283,822	1,574,717
Physical plant and equipment	-	1,057,705	-	1,057,705
Total fund balances	2,290,895	1,057,705	283,822	3,632,422
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,290,895	2,039,043	317,155	4,647,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Construction	Total
Revenues:				
Local sources:				
Local tax	\$ -	965,682	-	965,682
Other	24,761	1,203	28	25,992
State sources	6,585,912	16,455	-	6,602,367
Total revenues	<u>6,610,673</u>	<u>983,340</u>	<u>28</u>	<u>7,594,041</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	-	1,864	-	1,864
Transportation	-	236,514	-	236,514
Capital outlay	512,023	981,465	6,716,206	8,209,694
Total expenditures	<u>512,023</u>	<u>1,219,843</u>	<u>6,716,206</u>	<u>8,448,072</u>
Excess(Deficiency) of revenues over(under) expenditures	6,098,650	(236,503)	(6,716,178)	(854,031)
Other financing sources(uses):				
Transfer in	-	-	7,000,000	7,000,000
Transfer out	(10,721,645)	-	-	(10,721,645)
Total other financing sources(uses):	<u>(10,721,645)</u>	<u>-</u>	<u>7,000,000</u>	<u>(3,721,645)</u>
Change in fund balances	(4,622,995)	(236,503)	283,822	(4,575,676)
Fund balances beginning of year	<u>6,913,890</u>	<u>1,294,208</u>	<u>-</u>	<u>8,208,098</u>
Fund balances end of year	<u>\$ 2,290,895</u>	<u>1,057,705</u>	<u>283,822</u>	<u>3,632,422</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund Transfers	Balance End of Year
Senior High School	\$ 128,063	550,002	607,949	60,000	130,116
Miller Middle School	30,724	72,399	80,059	-	23,064
Anson Elementary School	916	1	-	-	917
Fisher Elementary School	11,384	2,471	5,677	-	8,178
Franklin Elementary School	1,495	758	692	-	1,561
Hoglan Elementary School	12,503	20	-	-	12,523
Rogers Elementary School	354	417	-	-	771
Woodbury Elementary School	28,187	1,515	1,872	-	27,830
Lenihan School	16	26,026	24,254	-	1,788
Total	\$ 213,642	653,609	720,503	60,000	206,748

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
 PRIVATE PUROSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
Kiser Memorial	\$ 5,972	1	-	5,973
White Memorial	11,019	-	-	11,019
Supinger Memorial	34,604	102	-	34,706
Wilkins Memorial	2,385	-	-	2,385
Warrington Memorial	1,291	-	-	1,291
Forman Scholarship	17,780	2	1,000	16,782
Mann Scholarship	8,503	572	1,000	8,075
Hoop Scholarship	10,001	-	-	10,001
Wilson Memorial	2,587	-	-	2,587
Total	<u>\$ 94,142</u>	<u>677</u>	<u>2,000</u>	<u>92,819</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 16,940,548	17,000,441	21,031,966	19,965,384	19,077,440	18,991,634	18,480,477	17,944,565	17,338,396	16,221,358
Tuition	581,413	541,623	511,382	520,212	615,127	620,278	884,833	690,049	786,543	763,379
Other	1,554,648	1,979,646	1,374,398	1,591,790	1,696,419	1,615,686	1,856,905	2,000,495	2,105,819	1,982,435
Intermediate sources	5,616	7,003	-	1,544	-	12,677	3,000	-	-	-
State sources	47,575,949	40,191,783	35,554,763	34,382,794	32,450,180	27,135,151	31,849,930	29,525,104	27,891,472	25,374,838
Federal sources	3,140,684	4,394,036	4,569,742	6,037,941	5,144,022	5,654,814	2,794,429	2,687,752	4,082,428	2,530,261
Total	\$ 69,798,858	64,114,532	63,042,251	62,499,665	58,983,188	54,030,240	55,869,574	52,847,965	52,204,658	46,872,271
Expenditures:										
Instruction:										
Regular	\$ 24,917,905	23,662,704	21,795,143	22,985,566	21,271,530	21,034,796	20,060,964	18,726,781	16,356,028	15,410,271
Special	8,961,367	8,233,983	8,126,989	7,799,537	7,793,197	7,391,297	7,044,662	7,236,665	5,579,883	6,481,420
Other	9,299,722	9,107,860	9,517,911	8,377,947	7,760,462	7,026,144	7,164,887	6,464,219	6,549,435	5,635,206
Support services:										
Student	2,535,340	2,865,287	3,149,677	3,234,778	2,805,043	2,103,723	1,908,107	1,991,004	1,846,262	1,690,065
Instructional staff	2,502,071	2,165,536	2,293,463	1,691,437	1,678,659	2,270,085	2,142,918	1,794,691	2,272,949	2,119,595
Administration	4,513,540	4,476,548	4,373,022	4,085,615	3,884,942	3,728,482	3,834,695	3,900,824	4,611,452	4,555,965
Operation and maintenance of plant	4,790,097	4,686,393	4,496,125	4,268,969	4,402,034	4,203,737	3,956,726	4,043,697	3,750,599	3,352,581
Transportation	1,814,067	1,725,003	1,798,759	1,676,681	1,659,213	1,683,260	1,484,621	1,521,172	1,346,938	1,085,648
Non-instructional programs:										
Community service operations	72,995	76,400	63,308	53,420	67,803	56,138	165,550	120,319	95,017	100,334
Capital outlay	8,417,292	9,880,744	4,546,813	7,019,895	2,499,292	530,603	2,789,759	3,368,510	7,386,945	14,855,639
Long Term Debt:										
Principal	2,530,000	18,510,000	2,025,000	2,570,000	1,165,000	1,115,000	1,075,000	940,000	900,000	1,557,000
Interest and other fiscal charges	1,004,875	1,803,746	1,625,764	1,416,160	1,109,755	1,163,755	1,204,542	1,215,005	1,246,434	1,250,195
Other expenditures:										
AEA flow-through	2,365,196	2,238,380	2,152,426	2,124,025	2,296,118	2,192,875	1,921,715	1,833,651	1,712,160	1,569,129
Total	\$ 73,724,467	89,432,584	65,964,400	67,304,030	58,393,048	54,499,895	54,754,146	53,156,538	53,654,102	59,663,048

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION			
(CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 15	\$ 357,451
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAM:	84.334	FY 15	24,058
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE			
	93.243	FY 15	53,141
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	658,866
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	1,719,407 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	89,671
			<u>2,467,944</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 15	105,275
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:			
IOWA STATE UNIVERSITY:			
AEROSPACE EDUCATION SERVICES PROGRAM	43.001	FY 15	10,162
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4104-G	1,089,130
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4104-GC	171,422
			<u>1,260,552</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 15	236,644
ADVANCE PLACEMENT PROGRAM	84.330	FY 15	388
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	186,521
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	24,210
DEPARTMENT OF EDUCATION:			
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	279,440
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	27,492
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 15	123,776
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS AND TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY 15	700
ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION AND CONTROL	93.945	FY 15	3,084
IOWA DEPARTMENT OF PUBLIC HEALTH:			
AFFORDABLE CARE ACT(ACA) ABSTINENCE EDUCATION PROGRAM			
	93.235	FY 15	62,251
TOTAL			<u>\$ 5,223,089</u>

* - Includes \$94,785 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Marshalltown Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the 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 and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the Marshalltown Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Marshalltown Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2016
Newton, Iowa

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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 Marshalltown Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2016
Newton, Iowa

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

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual Programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.215 - Fund for the Improvement of Education (Carol M. White Physical Education Program)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshalltown Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site. We noted in the Student Activity Fund that collections, receipting and deposit preparation duties were performed by the same individual.

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

Response - The District will continue to investigate ways to achieve segregation of duties with the limited number of office employees.

Conclusion - Response accepted.

II-B-15 Supporting Documentation - We noted during our audit instances of payments to vendors that lacked an invoice or other form of supporting documentation for the payment made.

Recommendation - Chapter 279.29 of the Code of Iowa requires the District's Board to audit and allow all bills prior to payment. Lack of supporting documentation for the payment makes it impossible for the Board to audit and approve the bill. The Board may require alternative documentation when an invoice is not available, however, the Board should make notation on the documents of the approval by the Board.

Response - The District will make sure all vendor payments have supporting invoices prior to payment.

Conclusion - Response accepted.

II-C-15 Student Activity Fund- Football Fundraiser - We noted during our audit that the District's football team conducted a fundraiser selling "gold cards" and that the proceeds were deposited into the football camp bank account which is outside the influence of the District. The fund-raising activity did not appear to be clearly designated as sponsored by an outside group.

Recommendation - The District should have all fundraisers in which the District or District's students participate be approved by Board of Education, and have a stated purpose as to where the money is going and what it will be used for. The District should have policies and/or procedures in place to address fund-raising activity including:

a. The Board or its designee should approve all District-sponsored fundraising activity.

b. The board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as a Booster Club and a PTO.

c. Boards should establish procedures for fund-raising activity for District sponsored fundraisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.

d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.

e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.

f. If District-sponsored, the District should account for the fund-raising activity.

Response - The District has received the proceeds from this fundraiser and deposited the money into the appropriate account. The District will ensure future fundraiser proceeds are deposited into the correct account.

Conclusion - Response accepted.

II-D-15 Bearer Paper - We noted during our audit checks issued for change boxes made payable to “petty cash” only. Checks made out to “petty cash” are considered bearer paper and in the event the check would be lost or stolen, could be cashed by anyone.

Recommendation - The District should review its procedures so that the “payable to” line on checks issued for start-up cash also includes the name of the District custodian/sponsor that is responsible for going to the bank and obtaining the cash.

Response - The District is issuing checks for petty cash that includes the name of the District custodian/sponsor.

Conclusion - Response accepted.

OTHER MATTERS:

II-E-15 Deficit Lunch Account Balances - We noted during the audit that the Nutrition Fund is carrying several deficit student lunch account balances some of which appear to be excessive in amount.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming negative. The District may also wish to encourage alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District reviews negative lunch balances and continues to send notes home, mail past due invoices, places phone calls and implements a cheese lunch process. Continued review will ensue.

Conclusion - Response accepted.

MARSHALLTOWN COMMUNITY 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 noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site.

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

Response and Corrective Action Plan - The District will continue to investigate ways to achieve segregation of duties with the limited number of office employees.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will review its process of estimating future expenditures and will amend its budget if needed in the future.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - Disbursements noted which may not meet public purpose as defined by Attorney General's opinion dated April 25, 1979 are noted as follows:

Student VISA: We noted during our audit expense for Student VISA fees in the amount of \$2,355 made from the High School Special Athletic Donations account within the Student Activity Fund so a student could return for another year of education at the District. We question the public purpose served by this expense in accordance with public purpose requirements as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review all purchases to ensure they meet public purpose requirements compliance with Attorney General's opinion dated April 25, 1979. The District should seek reimbursement from the appropriate parties for the \$2,355 in fees paid.

Response - The District will review all purchases to ensure they meet the public purpose.

Conclusion - Response acknowledged. The District should also attempt to seek reimbursement from the appropriate parties for the fees in question.

Gift Cards: Noted the District purchased gift cards to be given as prizes during the Bobcat Golf event. Giving gift certificates/cards does not allow the board to "audit and allow" final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards and cash incentives are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills. The gift cards and cash prizes do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purpose to be in accordance with the Attorney General's opinion dated April 25, 1979.

Response - The District will notify staff that it is not appropriate to purchase gift cards.

Conclusion - Response accepted.

Fundraiser Prizes: We noted during our audit a disbursement for fundraiser prizes to be given to top sellers purchased from Miller Magazines Sales account within the Student Activity Fund. Giving prizes to top sellers in a fundraiser, for attendance or good behavior does not appear to meet public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students to be in compliance with Attorney General’s opinion dated April 25, 1979.

Response - The District will notify staff that it is not appropriate to give prizes are rewards.

Conclusion - Response accepted.

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 and employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Adland, Bus Driver Owner of Adland Engraving Co.	Engraving Services	\$13,863
Rachel Palmer, Payroll Specialist Owns Palmer Services	Repair Services	\$1,015
Kay Beach, Board Member Music accompanist	Services	\$1,029

According to Attorney General’s Opinion dated July 2, 1990 the above transactions with the bus driver, Dave Adland, and payroll specialist, Rachel Palmer do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board member, Kay Beach, does not appear to represent a 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 insure that the coverage is adequate for current operations.

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

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number certified was overstated by 0.22 students for the fall 2014 count date.

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

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on behalf of the District to resolve the variance in certified enrollment.

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

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

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds. However, we noted during our audit that the District appears to have excessive carryover categorical funding balances for professional development for model core curriculum and its Governor's Advisory Council STEM Scale-Up Program.

Recommendation - The District should review these categorical funding carryover balances and develop a plan for spending down these balances.

Response - The District will review categorical funding carryover balances and develop a plan to spend down balances.

Conclusion - Response accepted.

IV-L-15 Financial Condition - We noted the School Nutrition Fund had deficit unrestricted net position of \$341,126 and the District's governmental activities had deficit unrestricted net position of \$17,527,765 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District will educate the District's administration and Board of Education on how GABB 68 and 71 affect the District's financial statements.

Conclusion - Response accepted.

IV-M-15 DJ Contracts - We noted during our audit that contracts with local disc jockeys for DJ services were not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - The District will ensure all contracts are signed by the Board President.

Conclusion - Response accepted.

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

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

Beginning balance		\$ 6,913,890
Revenues:		
Sales tax revenues	\$ 6,585,912	
Other local revenues	24,761	6,610,673
		<u>13,524,563</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 512,023	
Transfers to another fund:		
Capital Projects: Construction	7,000,000	
Debt service fund	3,721,645	11,233,668
		<u>11,233,668</u>
Ending balance		<u><u>\$ 2,290,895</u></u>

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

	<u>Rate of Levy</u>	<u>Property</u>
	Reduction	Tax
	Per \$1,000	Dollars
	of Taxable	Reduced
	Valuation	Valuation
Debt service levy	<u>\$ 2.04975</u>	<u>\$ 1,981,268</u>

IV-O-15 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Instructional/Administrative Purchases: We noted expenditures for professional development consulting services along with main office and classroom supplies were paid out of the Miller Middle School General Account within the Student Activity Fund. The invoice for the consulting services describes services use as for corrective reading. The office and classroom supplies do not appear to be extracurricular or co-curricular in nature. These expenditures would appear to benefit the instructional program of the District and would be more appropriately handled in out of the District's General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures for the consulting services along with the office and classroom supplies would appear to be instructional in nature and would be more appropriate in the General Fund.

Response - The District will review the propriety of the revenues and expenditures that are approved in the Activity Fund to make sure they are being deposited into and paid from the correct fund.

Conclusion - Response accepted.