

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Martensdale - St. Mary's Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Nicole Bunch	President	2015
Wade Gibson	Vice President (Resigned June 2015)	2017
Ralph DiCesare	Board Member	2017
Dean Furness	Board Member	2015
Dawn Reeves	Board Member	2017
Jon White	Board Member (Appointed June 2015)	2015
<b>School Officials</b>		
Tom Wood	Superintendent	2015
Jill Gavin	District Secretary/Treasurer and Business Manager	2015
Ahlers & Cooney	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(A Professional Corporation)**  
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**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

### **Emphasis of Matter**

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

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 required supplementary 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 Martensdale-St. Marys 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. Other supplementary information included in Schedules 1 through 8, 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 23, 2016 on our consideration of Martensdale-St. Marys 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 reports 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 Martensdale St Marys 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 23, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Martensdale-St. Marys 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 \$5,691,883 in fiscal 2014 to \$5,893,359 in fiscal 2015, while General Fund expenditures increased from \$5,551,030 in fiscal 2014 to \$5,913,081 in fiscal 2015. The District's General Fund balance decreased from \$2,286,110 at June 30, 2014 to \$2,266,388 at June 30, 2015, a 0.86% decrease from the prior year.
- The increase in General Fund revenues was largely attributable to an increase in state sources and other local sources in fiscal 2015. The increase in expenditures was due primarily to an increase of negotiated salaries and benefits.
- As of June 30, 2015, the District's solvency ratio was 36.65% compared to 38.77% for the year ended June 30, 2014.

### **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 Martensdale-St. Marys 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 Martensdale-St. Marys 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 Martensdale-St. Marys 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.

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

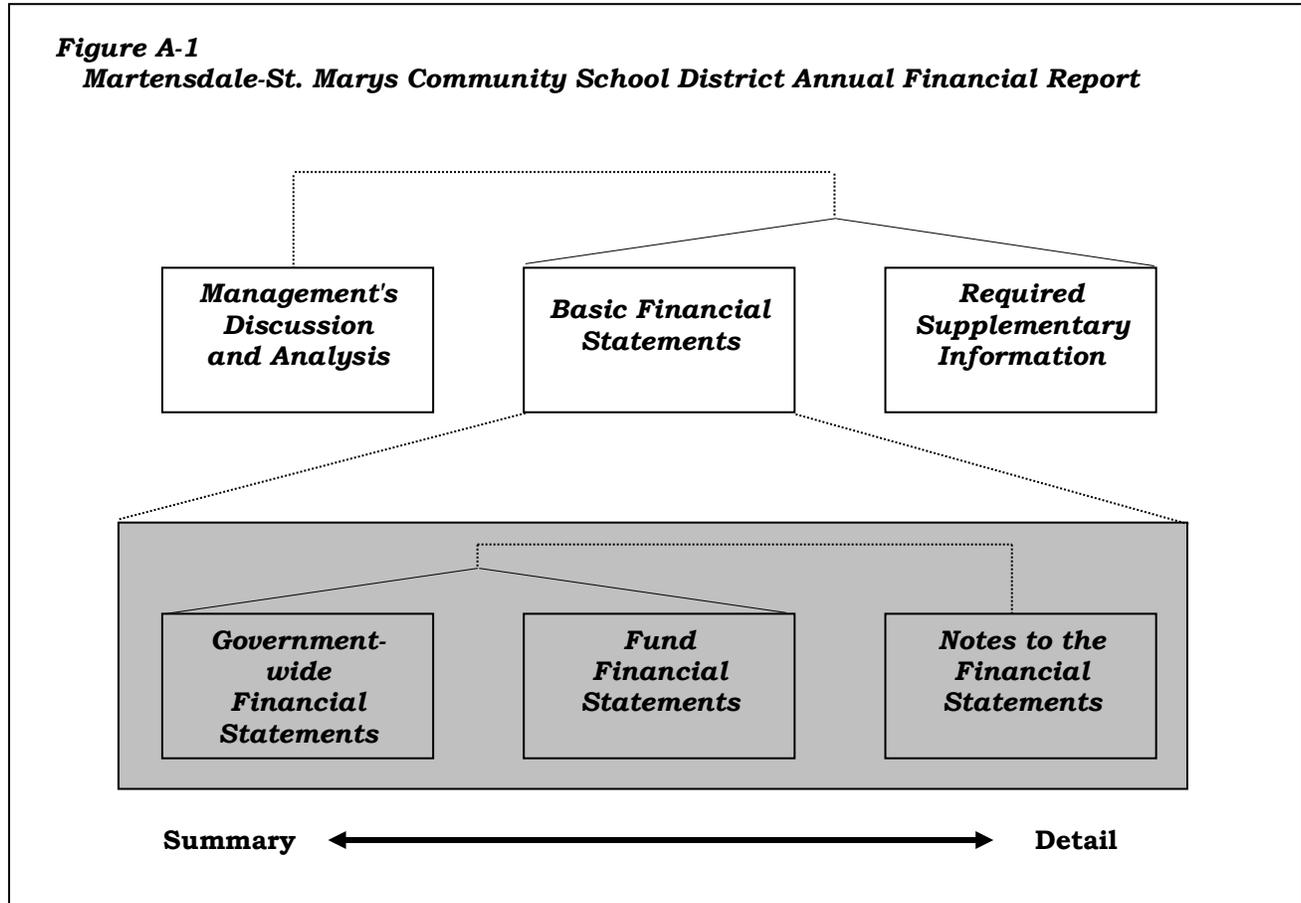


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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, childcare program	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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

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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 child care 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 Debt Service Funds and the Capital Projects Fund.

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust 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	2015	2014	2015	2014	2014-15
	(not restated)		(not restated)		(not restated)		
Current and other assets	\$ 7,461,793	7,008,448	103,793	90,489	7,565,586	7,098,937	6.57%
Capital assets	7,062,937	7,110,007	22,682	33,714	7,085,619	7,143,721	-0.81%
Total assets	<u>14,524,730</u>	<u>14,118,455</u>	<u>126,475</u>	<u>124,203</u>	<u>14,651,205</u>	<u>14,242,658</u>	<u>2.87%</u>
Deferred outflows of resources	402,550	-	17,656	-	420,206	-	100.00%
Long-term liabilities	6,758,081	5,134,553	77,218	-	6,835,299	5,134,553	33.12%
Other liabilities	711,707	636,952	6,666	7,476	718,373	644,428	11.47%
Total liabilities	<u>7,469,788</u>	<u>5,771,505</u>	<u>83,884</u>	<u>7,476</u>	<u>7,553,672</u>	<u>5,778,981</u>	<u>30.71%</u>
Deferred inflows of Resources	3,031,304	2,407,880	29,449	-	3,060,753	2,407,880	27.11%
Net position:							
Net investment in capital assets	2,587,937	2,345,007	22,682	33,714	2,610,619	2,378,721	9.75%
Restricted	2,182,453	1,793,883	-	-	2,182,453	1,793,883	21.66%
Unrestricted	(344,202)	1,800,180	8,116	83,013	(336,086)	1,883,193	-117.85%
Total net position	<u>\$ 4,426,188</u>	<u>5,939,070</u>	<u>30,798</u>	<u>116,727</u>	<u>4,456,986</u>	<u>6,055,797</u>	<u>-26.40%</u>

The District's combined net position decreased by 26.40%, or \$1,598,811, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net position increased \$388,570 or 21.66% from the prior year. The increase was primarily related to an increase in fund balance of the Debt Service Fund:

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 \$2,219,279 or 117.85% from the prior year. This reduction in unrestricted net position was primarily a result of the District’s net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by 2,195,548 and 95,300, 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 as 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	2015	2014	2015	2014	2014-15
	(not restated)	(not restated)	(not restated)	(not restated)	(not restated)		
Revenues:							
Program revenues:							
Charges for service	\$ 1,062,297	948,754	237,015	216,441	1,299,312	1,165,195	11.51%
Operating grants, contributions, and restricted interest	484,275	461,027	106,183	107,585	590,458	568,612	3.84%
General revenues:							
Property tax	2,425,308	2,383,315	-	-	2,425,308	2,383,315	1.76%
Income surtax	29,982	27,340	-	-	29,982	27,340	9.66%
Statewide sales, services and use tax	493,196	465,857	-	-	493,196	465,857	5.87%
Unrestricted state grants	2,853,741	2,806,104	-	-	2,853,741	2,806,104	1.70%
Unrestricted interest earnings	8,851	120	-	-	8,851	120	7275.83%
Other general revenue	40,223	45,091	-	-	40,223	45,091	-10.80%
Total revenues	<u>7,397,873</u>	<u>7,137,608</u>	<u>343,198</u>	<u>324,026</u>	<u>7,741,071</u>	<u>7,461,634</u>	<u>3.74%</u>
Program expenses:							
Instruction	4,307,637	4,104,003	-	-	4,307,637	4,104,003	4.96%
Support services	1,833,013	1,697,427	2,928	1,052	1,835,941	1,698,479	8.09%
Non-instructional programs	-	-	330,899	311,695	330,899	311,695	6.16%
Other expenses	574,557	571,794	-	-	574,557	571,794	0.48%
Total expenses	<u>6,715,207</u>	<u>6,373,224</u>	<u>333,827</u>	<u>312,747</u>	<u>7,049,034</u>	<u>6,685,971</u>	<u>5.43%</u>
Change in net position	682,666	764,384	9,371	11,279	692,037	775,663	-10.78%
Net position beginning of year, as restated	<u>3,743,522</u>	<u>5,174,686</u>	<u>21,427</u>	<u>105,448</u>	<u>3,764,949</u>	<u>5,280,134</u>	<u>-28.70%</u>
Net position end of year	<u>\$ 4,426,188</u>	<u>5,939,070</u>	<u>30,798</u>	<u>116,727</u>	<u>4,456,986</u>	<u>6,055,797</u>	<u>-26.40%</u>

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.43% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$7.74 million, of which approximately \$7.40 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.74% increase in revenues and a 5.43% increase in expenses. Increases in charge for service revenue led to the increase in revenue and the increase in instruction expenses led to the increase in expense from the prior year.

### Governmental Activities

Revenues for governmental activities were \$7,397,873 and expenses were \$6,715,207 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 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	\$ 4,307,637	4,104,003	4.96%	3,002,624	2,905,300	3.35%
Support services	1,833,013	1,697,427	7.99%	1,802,733	1,690,614	6.63%
Other expenses	574,557	571,794	0.48%	363,278	367,529	-1.16%
Total	<u>\$ 6,715,207</u>	<u>6,373,224</u>	<u>5.37%</u>	<u>5,168,635</u>	<u>4,963,443</u>	<u>4.13%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,062,297.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$484,275.
- The net cost of governmental activities was financed with \$2,425,308 in property tax, \$29,982 in income surtax, \$493,196 in statewide, sales services and use tax, \$2,853,741 in unrestricted state grants, \$8,851 in interest income, and \$40,223 in other general revenue.

### Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015 were \$343,198 and expenses were \$333,827. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,451,519, above last year's ending fund balances of \$4,021,182. This increase was mainly the result of the improved fund balance in the Management Fund and Debt Service Funds.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The General Fund balance decreased from \$2,286,110 to \$2,266,388 primarily due to an increase in instruction and support service expenditures incurred compared to the prior year.
- Management Fund balance increased from \$106,247 at June 30, 2014 to \$168,458 at June 30, 2015. This increase is primarily due to an increase in local tax revenue received as compared to the prior year.
- The Debt Service Fund balance increased from \$982,076 at June 30, 2014 to \$1,385,366 at June 30, 2015. This increase was due to the continued levy increase on the District's general obligation bonds.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$16,433 at July 1, 2014 to \$31,480 at June 30, 2015, representing an increase of 91.57%. The Day Care Fund net position decreased from \$4,984 at July 1, 2014 to a deficit of \$682 at June 30, 2015, representing a decrease of 113.66%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District amended its budget one time to reflect additional expenditures in the instruction, support services and non-instructional programs function areas.

The District's revenues were \$193,979 more than budgeted revenues, a variance of 2.57%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$7,085,619, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$305,884.

The original cost of the District's capital assets was \$10,710,328. Governmental funds account for \$10,593,292 with the remainder of \$171,433 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2015, compared to \$23,765 reported at June 30, 2014 due to District completing construction during this fiscal year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 431,172	431,172	-	-	431,172	431,172	0.00%
Construction in progress	-	23,765	-	-	-	23,765	-100.00%
Land improvements	214,982	228,880	-	-	214,982	228,880	-6.07%
Buildings and improvements	6,195,288	6,226,299	-	-	6,195,288	6,226,299	-0.50%
Machinery and equipment	221,495	199,891	22,682	33,714	244,177	233,605	4.53%
Total	\$ 7,062,937	7,110,007	22,682	33,714	7,085,619	7,143,721	-0.81%

### Long-Term Debt

At June 30, 2015, the District had \$6,835,299 in total long-term debt outstanding. This represents an increase of 33.12% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$1,205,000 at June 30, 2015.
- The District had total outstanding revenue bonds payable of \$3,270,000 at June 30, 2015.
- The District had total outstanding termination benefits payable from the Management Levy Fund of \$105,916 at June 30, 2015.
- The District had a Net OPEB liability of \$398,176 at June 30, 2015.
- The District had a net pension liability of \$1,856,207 at June 30, 2015. \$1,778,989 is attributed to the governmental activities and \$77,218 is attributed to the business-type activities.

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	2015	2014	2015	2014	2014-15
		(not restated)		(not restated)		(not restated)	
General obligation bonds	\$ 1,205,000	1,350,000	-	-	1,205,000	1,350,000	-10.74%
Revenue bonds	3,270,000	3,415,000	-	-	3,270,000	3,415,000	-4.25%
Termination benefits	105,916	16,675	-	-	105,916	16,675	535.18%
Net pension liability	1,778,989	-	77,218	-	1,856,207	-	100.00%
Net OPEB liability	398,176	352,878	-	-	398,176	352,878	12.84%
Total	\$ 6,758,081	5,134,553	77,218	-	6,835,299	5,134,553	33.12%

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## **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:

- Continued concerns in the economy and discussion at the state level regarding allowable growth will continue play an important factor in meeting the needs of our district. Although the District has a healthy unspent balance and cash reserve, these funds could quickly be depleted.
- MSTM has maintained enrollment, without seeing growth, which has not allowed for additional dollars to fund programs. With the added burden of continued underfunding through state supplemental aid, financial planning is difficult.
- Although we are unsure of unemployment numbers for the area, we have had several reports of layoffs in the community and in areas our community members work.
- Future increases to teachers' salaries are tied to the allowable growth set by the state, which allows for a positive situation for the district. The State Percent of Growth is two percent for FY14 and four percent for FY15. The supplemental state aid amount per pupil for FY14 is \$120 and for FY15 is \$245. The difference between the new term "Supplemental state aid" and the prior term "allowable growth" is that this increased aid is entirely state funding with no property tax impact. There was a one-time "School District Funding Supplement" for the FY14 that is equal to two percent of the Regular Program State Cost per pupil for the 2012-13 school year times the budget enrollment for FY14. This school district funding supplement is miscellaneous income; carryover does not revert, and it is paid in the same manner as foundation aid beginning with the September 2013 state aid payment.
- The school board approved the addition of several new positions for and during the 2015-2016 school year. The superintendent/elementary principal combined position was divided again, and a new elementary principal was hired. In addition, a new secondary PE position was created to address student needs and comply with state guidelines. Finally, changes in the district's special education population required the hiring of an additional special education teacher at the elementary level.
- Open enrollment in versus out continues to increase, which has been a benefit to the district. The District will still need to be careful of funding ongoing expenditures with funds as variable as open enrollment. The District needs to continue to foster open enrollment to the extent that facilities allow.
- The District's average of enrollment over the past ten years is 526 students. The highest has been 533.7 in FY10 and the lowest has been 485.70 in FY06. It is prudent for the District to plan for growth of 10-15 students per year.
- Although current facilities are in good condition, there has been an increasing need for annual facility maintenance funds, as District facilities are no longer under warranty and starting to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.
- There is not a rapid addition of facilities due to the lack of significant residential and commercial taxable valuation growth. This will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of

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growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.

- Ongoing discussions of increasing the residential property and improving the sewer system of Martensdale have been made.
- The Education Reform measures that are currently unfunded by the State of Iowa continue to pose problems for budgeting. Some of these requirements will need to be met in the upcoming school years, while others have been pushed out further. This may include additional spending for materials, summer school design, assessments, and additional staff members.
- As we learn more about how Health Care Reform will affect our employees and budget management, additional funding may be required to meet these regulations.
- The Teacher Leadership and Compensation grant has been secured for the 2016-2017 school year. While this could result in additional state funding, the requirements included will use all of those funds in specific areas.
- The district received the Early Literacy Implementation Grant which provided money to staff members to help guide the district through new legislation.
- The district has discontinued the early retirement plan, and will revisit implementing it on a year to year basis.

## **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 Jill Gavin, Business Manager, Martensdale-St. Marys Community School District, PO Box 350, Martensdale, Iowa, 50160.

# **Martensdale-St Mary Community School District**

# **Basic Financial Statements**

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
U.S. Government Treasury securities on deposit with escrow agent	\$ 770,000	-	770,000
Other	4,013,206	99,029	4,112,235
Receivables:			
Property tax:			
Delinquent	29,160	-	29,160
Succeeding year	2,352,849	-	2,352,849
Income surtax	26,219	-	26,219
Due from other governments	270,359	-	270,359
Inventories	-	4,764	4,764
Capital assets, net of accumulated depreciation	7,062,937	22,682	7,085,619
<b>Total assets</b>	<b>14,524,730</b>	<b>126,475</b>	<b>14,651,205</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	402,550	17,656	420,206
<b>Liabilities</b>			
Accounts payable	152,874	1,728	154,602
Salaries and benefits payable	478,332	-	478,332
Accrued interest payable	80,501	-	80,501
Unearned revenue	-	4,938	4,938
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	145,000	-	145,000
Revenue bonds	155,000	-	155,000
Termination benefits	67,177	-	67,177
Portion due after one year:			
General obligation bonds	1,060,000	-	1,060,000
Revenue bonds	3,115,000	-	3,115,000
Termination benefits	38,739	-	38,739
Net pension liability	1,778,989	77,218	1,856,207
Net OPEB liability	398,176	-	398,176
<b>Total liabilities</b>	<b>7,469,788</b>	<b>83,884</b>	<b>7,553,672</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,352,849	-	2,352,849
Pension related deferred inflows	678,455	29,449	707,904
<b>Total deferred inflows of resources</b>	<b>3,031,304</b>	<b>29,449</b>	<b>3,060,753</b>
<b>Net Position</b>			
Net investment in capital assets	2,587,937	22,682	2,610,619
Restricted for:			
Categorical funding	183,739	-	183,739
Debt service	1,304,865	-	1,304,865
Management levy purposes	56,492	-	56,492
Student activities	67,810	-	67,810
School infrastructure	526,695	-	526,695
Physical plant and equipment	42,852	-	42,852
Unrestricted	(344,202)	8,116	(336,086)
<b>Total net position</b>	<b>\$ 4,426,188</b>	<b>30,798</b>	<b>4,456,986</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MARTENSDALE-ST. MARYS 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	Govern-mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,851,166	678,257	64,360	(2,108,549)	-	(2,108,549)
Special	766,720	214,896	24,044	(527,780)	-	(527,780)
Other	689,751	169,144	154,312	(366,295)	-	(366,295)
	<u>4,307,637</u>	<u>1,062,297</u>	<u>242,716</u>	<u>(3,002,624)</u>	<u>-</u>	<u>(3,002,624)</u>
Support services:						
Student	128,100	-	-	(128,100)	-	(128,100)
Instructional staff	17,302	-	-	(17,302)	-	(17,302)
Administration	770,681	-	-	(770,681)	-	(770,681)
Operation and maintenance of plant	632,455	-	-	(632,455)	-	(632,455)
Transportation	284,475	-	30,280	(254,195)	-	(254,195)
	<u>1,833,013</u>	<u>-</u>	<u>30,280</u>	<u>(1,802,733)</u>	<u>-</u>	<u>(1,802,733)</u>
Long-term debt interest	180,000	-	-	(180,000)	-	(180,000)
Other expenses:						
AEA flowthrough	211,279	-	211,279	-	-	-
Depreciation(unallocated)*	183,278	-	-	(183,278)	-	(183,278)
	<u>394,557</u>	<u>-</u>	<u>211,279</u>	<u>(183,278)</u>	<u>-</u>	<u>(183,278)</u>
Total governmental activities	<u>6,715,207</u>	<u>1,062,297</u>	<u>484,275</u>	<u>(5,168,635)</u>	<u>-</u>	<u>(5,168,635)</u>
Business type activities:						
Support services:						
Administration	1,859	-	-	-	(1,859)	(1,859)
Transportation	1,069	-	-	-	(1,069)	(1,069)
Non-instructional programs:						
Food service operations	256,969	165,833	106,183	-	15,047	15,047
Day care operations	73,930	71,182	-	-	(2,748)	(2,748)
Total business type activities	<u>333,827</u>	<u>237,015</u>	<u>106,183</u>	<u>-</u>	<u>9,371</u>	<u>9,371</u>
Total	<u>\$ 7,049,034</u>	<u>1,299,312</u>	<u>590,458</u>	<u>(5,168,635)</u>	<u>9,371</u>	<u>(5,159,264)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,730,550	-	1,730,550
Debt service				554,293	-	554,293
Capital outlay				140,465	-	140,465
Income surtax				29,982	-	29,982
Statewide sales, services and use tax				493,196	-	493,196
Unrestricted state grants				2,853,741	-	2,853,741
Unrestricted investment earnings				8,851	-	8,851
Other general revenues				40,223	-	40,223
Total general revenues				<u>5,851,301</u>	<u>-</u>	<u>5,851,301</u>
Change in net position				682,666	9,371	692,037
Net position beginning of year, as restated				3,743,522	21,427	3,764,949
Net position end of year				<u>\$ 4,426,188</u>	<u>30,798</u>	<u>4,456,986</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Management Levy	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments					
U.S. Treasury securities on deposit with escrow agent	\$ -	-	770,000	-	770,000
Other	2,686,030	160,834	608,702	557,640	4,013,206
Receivables:					
Property tax:					
Delinquent	19,233	1,574	6,664	1,689	29,160
Succeeding year	1,642,487	400,000	164,440	145,922	2,352,849
Income surtax	26,219	-	-	-	26,219
Due from other governments	192,325	-	-	78,034	270,359
<b>Total assets</b>	<b>\$ 4,566,294</b>	<b>562,408</b>	<b>1,549,806</b>	<b>783,285</b>	<b>7,461,793</b>
<b>Liabilities, Deferred inflows of resources and fund balance</b>					
Liabilities:					
Accounts payable	\$ 152,868	-	-	6	152,874
Salaries and benefits payable	478,332	-	-	-	478,332
Total liabilities	631,200	-	-	6	631,206
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,642,487	400,000	164,440	145,922	2,352,849
Income surtax	26,219	-	-	-	26,219
Total deferred inflows of resources	1,668,706	400,000	164,440	145,922	2,379,068
Fund balances:					
Restricted for:					
Categorical funding	183,739	-	-	-	183,739
Debt service	-	-	1,385,366	-	1,385,366
Management levy purposes	-	162,408	-	-	162,408
Student activities	-	-	-	67,810	67,810
School infrastructure	-	-	-	526,695	526,695
Physical plant and equipment	-	-	-	42,852	42,852
Unassigned	2,082,649	-	-	-	2,082,649
Total fund balances	2,266,388	162,408	1,385,366	637,357	4,451,519
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,566,294</b>	<b>562,408</b>	<b>1,549,806</b>	<b>783,285</b>	<b>7,461,793</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 22)</b>	\$	4,451,519
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,062,937
Accounts receivable income surtax, are not yet available to finance expenditures of the current period, and, therefore, are recognized as deferred inflows of resources in the governmental funds.		26,219
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	\$	402,550
Deferred inflows of resources		(678,455)
		(275,905)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, are deferred in the governmental funds.		(80,501)
Long-term liabilities, including bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(6,758,081)
<b>Net position of governmental activities(page 20)</b>	<b>\$</b>	<b><u>4,426,188</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Management Levy	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,628,916	130,941	554,293	140,465	2,454,615
Tuition	781,088	-	-	-	781,088
Other	148,596	4,439	8,728	169,144	330,907
State sources	3,141,839	417	1,768	493,644	3,637,668
Federal sources	192,920	-	-	-	192,920
Total revenues	<u>5,893,359</u>	<u>135,797</u>	<u>564,789</u>	<u>803,253</u>	<u>7,397,198</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,769,360	424	-	-	2,769,784
Special	798,457	-	-	-	798,457
Other	569,055	-	-	168,444	737,499
	<u>4,136,872</u>	<u>424</u>	<u>-</u>	<u>168,444</u>	<u>4,305,740</u>
Support services:					
Student	132,388	-	-	-	132,388
Instructional staff	51,408	4,764	-	-	56,172
Administration	661,299	30,687	-	93,487	785,473
Operation and maintenance of plant	468,671	39,199	-	69,410	577,280
Transportation	251,164	4,562	-	20,467	276,193
	<u>1,564,930</u>	<u>79,212</u>	<u>-</u>	<u>183,364</u>	<u>1,827,506</u>
Capital outlay	-	-	-	149,726	149,726
Long-term debt:					
Principal	-	-	290,000	-	290,000
Interest and fiscal charges	-	-	182,610	-	182,610
	<u>-</u>	<u>-</u>	<u>472,610</u>	<u>-</u>	<u>472,610</u>
Other Expenditures:					
AEA flowthrough	211,279	-	-	-	211,279
Total expenditures	<u>5,913,081</u>	<u>79,636</u>	<u>472,610</u>	<u>501,534</u>	<u>6,966,861</u>
Excess (Deficiency) of revenues over (under) expenditures	(19,722)	56,161	92,179	301,719	430,337
Other financing sources(uses):					
Transfer in	-	-	311,111	-	311,111
Transfer out	-	-	-	(311,111)	(311,111)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>311,111</u>	<u>(311,111)</u>	<u>-</u>
Change in fund balances	(19,722)	56,161	403,290	(9,392)	430,337
Fund balances beginning of year	2,286,110	106,247	982,076	646,749	4,021,182
Fund balances end of year	<u>\$ 2,266,388</u>	<u>162,408</u>	<u>1,385,366</u>	<u>637,357</u>	<u>4,451,519</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 24)** \$ 430,337

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

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

Capital outlay	\$ 253,753	
Depreciation expense	(300,016)	
Loss on disposal of assets	(807)	(47,070)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 290,000

Interest on long-term debt in the Statement of Activites 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. 2,610

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 675

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. 279,660

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

Termination benefits	\$ (89,242)	
Pension expense	(139,006)	
Other postemployment benefits	(45,298)	(273,546)

**Change in net position of governmental activities(page 21)** \$ 682,666

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activites: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 69,332	29,697	99,029
Inventories	4,764	-	4,764
<b>Total assets</b>	<u>74,096</u>	<u>29,697</u>	<u>103,793</u>
<b>Noncurrent assets:</b>			
Capital assets, net of accumulated depreciation	22,682	-	22,682
<b>Total assets</b>	<u>96,778</u>	<u>29,697</u>	<u>126,475</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	11,691	5,965	17,656
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	1,728	1,728
Unearned revenue	4,938	-	4,938
<b>Total current liabilities</b>	<u>4,938</u>	<u>1,728</u>	<u>6,666</u>
Noncurrent liabilities:			
Net pension liability	52,159	25,059	77,218
<b>Total liabilities</b>	<u>57,097</u>	<u>26,787</u>	<u>83,884</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	19,892	9,557	29,449
<b>Net Position</b>			
Net Investment in capital assets	22,682	-	22,682
Unrestricted	8,798	(682)	8,116
<b>Total net position</b>	<u>\$ 31,480</u>	<u>(682)</u>	<u>30,798</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 165,833	71,182	237,015
Operating expenses:			
Support services:			
Administration:			
Other	-	1,859	1,859
Transportation:			
Services	-	1,069	1,069
Non-instructional programs:			
Food service operations:			
Salaries	91,344	-	91,344
Benefits	11,205	-	11,205
Supplies	142,055	-	142,055
Other	1,333	-	1,333
Depreciation	5,868	-	5,868
	251,805	-	251,805
Community service operations:			
Salaries	-	56,548	56,548
Benefits	-	6,351	6,351
Supplies	-	11,031	11,031
Total non-instructional programs	-	73,930	73,930
Total operating expenses	251,805	76,858	328,663
Operating loss	(85,972)	(5,676)	(91,648)
Non-operating revenues (expenses):			
Loss on disposal of assets	(5,164)	-	(5,164)
State sources	2,223	-	2,223
Federal sources	103,960	-	103,960
Total non-operating revenues (expenses)	101,019	-	101,019
Change in net position	15,047	(5,676)	9,371
Net position beginning of year, as restated	16,433	4,994	21,427
Net position end of year	\$ 31,480	(682)	30,798

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 165,291	-	165,291
Cash received from daycare operating activities	-	71,182	71,182
Cash payments to employees for services	(106,562)	(65,175)	(171,737)
Cash payments to suppliers for goods or services	(117,994)	(14,227)	(132,221)
Net cash used in operating activities	<u>(59,265)</u>	<u>(8,220)</u>	<u>(67,485)</u>
Cash flows from non-capital financing activities:			
State grants received	2,223	-	2,223
Federal grants received	81,904	-	81,904
Net cash provided by non-capital financing activities	<u>84,127</u>	<u>-</u>	<u>84,127</u>
Net increase (decrease) in cash and cash equivalents	24,862	(8,220)	16,642
Cash and cash equivalents at beginning of year	44,470	37,917	82,387
Cash and cash equivalents at end of year	<u>\$ 69,332</u>	<u>29,697</u>	<u>99,029</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	\$ (85,972)	(5,676)	(91,648)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,056	-	22,056
Depreciation	5,868	-	5,868
Decrease in inventories	3,338	-	3,338
Decrease in accounts payable	-	(268)	(268)
Decrease in net pension liability	(19,899)	(9,560)	(29,459)
Increase in deferred outflows of resources	(4,006)	(2,273)	(6,279)
Increase in deferred inflows of resources	19,892	9,557	29,449
Decrease in unearned revenue	(542)	-	(542)
Net cash used in operating activities	<u>\$ (59,265)</u>	<u>(8,220)</u>	<u>(67,485)</u>

**Non-cash investing, capital and other related financing activities:**

During the year ended June 30, 2015, the District received \$22,056 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 76,768
<b>Liabilities</b>	-
<b>Net Position</b>	
Held in trust for scholarships	\$ 76,768

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,026
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>2,273</u>
Change in net position	(1,247)
Net position beginning of year	<u>78,015</u>
Net position end of year	<u>\$ 76,768</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

The Martensdale-St. Marys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of Martensdale and St. Marys, Iowa, and the predominate agricultural territories in Warren and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Martensdale-St. Marys 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 Martensdale-St. Marys 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 Warren and Madison Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

*Net 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 any restricted net position.

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

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

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

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 Management Levy Fund is utilized to account for the revenues and expenses for unemployment benefits, early retirement and insurance agreements relating to such liabilities.

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

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

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

### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund 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 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Intangibles	25,000
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
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.

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 consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position 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.

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

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.

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

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

Unassigned - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

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

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 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 Direct Obligations Portfolio which are valued at an amortized cost of \$2,590,161 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 & Poor's Financial Services.

At June 30, 2015, the District had investments in U.S. Treasury Securities which are stated at the fair value of \$770,000. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Service and Use Tax	\$ 311,111

The transfer from Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

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

The following is the detailed reconciliation of certain Governmental Fund Balance Sheet to the Statement of Net Position:

	Net Investment			
	in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	162,408	1,385,366	2,082,649
Capital assets	7,062,937	-	-	-
General obligation bond capitalized indebtedness	(1,205,000)	-	-	-
Revenue bond capitalized indebtedness	(3,270,000)	-	-	-
Income surtax	-	-	-	26,219
Blending of internal service fund	-	-	-	-
Accrued interest payable	-	(105,916)	-	-
Termination benefits payable	-	-	(80,501)	-
Deferred outflows of resources	-	-	-	402,550
Net pension liability	-	-	-	(1,778,989)
Deferred inflows of resources	-	-	-	(678,455)
Net OPEB asset	-	-	-	(398,176)
Net position (Exhibit A)	<u>\$ 2,587,937</u>	<u>56,492</u>	<u>1,304,865</u>	<u>(344,202)</u>

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 431,172	-	-	431,172
Construction in progress	23,765	29,251	53,016	-
Total capital assets not being depreciated	<u>454,937</u>	<u>29,251</u>	<u>53,016</u>	<u>431,172</u>
Land improvements	277,405	-	-	277,405
Buildings and improvements	8,566,588	138,369	-	8,704,957
Machinery and equipment	1,066,422	139,149	25,813	1,179,758
Total capital assets being depreciated	<u>9,910,415</u>	<u>277,518</u>	<u>25,813</u>	<u>10,162,120</u>
Less accumulated depreciation for:				
Land improvements	48,525	13,898	-	62,423
Buildings and improvements	2,340,289	169,380	-	2,509,669
Machinery and equipment	866,531	116,738	25,006	958,263
Total accumulated depreciation	<u>3,255,345</u>	<u>300,016</u>	<u>25,006</u>	<u>3,530,355</u>
Total capital assets being depreciated, net	<u>6,655,070</u>	<u>(22,498)</u>	<u>807</u>	<u>6,631,765</u>
Governmental activities capital assets, net	<u>\$ 7,110,007</u>	<u>6,753</u>	<u>53,823</u>	<u>7,062,937</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 171,433	-	54,397	117,036
Less accumulated depreciation	137,719	5,868	49,233	94,354
Business type activities capital assets, net	<u>\$ 33,714</u>	<u>(5,868)</u>	<u>5,164</u>	<u>22,682</u>
Depreciation expense was charged by the District as follows:				
Instruction:				
Regular			\$	50,800
Other				16,872
Support services:				
Student				593
Instructional staff				10,603
Administration				1,554
Operation and maintenance of plant				6,650
Transportation				29,666
				<u>116,738</u>
Unallocated depreciation				<u>183,278</u>
Total governmental activities depreciation expense			\$	<u>300,016</u>
Business type activities:				
Food service operations			\$	<u>5,868</u>

(6) **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	\$ 1,350,000	-	145,000	1,205,000	145,000
Revenue Bonds	3,415,000	-	145,000	3,270,000	155,000
Termination benefits	16,675	94,006	4,765	105,916	67,177
Net pension liability	2,457,667		678,678	1,778,989	-
Net OPEB liability	352,878	45,298	-	398,176	-
Total	<u>\$ 7,592,220</u>	<u>139,304</u>	<u>973,443</u>	<u>6,758,081</u>	<u>367,177</u>
Business type activities:					
Net pension liability	\$ 106,677	-	29,459	77,218	-

**General Obligation Bonds Payable**

During the year ended June 30, 2013, the District approved an additional debt service levy tax to advance refund \$385,000 in principal of the April 25, 2012 general obligation bond issuance when the bonds become callable on June 1, 2018. The District levied at a rate of \$3.97325 per \$1,000 taxable valuation for fiscal year 2014.

During the year ended June 30, 2014, the District approved an additional debt service levy tax to advance refund \$385,000 in principal of the April 25, 2012 general obligation bond issuance when the bonds become callable on June 1, 2018. The District levied at a rate of \$3.97325 per \$1,000 taxable valuation for fiscal year 2015.

The additional amount of the Debt Service tax levies totaled \$770,000 which has been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified to be sufficient to pay \$160,000 in principal of the June 1, 2023 bond payment, \$155,000 in principal of the June 1, 2022 bond payment, \$155,000 in principal of the June 1, 2021 bond payment, \$150,000 of the June 1, 2020 bond payment and \$150,000 of the June 1, 2019 bond payment along with the corresponding interest when the bonds become callable on June 1, 2018. The District remains contingently liable in the remote possibility the escrow account is insufficient to repay the refunding bonds.

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

Year Ending June 30,	Bond Issue of April 25, 2012			
	Interest Rates	Principal	Interest	Total
2016	1.00 %	\$ 145,000	19,440	164,440
2017	1.00	145,000	17,990	162,990
2018	1.45	145,000	16,540	161,540
2019	1.45	150,000	14,438	164,438
2020	1.80	150,000	12,262	162,262
2021-2023	1.80-2.15	470,000	19,775	489,775
Total		<u>\$ 1,205,000</u>	<u>100,445</u>	<u>1,305,445</u>

**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 May 21, 2009				
	Interest Rates	Principal	Interest	Total	
2016	4.00 %	\$ 155,000	154,663	309,663	
2017	4.00	160,000	148,362	308,362	
2018	4.00	165,000	141,862	306,862	
2019	4.13	175,000	134,953	309,953	
2020	4.38	185,000	127,297	312,297	
2021-2025	4.63-5.00	1,055,000	493,079	1,548,079	
2026-2030	5.13-5.25	1,375,000	186,844	1,561,844	
Total		\$ 3,270,000	1,387,060	4,657,060	

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,755,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 63 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,657,060. For the current year, \$145,000 in principal and \$160,301 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$493,196.

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

- a) \$321,237 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- 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 offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which was required to be approved by the Board of Education.

Employees participating in the early retirement plan are eligible to continue participation in the District’s group insurance plan by meeting the requirements of the insurer. The District will pay the cost of the single premium at the level it was when the employee retired. The employee is responsible for paying any increase in premium costs. Retirees are also eligible to receive a cash stipend of up to \$15,000 for supervisory employees payable on August 20, 2015.

At June 30, 2015 the District had early retirement obligations to four participants. Actual early retirement benefits paid during the year ended June 30, 2015, totaled \$4,765.

**(7) Operating Lease Obligations**

The District leases copiers and printers on a monthly basis. The lease contract for the copiers extends through March 2017. Annual payments for the leases are \$44,388.

**(8) Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$291,982.

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 \$1,856,207 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 0.045865 percent, which was an increase of 0.000575 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$145,039. 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	\$ 20,173	\$ -
Changes of assumptions	81,919	-
Net difference between projected and actual earnings on pension plan investments	-	707,904
Changes in proportion and differences between District contributions and proportionate share of contributions	26,132	-
District contributions subsequent to the measurement date	291,982	-
Total	<u>\$ 420,206</u>	<u>\$ 707,904</u>

\$291,982 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	\$ (147,017)
2017	(147,017)
2018	(147,017)
2019	(147,017)
2020	8,389
	<u>\$ (579,679)</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	\$ 3,507,250	\$ 1,856,207	\$ 462,555

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](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$31,774 for legally required employer contributions and \$21,171 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 51 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 82,000
Interest on net OPEB obligation	15,880
Adjustment to annual required contribution	<u>(12,582)</u>
Annual OPEB cost	85,298
Contributions made	<u>(40,000)</u>
Increase in net OPEB obligation	45,298
Net OPEB obligation beginning of year	<u>352,878</u>
Net OPEB obligation end of year	<u><u>\$ 398,176</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of the 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 \$40,000, to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	84,158	51.1%	308,000
2014	84,878	52.9%	352,878
2015	85,298	53.1%	398,176

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$617,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$617,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,315,864 and the ratio of the UAAL to covered payroll was 18.62%. 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 Routine 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, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Assumed percentage of employees who participate in the postemployment health plan upon retirement is 50%.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

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

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$211,279 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.

**(12) Categorical Funding**

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

Program	Amount
Weighted At-Risk Programs	\$ 44,083
Beginning Teacher Mentoring and Induction Program	4,728
Teacher Salary Supplement	24,941
Iowa Early Intervention Block Grant	14,412
Professional Development for Model Core Curriculum	7,866
Professional Development	56,087
Teacher Leadership Grants	5,198
Successful Progression of Early Readers	26,424
Total	<u>\$ 183,739</u>

**(13) Accounting Change/Restatement Note**

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

	Governmental Activities	Nutrition Activities	Daycare Activities	Business Type Activities Total
Net position June 30, 2014, as previously reported	\$ 5,939,070	\$ 80,806	\$ 35,921	116,727
Net pension liability at June 30, 2014	(2,457,667)	(72,058)	(34,619)	(106,677)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	262,119	7,685	3,692	11,377
Net position July 1, 2014, as restated	<u>\$ 3,743,522</u>	<u>\$ 16,433</u>	<u>\$ 4,994</u>	<u>21,427</u>

**(14) Deficit Balances**

At June 30, 2015, the District had deficit unrestricted and total net position in the Enterprise, Day Care Fund of \$682. The District also had deficit unrestricted net position of \$344,202 in its governmental activities.

## **Required Supplementary Information**

MARTENSDALE-ST. MARYS 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 3,566,610	237,015	3,803,625	4,126,941	4,126,941	(323,316)
State sources	3,637,668	2,223	3,639,891	3,130,476	3,130,476	509,415
Federal sources	192,920	103,960	296,880	289,000	289,000	7,880
Total revenues	<u>7,397,198</u>	<u>343,198</u>	<u>7,740,396</u>	<u>7,546,417</u>	<u>7,546,417</u>	<u>193,979</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,305,740	-	4,305,740	4,210,000	5,000,000	694,260
Support services	1,827,506	2,928	1,830,434	1,956,300	2,500,000	669,566
Non-instructional programs	-	330,899	330,899	304,000	500,000	169,101
Other expenditures	833,615	-	833,615	1,305,757	1,000,000	166,385
Total expenditures/expenses	<u>6,966,861</u>	<u>333,827</u>	<u>7,300,688</u>	<u>7,776,057</u>	<u>9,000,000</u>	<u>1,699,312</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	430,337	9,371	439,708	(229,640)	(1,453,583)	1,893,291
Balances beginning of year, as restated	<u>4,021,182</u>	<u>21,427</u>	<u>4,042,609</u>	<u>3,628,386</u>	<u>3,628,386</u>	<u>6,270,918</u>
Balances end of year	<u>\$ 4,451,519</u>	<u>30,798</u>	<u>4,482,317</u>	<u>3,398,746</u>	<u>2,174,803</u>	<u>8,164,209</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,223,943.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.045865%
District's proportionate share of the net pension liability	\$ 1,856
District's covered-employee payroll	\$ 3,269
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.78%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 292	264	254	212	182	187	179	152	134	121
Contributions in relation to the statutorily required contribution	(292)	(264)	(254)	(212)	(182)	(187)	(179)	(152)	(134)	(121)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,269	2,956	2,930	2,627	2,619	2,691	2,819	2,512	2,330	2,104
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.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION - 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.

MARTENSDALE-ST. MARYS 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)			
2010	July 1, 2009	-	\$ 725,000	725,000	0.0%	\$ 2,330,014	31.1%
2011	July 1, 2009	-	725,000	725,000	0.0%	1,994,896	36.3%
2012	July 1, 2009	-	725,000	725,000	0.0%	2,030,917	35.7%
2013	July 1, 2012	-	617,000	617,000	0.0%	2,127,149	29.0%
2014	July 1, 2012	-	617,000	617,000	0.0%	3,091,538	20.0%
2015	July 1, 2012	-	617,000	617,000	0.0%	3,315,864	18.6%

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>Special Revenue</u>		
	Capital Projects	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 489,824	67,816	557,640
Receivables:			
Property tax:			
Delinquent	1,689	-	1,689
Succeeding year	145,922	-	145,922
Intergovernmental receivables	78,034	-	78,034
<b>Total assets</b>	<b>\$ 715,469</b>	<b>67,816</b>	<b>783,285</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	6	6
Deferred inflow of resources:			
Unavailable revenues:			
Succeeding year property tax	145,922	-	145,922
Fund balances:			
Restricted for:			
School Infrastructure	526,695	-	526,695
Physical plant and equipment	42,852	-	42,852
Student activities	-	67,810	67,810
Total fund balances	569,547	67,810	637,357
<b>Total Liabilities, Deferred Inflows of Resources and Fund balances</b>	<b>\$ 715,469</b>	<b>67,816</b>	<b>783,285</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Capital Projects	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 140,465	-	140,465
Other	-	169,144	169,144
State sources	493,644	-	493,644
Total revenues	<u>634,109</u>	<u>169,144</u>	<u>803,253</u>
Expenditures:			
Current:			
Instruction:			
Other	-	168,444	168,444
Support services:			
Administration	93,487	-	93,487
Operation and maintenance of plant	69,410	-	69,410
Transportation	20,467	-	20,467
Capital Outlay	149,726	-	149,726
Total expenditures	<u>333,090</u>	<u>168,444</u>	<u>501,534</u>
Excess of revenues over expenditures	301,019	700	301,719
Other financing uses:			
Transfer out	(311,111)	-	(311,111)
Change in fund balances	(10,092)	700	(9,392)
Fund balances beginning of year	<u>579,639</u>	<u>67,110</u>	<u>646,749</u>
Fund balances end of year	<u>\$ 569,547</u>	<u>67,810</u>	<u>637,357</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS 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	Total
<b>Assets</b>			
Cash and pooled investments	\$ 448,661	41,163	489,824
Receivables:			
Property tax:			
Delinquent	-	1,689	1,689
Succeeding year	-	145,922	145,922
Due from other governments	78,034	-	78,034
<b>Total assets</b>	<b>\$ 526,695</b>	<b>188,774</b>	<b>715,469</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	145,922	145,922
Fund balances:			
Restricted for:			
School infrastructure	526,695	-	526,695
Physical plant and equipment	-	42,852	42,852
<b>Total fund balances</b>	<b>526,695</b>	<b>42,852</b>	<b>569,547</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 526,695</b>	<b>188,774</b>	<b>715,469</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	140,465	140,465
State sources	493,196	448	493,644
Total revenues	493,196	140,913	634,109
Expenditures:			
Support services:			
Administration	77,752	15,735	93,487
Operation and maintenance of plant	-	69,410	69,410
Transportation	-	20,467	20,467
Capital outlay	92,610	57,116	149,726
Total expenditures	170,362	162,728	333,090
Excess (Deficiency) of revenues over (under) expenditures	322,834	(21,815)	301,019
Other financing uses:			
Transfer out	(311,111)	-	(311,111)
Change in fund balances	11,723	(21,815)	(10,092)
Fund balances beginning year	514,972	64,667	579,639
Fund balances end of year	\$ 526,695	42,852	569,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2015

	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 770,000	-	770,000
Other	52,543	556,159	608,702
Receivables:			
Property tax:			
Delinquent	6,664	-	6,664
Succeeding year	164,440	-	164,440
<b>Total assets</b>	<b>\$ 993,647</b>	<b>556,159</b>	<b>1,549,806</b>
<b>Liabilities, Deferred inflows of Resources and Fund Balances</b>			
Liabilities:			
	\$ -	-	-
Deferred inflows of resources:			
Succeeding year property tax	164,440	-	164,440
Fund balances:			
Restricted for:			
Debt service	829,207	556,159	1,385,366
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 993,647</b>	<b>556,159</b>	<b>1,549,806</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2015

	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 554,293	-	554,293
Other	4,541	4,187	8,728
State sources	1,768	-	1,768
Total revenues	<u>560,602</u>	<u>4,187</u>	<u>564,789</u>
Expenditures:			
Long-term debt:			
Principal	145,000	145,000	290,000
Interest and fiscal charges	20,810	161,800	182,610
Total expenditures	<u>165,810</u>	<u>306,800</u>	<u>472,610</u>
Excess (deficiency) of revenues (over) under expenditures	394,792	(302,613)	92,179
Other financing sources:			
Transfer in	-	311,111	311,111
Change in fund balances	394,792	8,498	403,290
Fund balances beginning of year	<u>434,415</u>	<u>547,661</u>	<u>982,076</u>
Fund balances end of year	<u>\$ 829,207</u>	<u>556,159</u>	<u>1,385,366</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 901	3,082	2,639	-	1,344
Vocal Music	1,014	3,173	3,626	-	561
Instrumental Music	1,548	2,958	2,707	-	1,799
Music Resale	1,859	-	467	-	1,392
Band	424	-	170	-	254
Boys Basketball	1,194	11,773	8,206	-	4,761
Athletics	2,419	58,547	59,705	1,000	2,261
Golf	432	5,822	4,798	500	1,956
Girls Basketball	2,295	9,205	7,556	-	3,944
Elementary Student Council	271	450	408	207	520
Volleyball	3,372	7,434	4,488	600	6,918
Boys Track	326	1,218	1,054	-	490
Football	600	4,691	3,380	-	1,911
Cross Country	469	4,541	4,237	-	773
Baseball	4,034	13,012	9,868	-	7,178
Girls Track	446	3,038	2,644	-	840
Wrestling	2,869	-	295	-	2,574
Softball	1,377	600	1,812	-	165
Junior High Student Council	-	320	314	-	6
Pop	823	-	-	(823)	-
Student Council	526	2,290	2,014	-	802
Shop	1,563	-	1,505	-	58
Pictures Interest	207	-	-	(207)	-
N.Bunch Donations	2,818	1,100	612	-	3,306
Home Ec	671	-	671	-	-
Art	2,833	564	3,397	-	-
National Honor Society	-	273	-	823	1,096
Dance	1,818	-	-	-	1,818
Linn Grove	-	1,653	1,035	-	618
Math Resale	174	140	140	-	174
CAC MSTM Banner Fund	-	500	-	-	500
Class of 2020	-	799	-	-	799
Class of 2019	571	-	-	-	571
Class of 2015	1,229	946	2,925	750	-
Class of 2016	794	-	200	(500)	94
Class of 2017	622	-	-	-	622
Class of 2018	448	-	-	-	448
Teresa King Donation Fund	6,780	1,750	4,109	(2,100)	2,321
Annual	16,958	6,897	11,468	-	12,387
Wrestling Cheerleaders	582	1,209	1,791	-	-
FB/BB Cheerleaders	1,062	12,782	13,456	-	388
Prom	-	7,864	6,308	(250)	1,306
Spick Memorial	365	-	-	-	365
Mexico Trip/Spanish Club	416	513	439	-	490
<b>Total</b>	<b>\$ 67,110</b>	<b>169,144</b>	<b>168,444</b>	<b>-</b>	<b>67,810</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**MARTENSDALE-ST. MARYS 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	\$ 2,454,615	2,409,537	2,974,551	2,880,710	2,751,364	2,382,621	2,199,499	2,104,531	2,020,429	1,828,027
Tuition	781,088	706,663	743,517	558,232	527,169	685,781	608,670	500,882	346,166	268,793
Other	330,907	289,557	250,853	349,084	342,290	333,415	287,204	299,851	277,391	257,101
State sources	3,637,668	3,563,452	2,906,925	2,839,119	2,776,430	2,393,631	2,718,850	2,653,668	2,535,980	2,256,776
Federal sources	192,920	167,281	175,582	242,275	290,887	457,552	222,901	141,168	163,723	387,275
<b>Total</b>	<b>\$ 7,397,198</b>	<b>7,136,490</b>	<b>7,051,428</b>	<b>6,869,420</b>	<b>6,688,140</b>	<b>6,253,000</b>	<b>6,037,124</b>	<b>5,700,100</b>	<b>5,343,689</b>	<b>4,997,972</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,769,784	2,578,995	2,620,633	2,565,491	2,410,146	2,676,284	2,560,160	2,196,803	2,091,929	1,919,119
Special	798,457	820,194	744,317	629,813	687,416	690,996	758,459	632,249	524,806	592,288
Other	737,499	669,871	614,196	579,381	570,249	363,336	314,631	487,519	405,925	346,799
Support services:										
Student	132,388	128,808	122,406	121,256	113,896	92,463	134,847	142,225	140,778	103,331
Instructional staff	56,172	45,612	52,566	68,333	49,383	33,212	37,821	42,106	41,249	58,315
Administration	785,473	698,508	639,300	624,560	534,354	726,635	831,298	558,761	573,015	522,627
Operation and maintenance of plant	577,280	553,609	498,376	543,102	480,177	496,783	647,045	529,581	607,604	442,073
Transportation	276,193	274,416	283,175	276,662	260,133	289,384	395,251	293,594	271,562	264,664
Capital outlay	149,726	184,853	219,198	25,325	56,352	3,487,168	241,349	104,111	179,494	390,091
Long-term debt:										
Principal	290,000	280,000	605,000	230,000	125,000	120,000	115,000	110,000	105,000	100,000
Interest and fiscal charges	182,610	189,538	197,197	278,639	267,323	203,369	100,722	105,673	110,398	115,646
Other expenditures:										
AEA flow-through	211,279	204,265	193,522	186,330	204,930	203,315	178,130	170,406	159,775	141,717
<b>Total</b>	<b>\$ 6,966,861</b>	<b>6,628,669</b>	<b>6,789,886</b>	<b>6,128,892</b>	<b>5,759,359</b>	<b>9,382,945</b>	<b>6,314,713</b>	<b>5,373,028</b>	<b>5,211,535</b>	<b>4,996,670</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(A Professional Corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

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

To the Board of Education of the  
Martensdale-St Marys Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Martensdale-St Marys 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 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martensdale-St Marys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martensdale-St Marys Community School district's internal control. Accordingly, we do not express an opinion on the effectiveness of Martensdale-St Marys 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martensdale-St Marys 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 that are described in Part II of the accompanying Schedule of Findings.

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

Martensdale-St. Marys Community School District's Responses to Findings

Martensdale-St Marys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Martensdale-St Marys Community School District's responses 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 Martensdale-St Marys 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 23, 2016  
Newton, Iowa

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.

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 - We will continue to investigate available alternatives. Mrs. Gavin was part of the committee that put together the *IASBO Segregation of Financial Duties in the Smaller Public School to Improve Financial Internal Controls*. We continue to work off of these suggestions so no more than one person is required to complete any task. We understand the importance of segregation of duties and continue to provide checks and balances in all areas of reporting to eliminate insufficient internal controls and segregation of duties comments in our annual district financial audit. The Business Manager reviews reports, payroll and all financial reporting with the Superintendent.

Conclusion - Response accepted.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed that amount budgeted.

II-B-15 Questionable Disbursements - We noted reimbursement to employee for hotel rooms during all state chorus included sales tax. As the District is a tax-exempt entity reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's February 23, 2016d April 25, 1979.

Recommendation - The District should refrain from reimbursing employees the sales tax portion of their purchase. Instead, the District should utilize the District's purchase order system, ensuring purchases are not subjected to sales tax. The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's February 23, 2016d April 25, 1979.

Response - The reimbursement for hotel rooms was not done to purchase order protocol. In the future our employees will follow the guidelines for the district which include pre-approval of expenditures with a tax exempt form included. If approved purchase order protocol is not followed, employees will not be reimbursed for un-approved expenditures as stated in the instruction process documentation provided to all employees. Employees are never to be reimbursed for tax charges.

Conclusion - Response accepted.

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

II-D-15 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wade Gibson, Board Member Board member hired as a coach	Services	\$2,355

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member Wade Gibson do not appear to represent a conflict of interest.

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

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

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed timely to the Iowa Department of Education and there were no deficiencies in amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 514,972
Revenues:		
Sales tax revenues		493,196
		<u>1,008,168</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 92,610	
Equipment	77,752	
Transfer to other funds:		
Debt service fund	<u>311,111</u>	<u>481,473</u>
Ending Balance		<u><u>\$ 526,695</u></u>

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

- II-M-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted and total net position in the Enterprise, Daycare Fund of \$682. The District also had deficit unrestricted net position of \$344,202 in its governmental activities. 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 continue to educate the administration and Board of Education regarding the impact on the financial statements due to the implementation of GASB Statements 68 and 71. These new statements require adding a portion of the Iowa Public Employers' Retirement System (IPERS) liabilities to now be included in some districtwide financial statements, which adversely impacted the financial condition of the district. The district will continue to monitor the financial statements, but it should be noted that currently there is no requirement or anticipation of the district ever

having to fund these particular liabilities as it relates to GASB Statements 68 and 71.

The district will also continue to monitor deficit accounts in the Student Activity Fund and make every effort to have all accounts positive by year end. Monitoring every aspect of the district's overall financial condition will continue to be a priority.

Conclusion - Response accepted.