

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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East Marshall Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2015 Election)		
Terry Thompson	President	2015
Deanna Berkey	Vice President	2015
Terry Collins	Board Member (Resigned July 2015)	2017
Stephanie Weaver	Board Member (Appointed July 2015)	2015
Julie Schossow	Board Member	2017
Tonya Dixon	Board Member	2015

**Board of Education
(After September 2015 Election)**

Terry Thompson	President	2019
Julie Schossow	Vice President	2017
Phil Anderson	Board Member	2019
Ann Dee Bloom	Board Member	2017
Craig Mommer	Board Member	2017

School Officials

Dianne Anderson	Superintendent	2016
Randy Denham	Business Manager/ Board Secretary	2016
Cartwright, Druker and Ryden	Attorney	2016
Gruhn Law Firm	Attorney	2016

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District, Gilman, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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 27, 2017, on our consideration of East Marshall Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Marshall Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2017
Newton, Iowa

EAST MARSHALL COMMUNITY SCHOOL DISTRICT



MANAGEMENT'S DISCUSSION AND ANALYSIS

East Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$9,072,889 in fiscal year 2015 to \$9,061,824 in fiscal year 2016, while General Fund expenditures increased from \$8,961,933 in fiscal year 2015 to \$9,066,367 in fiscal year 2016. Overall, the District's General Fund balance decreased from \$1,658,110 at June 30, 2015 to \$1,653,567 at June 30, 2016, a 0.27% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local tax revenue received compared to the prior year. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to employees.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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, as well as combining schedules for the Capital Projects Fund accounts and Private Purpose Trust Fund accounts.

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

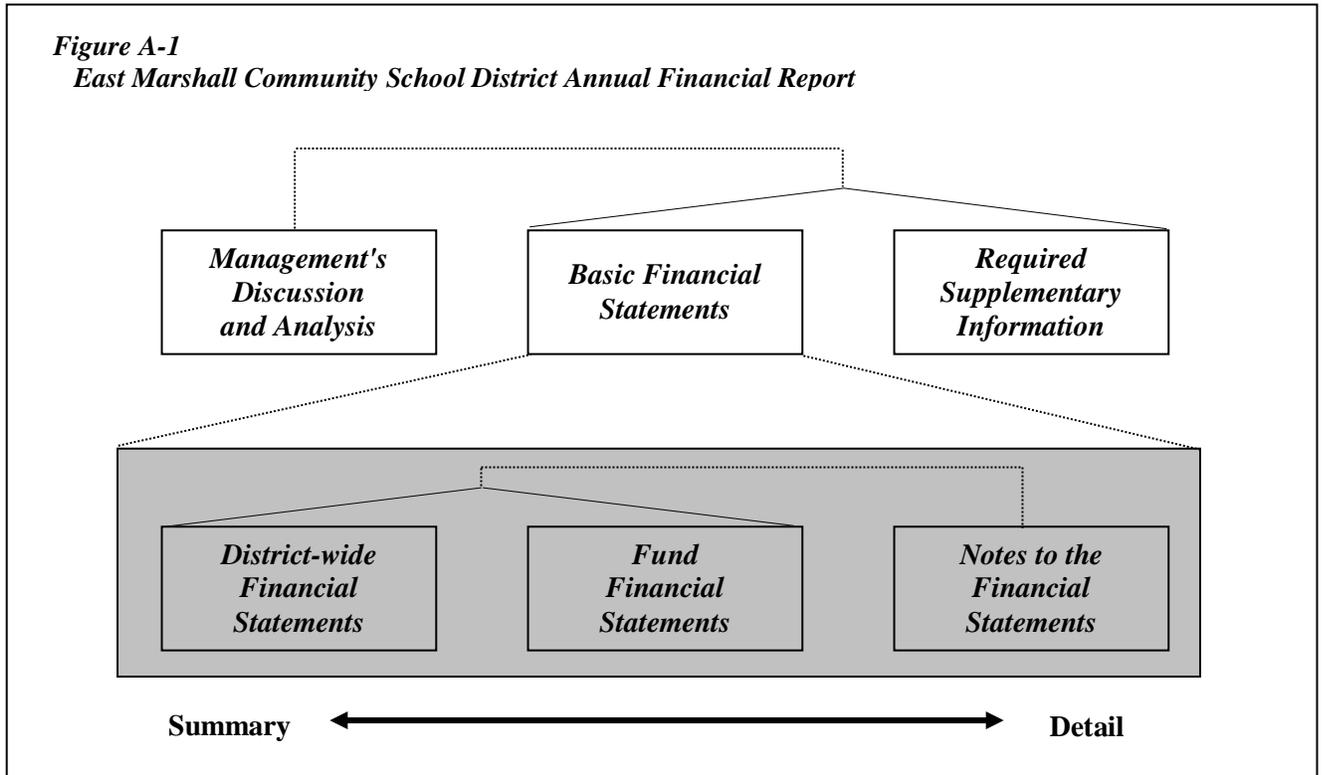


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 9,732,424	7,277,881	186,096	163,849	9,918,520	7,441,730	33.28%
Capital assets	10,231,825	9,260,677	53,653	68,293	10,285,478	9,328,970	10.25%
Total assets	19,964,249	16,538,558	239,749	232,142	20,203,998	16,770,700	20.47%
Deferred outflows of resources	775,262	680,622	22,373	20,193	797,635	700,815	13.82%
Long-term liabilities	11,124,460	7,732,492	133,633	108,529	11,258,093	7,841,021	43.58%
Other liabilities	1,481,308	1,093,096	26,848	29,300	1,508,156	1,122,396	34.37%
Total liabilities	12,605,768	8,825,588	160,481	137,829	12,766,249	8,963,417	42.43%
Deferred inflows of resources	3,760,605	4,606,761	15,526	42,896	3,776,131	4,649,657	-18.79%
Net position:							
Net investment in capital assets	5,808,208	5,609,974	53,653	68,293	5,861,861	5,678,267	3.23%
Restricted	1,503,821	1,319,718	-	-	1,503,821	1,319,718	13.95%
Unrestricted	(2,938,891)	(3,142,861)	32,462	3,317	(2,906,429)	(3,139,544)	7.43%
Total net position	\$ 4,373,138	3,786,831	86,115	71,610	4,459,253	3,858,441	15.57%

The District's total net position increased by 15.57%, or \$600,812, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$184,103, or 13.95% from the prior year. The increase in restricted net position is due primarily to an increase in the amounts restricted for physical plant and equipment and school infrastructure.

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 - increased \$233,115, or 7.43%. This increase in unrestricted net position was primarily a result of the increase in the District's General Fund assigned and unassigned fund balances when compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2016	2015	2016	2015	2016	2015	2015-16	
Revenues:							
Program revenues:							
Charges for service	\$ 2,675,003	2,634,451	217,266	184,885	2,892,269	2,819,336	2.59%
Operating grants, contributions and restricted interest	633,468	693,512	236,083	222,304	869,551	915,816	-5.05%
Capital grants, contributions and restricted interest	88,466	562,907	-	-	88,466	562,907	-84.28%
General revenues:							
Property tax	3,190,884	3,112,460	-	-	3,190,884	3,112,460	2.52%
Income surtax	274,676	326,388	-	-	274,676	326,388	-15.84%
Statewide sales, services and use tax	557,164	578,051	-	-	557,164	578,051	-3.61%
Unrestricted state grants	3,173,196	3,121,440	-	-	3,173,196	3,121,440	1.66%
Unrestricted interest earnings	9,216	9,965	227	365	9,443	10,330	-8.59%
Other	53,051	72,916	725	1,156	53,776	74,072	-27.40%
Total revenues	10,655,124	11,112,090	454,301	408,710	11,109,425	11,520,800	-3.57%
Program expenses:							
Instruction	5,998,109	6,027,234	-	-	5,998,109	6,027,234	-0.48%
Support services	3,403,711	3,344,075	23,076	23,972	3,426,787	3,368,047	1.74%
Non-instructional programs	7,280	12,852	416,720	398,699	424,000	411,551	3.02%
Other expenses	659,717	651,903	-	-	659,717	651,903	1.20%
Total expenses	10,068,817	10,036,064	439,796	422,671	10,508,613	10,458,735	0.48%
Change in net position	586,307	1,076,026	14,505	(13,961)	600,812	1,062,065	-43.43%
Net position beginning of year	3,786,831	2,710,805	71,610	85,571	3,858,441	2,796,376	37.98%
Net position end of year	\$ 4,373,138	3,786,831	86,115	71,610	4,459,253	3,858,441	15.57%

In fiscal year 2016, property tax and unrestricted state grants accounted for 59.73% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$11.11 million, of which approximately \$10.66 million was for governmental activities and approximately \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 3.57% in revenues and a 0.48% increase in expenses. Capital grants, contributions and restricted interest decreased \$474,441, which was the primary reason for the decrease in total revenues. The increase in expenses occurred primarily in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$10,655,124 and expenses were \$10,068,817 for the year ended June 30, 2016. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Figure A-5 presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to those expenses for the year ended June 30, 2015.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 5,998,109	6,027,234	-0.48%	2,995,966	2,979,287	0.56%
Support services	3,403,711	3,344,075	1.78%	3,283,605	2,777,560	18.22%
Non-instructional	7,280	12,852	-43.36%	4,718	12,852	-63.29%
Other expenses	659,717	651,903	1.20%	387,591	375,495	3.22%
Totals	<u>\$ 10,068,817</u>	<u>10,036,064</u>	<u>0.33%</u>	<u>6,671,880</u>	<u>6,145,194</u>	<u>8.57%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District’s programs was \$2,675,003.
- Federal and state governments, along with contributions from local sources, subsidized certain programs with grants and contributions totaling \$721,934.
- The net cost of governmental activities was financed with \$3,190,884 in property tax, \$274,676 in income surtax, \$557,164 in statewide sales, services and use tax, \$3,173,196 in unrestricted state grants, \$9,216 in interest income and \$53,051 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$454,301 and expenses were \$439,796 for the year ended June 30, 2016. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,667,416, above last year’s ending combined fund balances of a \$2,679,799. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2016 is approximately \$1.72 million of unexpended bond proceeds received during the year.

Governmental Fund Highlights

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

- The General Fund balance decreased slightly from \$1,658,110 at June 30, 2015 to \$1,653,567 at June 30, 2016. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance increased from \$700,952 at June 30, 2015 to \$2,636,289 at June 30, 2016. This increase in fund balance is primarily due to the issuance of \$2,885,000 of revenue bonds during the year without enough time at year end to complete the corresponding construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$71,610 at June 30, 2015 to \$86,115 at June 30, 2016. School Nutrition Fund revenues increased \$45,591, or 11.15%, from the prior year while expenditures increased only \$17,125, or 4.05% from the prior year. The increase in revenues was the result of an increase in charges for service. Increases in expenses for food service operations benefits and supplies were the main cause for the increase in expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Marshall Community School District amended its budget one time to reflect additional expenditures associated with the facility improvement project, the elementary addition and HVAC project and the fieldhouse project.

The District's revenues were \$128,514 less than budgeted revenues, a variance of 1.14%. The most significant variance resulted from the District receiving less from 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 at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the non-instructional programs functional area exceed that amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$10,285,478 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 10.25% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$493,098.

The original cost of the District's capital assets was \$17,279,212. Governmental funds accounted for \$17,012,200 with the remainder of \$267,012 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the Construction in Progress category. The District's Construction in Progress totaled \$1,220,853 at June 30, 2016 compared to \$0 at June 30, 2015. This increase resulted from construction activity on the District's facility improvement project, the elementary addition and HVAC project and the fieldhouse project.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 120,725	120,725	-	-	120,725	120,725	0.00%
Construction in progress	1,220,853	-	-	-	1,220,853	-	100.00%
Buildings	7,600,728	7,847,061	-	-	7,600,728	7,847,061	-3.14%
Land improvements	822,591	875,297	-	-	822,591	875,297	-6.02%
Machinery and equipment	466,928	417,594	53,653	68,293	520,581	485,887	7.14%
Total	\$ 10,231,825	9,260,677	53,653	68,293	10,285,478	9,328,970	10.25%

Long-Term Debt

At June 30, 2016, the District had \$11,258,093 in long-term debt outstanding. This represents an increase of 43.58% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 2,995,000	3,310,000	-	-	2,995,000	3,310,000	-9.52%
Revenue bonds	2,885,000	-	-	-	2,885,000	-	100.00%
Energy loan notes	267,469	340,703	-	-	267,469	340,703	-21.49%
Computer lease	90,207	178,162	-	-	90,207	178,162	-49.37%
Compensated absences	21,100	19,256	-	-	21,100	19,256	9.58%
Termination benefits	75,641	5,893	-	-	75,641	5,893	1183.57%
Net pension liability	4,063,023	3,224,647	123,298	98,703	4,186,321	3,323,350	25.97%
Net OPEB obligation	727,020	653,831	10,335	9,826	737,355	663,657	11.10%
Total	<u>\$ 11,124,460</u>	<u>7,732,492</u>	<u>133,633</u>	<u>108,529</u>	<u>11,258,093</u>	<u>7,841,021</u>	<u>43.58%</u>

The District had general obligation bonds payable of \$2,995,000 at June 30, 2016.

The District had revenue bonds payable of \$2,885,000 at June 30, 2016.

The District had energy loan notes payable from the General Fund of \$267,469 at June 30, 2016.

The District had computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$90,207 at June 30, 2016.

The District had compensated absences payable of \$21,100 at June 30, 2016.

The District had termination benefits payable from the Management Levy Fund of \$75,641 at June 30, 2016.

The District had net pension liability of \$4,186,321 at June 30, 2016. Governmental activities accounted for \$4,063,023 of the total while business type activities accounted for \$123,298.

The District had net OPEB liability of \$737,355 at June 30, 2016. Governmental activities accounted for \$727,020 of the total while business type activities accounted for \$10,335.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low supplemental state aid increases over the past several years, steady declining enrollment, and increasing expenditures have all had a negative impact on the District's spending authority balance.
- The District's enrollment trend over the past five years is downward by an average of 21 students per year.
- Roughly one third of the District's students served are open enrolled in to the District. In the past the decrease in resident enrollment has been offset by a steady increase in open enrollment into the District. However, open enrollment count into the District the last few years has begun to level out and has had a decrease of 14 open enrolled in students the in the last four years.

Fiscal Year	Enrolled In	Enrolled Out
2016-2017	315.2	36.0
2015-2016	318.4	30.0
2014-2015	318.6	44.1
2013-2014	329.1	35.1
2012-2013	296.2	38.1
2011-2012	264.2	35.1
2010-2011	238.2	40.2
2009-2010	220.0	41.7
2008-2009	209.0	46.6
2008-2009	202.0	45.6

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 Anthony Ryan, Superintendent, East Marshall Community School District, 204 West Center St, Gilman, Iowa, 50106.

BASIC FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,476,643	179,120	5,655,763
Receivables:			
Property tax:			
Delinquent	39,959	-	39,959
Succeeding year	3,292,163	-	3,292,163
Income surtax	286,964	-	286,964
Accounts	72,642	387	73,029
Due from other governments	564,053	-	564,053
Inventories	-	6,589	6,589
Capital assets, net of accumulated depreciation	10,231,825	53,653	10,285,478
TOTAL ASSETS	19,964,249	239,749	20,203,998
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	775,262	22,373	797,635
LIABILITIES			
Accounts payable	521,077	110	521,187
Salaries and benefits payable	923,123	19,106	942,229
Advances for student fees/deposits	4,250	-	4,250
Accrued interest payable	32,858	-	32,858
Unearned revenue	-	7,632	7,632
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	315,000	-	315,000
Energy loan notes	75,450	-	75,450
Computer lease	90,207	-	90,207
Termination benefits	12,607	-	12,607
Compensated absences	21,100	-	21,100
Portion due after one year:			
General obligation bonds	2,680,000	-	2,680,000
Revenue bonds	2,885,000	-	2,885,000
Energy loan notes	192,019	-	192,019
Termination benefits	63,034	-	63,034
Net pension liability	4,063,023	123,298	4,186,321
Net OPEB liability	727,020	10,335	737,355
TOTAL LIABILITIES	12,605,768	160,481	12,766,249
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	3,292,163	-	3,292,163
Pension related deferred inflows	468,442	15,526	483,968
TOTAL DEFERRED INFLOWS OF RESOURCES	3,760,605	15,526	3,776,131
NET POSITION			
Net investment in capital assets	5,808,208	53,653	5,861,861
Restricted for:			
Categorical funding	293,179	-	293,179
Management levy purposes	116,556	-	116,556
Student activities	113,272	-	113,272
Public education and recreation	68,377	-	68,377
School infrastructure	727,335	-	727,335
Physical plant and equipment	185,102	-	185,102
Unrestricted	(2,938,891)	32,462	(2,906,429)
TOTAL NET POSITION	\$ 4,373,138	86,115	4,459,253

SEE NOTES TO FINANCIAL STATEMENTS.

**EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,831,952	1,788,601	34,920	-	(2,008,431)	-	(2,008,431)
Special	1,208,206	689,256	39,656	-	(479,294)	-	(479,294)
Other	957,951	176,275	273,435	-	(508,241)	-	(508,241)
	<u>5,998,109</u>	<u>2,654,132</u>	<u>348,011</u>	<u>-</u>	<u>(2,995,966)</u>	<u>-</u>	<u>(2,995,966)</u>
Support services:							
Student	423,804	-	223	-	(423,581)	-	(423,581)
Instructional staff	277,289	-	7,227	-	(270,062)	-	(270,062)
Administration	1,113,850	-	2,878	-	(1,110,972)	-	(1,110,972)
Operation and maintenance of plant	998,186	-	-	88,466	(909,720)	-	(909,720)
Transportation services	590,582	20,871	441	-	(569,270)	-	(569,270)
	<u>3,403,711</u>	<u>20,871</u>	<u>10,769</u>	<u>88,466</u>	<u>(3,283,605)</u>	<u>-</u>	<u>(3,283,605)</u>
Non-instructional programs:							
Community service operations	7,280	-	2,562	-	(4,718)	-	(4,718)
Long-term debt interest	88,552	-	-	-	(88,552)	-	(88,552)
Other expenses:							
AEA flowthrough	272,126	-	272,126	-	-	-	-
Depreciation(unallocated)*	299,039	-	-	-	(299,039)	-	(299,039)
	<u>571,165</u>	<u>-</u>	<u>272,126</u>	<u>-</u>	<u>(299,039)</u>	<u>-</u>	<u>(299,039)</u>
Total governmental activities	<u>10,068,817</u>	<u>2,675,003</u>	<u>633,468</u>	<u>88,466</u>	<u>(6,671,880)</u>	<u>-</u>	<u>(6,671,880)</u>
Business type activities:							
Support services:							
Administration	19,989	-	-	-	(19,989)	-	(19,989)
Operation and maintenance of plant	3,087	-	-	-	(3,087)	-	(3,087)
Total support services	<u>23,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,076)</u>	<u>-</u>	<u>(23,076)</u>
Non-instructional programs:							
Food service operations	416,720	217,266	236,083	-	-	36,629	36,629
Total business type activities	<u>439,796</u>	<u>217,266</u>	<u>236,083</u>	<u>-</u>	<u>-</u>	<u>36,629</u>	<u>36,629</u>
Total	<u>\$ 10,508,613</u>	<u>2,892,269</u>	<u>869,551</u>	<u>88,466</u>	<u>(6,671,880)</u>	<u>13,553</u>	<u>(6,658,327)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,678,525	-		2,678,525
Capital outlay				218,739	-		218,739
Debt service				293,620	-		293,620
Income surtax				274,676	-		274,676
Statewide sales, services and use tax				557,164	-		557,164
Unrestricted state grants				3,173,196	-		3,173,196
Unrestricted investment earnings				9,216	227		9,443
Other				53,051	725		53,776
Total general revenues				<u>7,258,187</u>	<u>952</u>		<u>7,259,139</u>
Change in net position				586,307	14,505		600,812
Net position beginning of year				3,786,831	71,610		3,858,441
Net position end of year				<u>\$ 4,373,138</u>	<u>86,115</u>		<u>4,459,253</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,183,639	2,883,067	372,506	5,439,212
Receivables:				
Property tax:				
Delinquent	30,306	2,739	6,914	39,959
Succeeding year	2,412,640	230,504	649,019	3,292,163
Income surtax	286,964	-	-	286,964
Accounts	194	70,462	1,986	72,642
Due from other governments	472,688	91,245	120	564,053
TOTAL ASSETS	\$ 5,386,431	3,278,017	1,030,545	9,694,993
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 106,417	411,224	3,436	521,077
Salaries and benefits payable	923,123	-	-	923,123
Advances for student fees/deposits	3,720	-	530	4,250
Total liabilities	1,033,260	411,224	3,966	1,448,450
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,412,640	230,504	649,019	3,292,163
Income surtax	286,964	-	-	286,964
Total deferred inflows of resources	2,699,604	230,504	649,019	3,579,127
Fund balances:				
Restricted for:				
Categorical funding	293,179	-	-	293,179
Debt service	-	-	3,714	3,714
Management levy purposes	-	-	192,197	192,197
Student activities	-	-	113,272	113,272
Public education and recreation	-	-	68,377	68,377
School infrastructure	-	2,451,187	-	2,451,187
Physical plant and equipment	-	185,102	-	185,102
Assigned	41,943	-	-	41,943
Unassigned	1,318,445	-	-	1,318,445
Total fund balances	1,653,567	2,636,289	377,560	4,667,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,386,431	3,278,017	1,030,545	9,694,993

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances of governmental funds (page 20)		\$ 4,667,416
 <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.		10,231,825
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(32,858)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		37,431
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	\$ 775,262	
Deferred inflows of resources	<u>(468,442)</u>	306,820
Accounts receivable income surtax is not yet available to finance expenditures in the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		286,964
Long-term liabilities, including bonds payable, energy loan notes payable, computer lease payable, compensated absences payable, termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(11,124,460)</u>
Net position of governmental activities (page 18)		<u><u>\$ 4,373,138</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,705,855	218,739	552,113	3,476,707
Tuition	2,451,996	-	-	2,451,996
Other	133,088	90,974	183,610	407,672
State sources	3,580,812	559,992	7,138	4,147,942
Federal sources	181,954	-	-	181,954
TOTAL REVENUES	9,053,705	869,705	742,861	10,666,271
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,682,716	51,708	99,740	3,834,164
Special	1,186,219	-	-	1,186,219
Other	881,907	-	173,595	1,055,502
	5,750,842	51,708	273,335	6,075,885
Support services:				
Student	412,258	-	1,106	413,364
Instructional staff	257,596	22,190	1,809	281,595
Administration	1,002,187	128,416	15,112	1,145,715
Operation and maintenance of plant	800,784	29,706	63,937	894,427
Transportation	485,762	98,485	26,943	611,190
	2,958,587	278,797	108,907	3,346,291
Non-instructional programs:				
Community service operations	2,562	-	4,718	7,280
Capital outlay	-	1,327,139	-	1,327,139
Long-term debt:				
Principal	-	-	476,189	476,189
Interest and fiscal charges	-	-	66,863	66,863
	-	-	543,052	543,052
Other expenditures:				
AEA flowthrough	272,126	-	-	272,126
TOTAL EXPENDITURES	8,984,117	1,657,644	930,012	11,571,773
Excess(Deficiency) of revenues over(under) expenditures	69,588	(787,939)	(187,151)	(905,502)
Other financing sources(uses):				
Transfer in	-	-	243,974	243,974
Transfer out	(82,250)	(161,724)	-	(243,974)
Proceeds from the issuance of revenue bonds	-	2,885,000	-	2,885,000
Compensation for loss of capital assets	4,334	-	-	4,334
Sale of equipment	3,785	-	-	3,785
Total other financing sources(uses)	(74,131)	2,723,276	243,974	2,893,119
Change in fund balances	(4,543)	1,935,337	56,823	1,987,617
Fund balances beginning of year	1,658,110	700,952	320,737	2,679,799
Fund balances end of year	\$ 1,653,567	2,636,289	377,560	4,667,416

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

Change in fund balances - total governmental funds (page 22) \$ 1,987,617

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 exceeded depreciation expense in the current year as follows:

Capital outlay	\$ 1,449,606	
Depreciation expense	<u>(478,458)</u>	971,148

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds. (11,147)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues and repayments are as follows:

Issued	(2,885,000)	
Repaid	<u>476,189</u>	(2,408,811)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (21,689)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance on an entity-wide basis. 24,729

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 512,692

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

Termination benefits	(69,748)	
Compensated absences	(1,844)	
Pension expense	(323,451)	
Other postemployment benefits	<u>(73,189)</u>	<u>(468,232)</u>

Change in net position of governmental activities (page 19) \$ 586,307

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 179,120	37,431
Accounts receivable	387	-
Inventories	6,589	-
Total current assets	186,096	37,431
Noncurrent assets:		
Capital assets, net of accumulated depreciation	53,653	-
TOTAL ASSETS	239,749	37,431
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	22,373	-
LIABILITIES		
Current liabilities:		
Accounts payable	110	-
Salaries and benefits payable	19,106	-
Unearned revenue	7,632	-
Total current liabilities	26,848	-
Noncurrent liabilities:		
Net pension liability	123,298	-
Net OPEB liability	10,335	-
Total noncurrent liabilities	133,633	-
TOTAL LIABILITIES	160,481	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	15,526	-
NET POSITION		
Net investment in capital assets	53,653	-
Unrestricted	32,462	37,431
TOTAL NET POSITION	\$ 86,115	37,431

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 217,266	-
Miscellaneous	725	52,019
TOTAL OPERATING REVENUES	217,991	52,019
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	8,146	-
Benefits	1,499	24,550
Services	5,393	2,760
Supplies	4,951	-
Operation and maintenance of plant:		
Services	2,885	-
Supplies	202	-
Total support services	23,076	27,310
Non-instructional programs:		
Food service operations:		
Salaries	156,029	-
Benefits	48,883	-
Services	329	-
Supplies	196,839	-
Depreciation	14,640	-
Total non-instructional programs	416,720	-
TOTAL OPERATING EXPENSES	439,796	27,310
OPERATING INCOME(LOSS)	(221,805)	24,709
NON-OPERATING REVENUES:		
State sources	3,939	-
Federal sources	232,144	-
Interest income	227	20
TOTAL NON-OPERATING REVENUES	236,310	20
Change in net position	14,505	24,729
Net position beginning of year	71,610	12,702
Net position end of year	\$ 86,115	37,431

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sales	\$ 216,164	-
Cash received from miscellaneous	725	52,019
Cash payments to employees for services	(220,850)	-
Cash payments to suppliers for goods or services	(171,031)	(27,310)
Net cash provided by(used in) operating activities	(174,992)	24,709
Cash flows from non-capital financing activities:		
State grants received	3,939	-
Federal grants received	196,348	-
Net cash provided by non-capital financing activities	200,287	-
Cash flows from investing activities:		
Interest on investments	227	20
Net increase in cash and pooled investments	25,522	24,729
Cash and pooled investments beginning of year	153,598	12,702
Cash and pooled investments end of year	\$ 179,120	37,431
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (221,805)	24,709
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	35,796	-
Depreciation	14,640	-
Decrease in inventories	3,662	-
Increase in accounts receivable	(387)	-
Increase in accounts payable	110	-
Decrease in salaries and benefits payable	(1,847)	-
Increase in net pension liability	24,595	-
Increase in deferred outflows of resources	(2,180)	-
Decrease in deferred inflows of resources	(27,370)	-
Decrease in unearned revenue	(715)	-
Increase in other postemployment benefits	509	-
Net cash provided by(used in) operating activities	\$ (174,992)	24,709

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received federal commodities valued at \$35,796.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 35,305
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 35,305</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 117</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>243</u>
Change in net position	(126)
Net position beginning of year	<u>35,431</u>
Net position end of year	<u>\$ 35,305</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall, Tama, Poweshiek and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

Net investments in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction purposes have been added back to net investment in capital assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports nonmajor proprietary funds including the School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the partially self-funded insurance plan of the District. The Internal Service Fund is charged back to the governmental funds and shown combined on the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, 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.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

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

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

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

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

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

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

Advances for Student Fees/Deposits - Registration proceeds and deposits received by the District for future periods which will be recognized as revenue in the fiscal year that services are rendered.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or

retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the non-instructional programs function.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,820,089 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 120,725	-	-	120,725
Construction in progress	-	1,220,853	-	1,220,853
Total capital assets not being depreciated	120,725	1,220,853	-	1,341,578
Capital assets being depreciated:				
Buildings	11,700,640	-	-	11,700,640
Land improvements	1,197,766	-	-	1,197,766
Machinery and equipment	2,612,261	228,753	68,798	2,772,216
Total capital assets being depreciated	15,510,667	228,753	68,798	15,670,622
Less accumulated depreciation for:				
Buildings	3,853,579	246,333	-	4,099,912
Land improvements	322,469	52,706	-	375,175
Machinery and equipment	2,194,667	179,419	68,798	2,305,288
Total accumulated depreciation	6,370,715	478,458	68,798	6,780,375
Total capital assets being depreciated, net	9,139,952	(249,705)	-	8,890,247
Governmental activities capital assets, net	\$ 9,260,677	971,148	-	10,231,825
Business type activities:				
Machinery and equipment	\$ 267,012	-	-	267,012
Less accumulated depreciation	198,719	14,640	-	213,359
Business type activities capital assets, net	\$ 68,293	(14,640)	-	53,653

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 53,305
Other	7,134
Support services:	
Student	8,932
Operation and maintenance of plant	12,851
Transportation	97,197
	179,419
Unallocated depreciation	299,039
Total governmental activities depreciation expense	478,458
Business type activities:	
Food service operations	\$ 14,640

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,310,000	-	315,000	2,995,000	315,000
Revenue bonds	-	2,885,000	-	2,885,000	-
Energy loan notes	340,703	-	73,234	267,469	75,450
Computer lease	178,162	-	87,955	90,207	90,207
Compensated absences	19,256	21,100	19,256	21,100	21,100
Termination benefits	5,893	75,641	5,893	75,641	12,607
Net pension liability	3,224,647	838,376	-	4,063,023	-
Net OPEB liability	653,831	73,189	-	727,020	-
Total	<u>\$ 7,732,492</u>	<u>3,893,306</u>	<u>501,338</u>	<u>11,124,460</u>	<u>514,364</u>
Business type activities:					
Net pension liability	98,703	24,595	-	123,298	-
Net OPEB liability	9,826	509	-	10,335	-
Total	<u>\$ 108,529</u>	<u>25,104</u>	<u>-</u>	<u>133,633</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue dated August 1, 2012			
	Interest Rate	Principal	Interest	Total
2017	0.85%	\$ 315,000	52,403	367,403
2018	1.10	315,000	49,725	364,725
2019	1.35	320,000	46,260	366,260
2020	1.60	325,000	41,940	366,940
2021	1.80	330,000	36,740	366,740
2022-2025	2.00-2.35	1,390,000	79,870	1,469,870
		<u>\$ 2,995,000</u>	<u>306,938</u>	<u>3,301,938</u>

Revenue Bond Payable

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue dated March 1, 2016			
	Interest Rate	Principal	Interest	Total
2017	2.39%	\$ -	57,460	57,460
2018	2.39	190,000	66,681	256,681
2019	2.39	195,000	62,080	257,080
2020	2.39	200,000	57,360	257,360
2021	2.39	205,000	52,520	257,520
2022-2026	2.39	1,105,000	185,763	1,290,763
2027-2030	2.39	990,000	47,919	1,037,919
		<u>\$ 2,885,000</u>	<u>529,783</u>	<u>3,414,783</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,885,000 of bonds issued March 1, 2016. The bonds were issued for the purpose of financing a portion of the costs of various 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 general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Fiscal year 2017 principal and interest payments on the bonds are expected to require approximately 10% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,414,783. For the current year, no principal or interest had been paid on the bonds and total statewide sales, services and use tax revenues were \$557,164.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) 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.
- c) 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.

Energy Loan Notes Payable

Details of the District’s June 30, 2016 energy loan notes indebtedness payable from the General Fund are as follows:

Year Ending June 30,	Notes dated February 1, 2007			Notes dated March 1, 2012			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2017	4.05%	\$ 58,000	2,349	1.00%	\$ 17,450	2,015	75,450	4,364	79,814
2018		-	-	1.00	17,670	1,839	17,670	1,839	19,509
2019		-	-	1.00	17,892	1,662	17,892	1,662	19,554
2020		-	-	1.00	18,117	1,482	18,117	1,482	19,599
2021		-	-	1.00	18,345	1,300	18,345	1,300	19,645
2022-2026		-	-	1.00	95,241	3,683	95,241	3,683	98,924
2027-2028		-	-	1.00	24,754	166	24,754	166	24,920
Total		<u>\$ 58,000</u>	<u>2,349</u>		<u>\$ 209,469</u>	<u>12,147</u>	<u>267,469</u>	<u>14,496</u>	<u>281,965</u>

Computer Lease Payable

Details of the District computer lease indebtedness as of June 30, 2016, is as follows:

Year Ending June 30,	Computer Lease dated March 3, 2014			
	Interest Rate	Principal	Interest	Total
2017	1.90%	<u>\$ 90,207</u>	<u>2,309</u>	<u>92,516</u>

Termination Benefits Payable

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

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

The District offered an early retirement package for fiscal year 2016 only that included a monthly cash payment benefit equal to 1% of salary per month for 5 years in addition to the \$500/month insurance premium contribution. The cash payment portion of the early retirement offering is accounted for as a termination benefit under GASB Statement 47. As of June 30, 2016, the District had total termination benefits payable to two retirees of \$75,641. Actual termination benefits expenditures for the year ended June 30, 2016 totaled \$5,893.

Note 5. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 82,250
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	161,724
Total		<u>\$ 243,974</u>

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for debt relief on the District’s general obligation bonded indebtedness and principal and interest payments on the District’s computer lease.

Note 6. Pension Plan

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

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

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

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$527,136.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$4,186,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.084735%, which was an increase of 0.000937% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$332,940. At June 30, 2016, 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	\$ 63,250	\$ -
Changes of assumptions	115,260	-
Net difference between projected and actual earnings on IPERS' investments	-	348,411
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	91,989	135,557
District contributions subsequent to the measurement date	527,136	-
Total	<u>\$ 797,635</u>	<u>\$ 483,968</u>

\$527,136 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, 2017. 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,	Amount
2017	\$ (136,089)
2018	(136,089)
2019	(136,089)
2020	187,057
2021	7,741
Total	<u>\$ (213,469)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 7,329,494	4,186,321	1,533,257

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$65,340 for legally required District contributions and \$43,535 for legally required employee contributions withheld from employee wages which not yet been remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 79 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark and ISEBA. Retirees under age 69 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers a voluntary early retirement incentive plan to its qualified employees. The plan benefits include District contributions toward single coverage health insurance premiums which results in an explicit 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 201,496
Interest on net OPEB obligation	16,591
Adjustment to annual required contribution	<u>(71,297)</u>
Annual OPEB cost	146,790
Contributions made	<u>(73,092)</u>
Increase in net OPEB obligation	73,698
Net OPEB obligation beginning of year	<u>663,657</u>
Net OPEB obligation end of year	<u><u>\$ 737,355</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$73,092 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 196,644	31.30%	\$ 519,366
2015	199,266	27.59	663,657
2016	146,790	49.79	737,355

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,080,779, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,080,779. The covered payroll (annual payroll of active employees covered by the plan) was \$4,957,386, and the ratio of the UAAL to covered payroll was 21.80%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$530 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2016 were \$682,821.

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

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District’s actual amount for this purpose totaled \$272,126 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 52,243
Returning dropouts and dropout prevention programs	44,568
Four-year-old preschool state aid	131,338
Beginning teacher mentoring and induction program	2,882
Successful progression for early readers	9,528
Professional development for model core curriculum	8,501
Professional development	5,207
Market factor incentives	3,452
Teacher leadership grants	35,460
Total	\$ 293,179

Note 11. Construction Commitments

As of June 30, 2016, the District had entered into contracts for various construction projects around the District including an elementary addition and HVAC project, a facility improvement project and a new fieldhouse. As of June 30, 2016, costs of \$1,220,853 have been incurred against the contracts. The remaining balance will be paid out as work on the projects progresses and when completed, the costs of the projects will be added to the District's capital assets listing.

Note 12. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2016, the District exceeded its budgeted amounts in the non-instructional programs functional area.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	3,714	192,197	2,451,187	1,318,445
Capital assets, net of accumulated depreciation	10,231,825	-	-	-	-
General obligation bond capitalized indebtedness	(2,995,000)	-	-	-	-
Revenue bond capitalized indebtedness	(1,161,148)	-	-	-	-
Unspent revenue bond proceeds	-	-	-	(1,723,852)	-
Energy loan note indebtedness	(267,469)	-	-	-	-
Computer lease indebtedness	-	-	-	-	(90,207)
Accrued interest payable	-	(3,714)	-	-	(29,144)
Termination benefits	-	-	(75,641)	-	-
Net pension liability	-	-	-	-	(4,063,023)
Pension related deferred outflows	-	-	-	-	775,262
Pension related deferred inflows	-	-	-	-	(468,442)
Assigned fund balance	-	-	-	-	41,943
Compensated absences	-	-	-	-	(21,100)
Net OPEB liability	-	-	-	-	(727,020)
Internal service fund	-	-	-	-	37,431
Income surtax receivable	-	-	-	-	286,964
Net position (Exhibit A)	<u>\$ 5,808,208</u>	<u>-</u>	<u>116,556</u>	<u>727,335</u>	<u>(2,938,891)</u>

EAST MARSHALL COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,336,375	218,218	6,554,593	6,629,792	6,629,792	(75,199)
State sources	4,147,942	3,939	4,151,881	4,234,294	4,234,294	(82,413)
Federal sources	181,954	232,144	414,098	385,000	385,000	29,098
Total revenues	<u>10,666,271</u>	<u>454,301</u>	<u>11,120,572</u>	<u>11,249,086</u>	<u>11,249,086</u>	<u>(128,514)</u>
Expenditures/Expenses:						
Instruction	6,075,885	-	6,075,885	6,133,000	6,133,000	57,115
Support services	3,346,291	23,076	3,369,367	3,433,200	3,433,200	63,833
Non-instructional programs	7,280	416,720	424,000	407,000	407,000	(17,000)
Other expenditures	2,142,317	-	2,142,317	1,240,566	2,340,566	198,249
Total expenditures/expenses	<u>11,571,773</u>	<u>439,796</u>	<u>12,011,569</u>	<u>11,213,766</u>	<u>12,313,766</u>	<u>302,197</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(905,502)	14,505	(890,997)	35,320	(1,064,680)	173,683
Other financing sources, net	<u>2,893,119</u>	-	<u>2,893,119</u>	-	-	<u>2,893,119</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,987,617	14,505	2,002,122	35,320	(1,064,680)	3,066,802
Balances beginning of year	<u>2,679,799</u>	<u>71,610</u>	<u>2,751,409</u>	<u>2,937,562</u>	<u>2,937,562</u>	<u>(186,153)</u>
Balances end of year	<u>\$ 4,667,416</u>	<u>86,115</u>	<u>4,753,531</u>	<u>2,972,882</u>	<u>1,872,882</u>	<u>2,880,649</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,100,000.

During the year ended June 30, 2016, expenditure in the non-instructional programs function exceed the amounts budgeted.

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

	2016	2015
District's proportion of the net pension liability	0.084735%	0.083798%
District's proportionate share of the net pension liability	\$ 4,186,321	3,323,350
District's covered-employee payroll	\$ 5,807,929	5,493,326
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.08%	60.50%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 527,136	518,648	490,554	482,057	428,627	364,259	340,275	318,238	299,132	260,593
Contributions in relation to the statutorily required contribution	\$ (527,136)	(518,648)	(490,554)	(482,057)	(428,627)	(364,259)	(340,275)	(318,238)	(299,132)	(260,593)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,900,234	5,807,929	5,493,326	5,560,058	5,311,363	5,241,137	4,896,043	5,011,622	4,944,331	4,532,052
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,532,553	1,532,553	0.0%	\$ 4,057,796	37.77%
2011	July 1, 2009	-	1,417,884	1,417,884	0.0	4,184,344	33.89
2012	July 1, 2009	-	1,419,309	1,419,309	0.0	3,473,174	40.86
2013	July 1, 2012	-	1,441,330	1,441,330	0.0	4,461,669	32.30
2014	July 1, 2012	-	1,333,578	1,333,578	0.0	4,362,416	30.57
2015	July 1, 2012	-	1,188,157	1,188,157	0.0	4,828,328	24.61
2016	July 1, 2015	-	1,080,779	1,080,779	0.0	4,957,386	21.80

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT



SUPPLEMENTARY INFORMATION

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue					
	Manage- ment Levy	Student Activity	Public		Debt Service	Total
			Education and Recreation Levy	Total		
ASSETS						
Cash and pooled investments	\$ 189,330	115,132	68,007	372,469	37	372,506
Receivables:						
Property tax:						
Delinquent	2,867	-	370	3,237	3,677	6,914
Succeeding year	249,999	-	31,118	281,117	367,902	649,019
Accounts	-	1,986	-	1,986	-	1,986
Due from other governments	-	120	-	120	-	120
TOTAL ASSETS	\$ 442,196	117,238	99,495	658,929	371,616	1,030,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	3,436	-	3,436	-	3,436
Advances for student fees/deposits	-	530	-	530	-	530
Total liabilities	-	3,966	-	3,966	-	3,966
Deferred inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	249,999	-	31,118	281,117	367,902	649,019
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	3,714	3,714
Management levy purposes	192,197	-	-	192,197	-	192,197
Student activities	-	113,272	-	113,272	-	113,272
Public education and recreation	-	-	68,377	68,377	-	68,377
Total fund balances	192,197	113,272	68,377	373,846	3,714	377,560
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 442,196	117,238	99,495	658,929	371,616	1,030,545

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Special Revenue					
	Manage- ment Levy	Student Activity	Public		Debt Service	Total
			Education and Recreation Levy	Total		
REVENUES:						
Local sources:						
Local tax	\$ 228,964	-	29,529	258,493	293,620	552,113
Other	390	182,864	131	183,385	225	183,610
State sources	2,960	-	382	3,342	3,796	7,138
TOTAL REVENUES	232,314	182,864	30,042	445,220	297,641	742,861
EXPENDITURES:						
Current:						
Instruction:						
Regular	99,740	-	-	99,740	-	99,740
Other	-	173,595	-	173,595	-	173,595
Support services:						
Student	1,106	-	-	1,106	-	1,106
Instructional staff	585	1,224	-	1,809	-	1,809
Administration	11,971	3,141	-	15,112	-	15,112
Operation and maintenance of plant	57,761	517	5,659	63,937	-	63,937
Transportation	26,943	-	-	26,943	-	26,943
Non-instructional programs:						
Community service operations	-	-	4,718	4,718	-	4,718
Long-term debt:						
Principal	-	-	-	-	476,189	476,189
Interest and fiscal charges	-	-	-	-	66,863	66,863
TOTAL EXPENDITURES	198,106	178,477	10,377	386,960	543,052	930,012
Excess(Deficiency) of revenues over(under) expenditures	34,208	4,387	19,665	58,260	(245,411)	(187,151)
Other financing sources:						
Transfer in	-	-	-	-	243,974	243,974
Change in fund balances	34,208	4,387	19,665	58,260	(1,437)	56,823
Fund balances beginning of year	157,989	108,885	48,712	315,586	5,151	320,737
Fund balances end of year	\$ 192,197	113,272	68,377	373,846	3,714	377,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 2,700,704	-	182,363	2,883,067
Receivables:				
Property tax:				
Delinquent	-	-	2,739	2,739
Succeeding year	-	-	230,504	230,504
Accounts	-	70,462	-	70,462
Due from other governments	91,245	-	-	91,245
TOTAL ASSETS	\$ 2,791,949	70,462	415,606	3,278,017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 340,762	70,462	-	411,224
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	230,504	230,504
Fund balances:				
Restricted for:				
School infrastructure	2,451,187	-	-	2,451,187
Physical plant and equipment	-	-	185,102	185,102
Total fund balances	2,451,187	-	185,102	2,636,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,791,949	70,462	415,606	3,278,017

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	218,739	218,739
Other	2,147	88,626	201	90,974
State sources	557,164	-	2,828	559,992
TOTAL REVENUES	559,311	88,626	221,768	869,705
EXPENDITURES:				
Current:				
Instruction:				
Regular	48,998	-	2,710	51,708
Support services:				
Instructional staff	22,190	-	-	22,190
Administration	99,113	-	29,303	128,416
Operation and maintenance of plant	3,950	-	25,756	29,706
Transportation	98,485	-	-	98,485
Capital outlay	1,143,478	162,894	20,767	1,327,139
TOTAL EXPENDITURES	1,416,214	162,894	78,536	1,657,644
Excess(Deficiency) of revenues over(under) expenditures	(856,903)	(74,268)	143,232	(787,939)
Other financing sources(uses):				
Transfer out	(161,724)	-	-	(161,724)
Proceeds from issuance of revenue bonds	2,885,000	-	-	2,885,000
Total other financing sources(uses)	2,723,276	-	-	2,723,276
Change in fund balances	1,866,373	(74,268)	143,232	1,935,337
Fund balances beginning of year	584,814	74,268	41,870	700,952
Fund balances end of year	\$ 2,451,187	-	185,102	2,636,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 7,305	4,287	2,851	27	8,768
HS Vocal	3,244	5,641	4,792	910	5,003
Spec MS Vocal	-	412	608	196	-
HS Band	6,259	1,242	3,703	12	3,810
Band Fundraising	8,300	10,858	8,779	32	10,411
Spec MS Band	2,371	135	1,205	4	1,305
MS Band Resale	330	740	629	1	442
Athletics	18,206	5,287	11,418	8,261	20,336
Athletic Uniforms	2,956	5,153	7,789	(320)	-
Track Equipment Fundraising	7,171	17,463	14,894	30	9,770
Spec MS Athletics	6,031	6,034	8,454	11	3,622
Cross Country	-	-	1,508	1,508	-
Golf	-	139	1,847	1,708	-
Boys Basketball	-	8,689	5,657	(3,032)	-
Football	-	13,708	13,479	(229)	-
Baseball	70	4,045	5,202	1,087	-
Boys Track	-	4,333	4,355	22	-
Wrestling	-	7,025	4,940	(2,085)	-
Alumni Basketball Uniforms	1,429	325	635	4	1,123
Girls Basketball	-	7,393	3,483	(3,910)	-
Volleyball	-	6,255	3,845	(2,410)	-
Softball	200	5,612	4,440	(1,372)	-
Girls Track	-	3,675	3,438	(237)	-
Interest	-	350	-	(350)	-
Middle School Fine Arts	16,824	2,102	6,223	(157)	12,546
MS Yearbook	841	3,060	2,365	5	1,541
MS Student Council	2,178	2,851	2,719	(597)	1,713
MS Activities	-	1,273	1,073	1	201
High School Fine Arts	5,211	-	-	(17)	5,194
Class of 2015	8	-	-	(8)	-
Class of 2016	1,422	368	1,598	(192)	-
Class of 2017	-	7,179	6,377	1,607	2,409
Class of 2018	-	215	-	-	215
HS Yearbook	-	11,240	10,507	7	740
Spec HS Art	3,926	-	322	11	3,615
Silk Screening	1,954	2,450	2,197	1,040	3,247
Cheerleaders	187	7,451	7,187	(432)	19
FFA	11,229	22,568	17,393	51	16,455
National Honor Society	432	-	465	33	-
HS Student Council	801	1,211	1,227	2	787
Concessions	-	2,095	873	(1,222)	-
Total	\$ 108,885	182,864	178,477	-	113,272

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts		
	Blackburn Scholarship	Dunham Scholarship	Total
ASSETS			
Cash and pooled investments	\$ 31,763	3,542	35,305
LIABILITIES			
	-	-	-
NET POSITION			
Held in trust for scholarships	\$ 31,763	3,542	35,305

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts		
	Blackburn Scholarship	Dunham Scholarship	Total
Additions:			
Local sources:			
Interest income	\$ 105	12	117
Deductions			
Instruction:			
Regular:			
Scholarships awarded	243	-	243
Change in net position	(138)	12	(126)
Net position beginning of year	31,901	3,530	35,431
Net position end of year	\$ 31,763	3,542	35,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 3,476,707	3,427,467	3,317,437	3,599,167	3,757,789	3,716,260	3,329,046	3,233,021	3,084,414	3,146,783
Tuition	2,451,996	2,384,296	2,338,991	2,015,452	1,774,798	1,524,337	1,372,977	1,287,996	1,276,568	1,249,157
Other	407,672	938,869	430,326	411,988	337,388	311,573	289,867	324,444	487,198	492,617
Intermediate sources	-	-	-	811	-	2,937	10,414	-	-	-
State sources	4,147,942	4,162,518	4,462,442	3,638,736	3,971,194	3,898,484	3,517,058	3,821,565	3,846,326	3,448,468
Federal sources	181,954	187,559	208,177	167,746	219,106	406,297	812,903	274,774	252,322	400,479
Total	\$ 10,666,271	11,100,709	10,757,373	9,833,900	10,060,275	9,859,888	9,332,265	8,941,800	8,946,828	8,737,504
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,834,164	3,721,806	3,895,534	3,546,233	3,467,814	3,318,567	3,254,908	3,154,199	3,263,097	3,070,843
Special	1,186,219	1,144,176	1,180,814	1,219,627	1,166,313	1,148,872	1,166,517	1,246,523	1,106,333	1,034,926
Other	1,055,502	1,117,349	1,040,081	1,006,684	911,550	900,022	922,263	883,985	756,644	789,754
Support services:										
Student	413,364	388,269	379,405	342,793	318,211	307,470	289,971	283,357	280,838	278,505
Instructional staff	281,595	362,384	355,670	293,577	318,954	350,709	323,819	392,755	289,776	269,037
Administration	1,145,715	1,059,051	1,045,464	929,922	911,686	1,018,387	866,715	828,893	826,278	800,010
Operation and maintenance of plant	894,427	968,299	941,483	866,159	909,086	826,917	806,918	853,631	943,058	805,329
Transportation	611,190	580,935	629,464	538,336	636,634	583,384	604,605	475,124	724,232	468,739
Central	-	-	-	-	-	-	-	-	-	-
Non-instructional programs:										
Food service operations	-	5,000	-	-	-	-	-	2,527	3,892	3,635
Community service operations	7,280	7,852	8,601	4,991	5,268	4,812	4,861	5,131	5,473	5,738
Capital outlay	1,327,139	711,542	248,424	172,921	464,338	101,988	596,714	848,284	1,094,240	4,656,475
Long-term debt:										
Principal	476,189	576,779	3,888,808	397,469	374,000	357,000	345,000	244,000	230,000	185,000
Interest and fiscal charges	66,863	77,553	225,528	263,836	202,338	210,852	225,948	228,861	232,517	213,226
Other expenditures:										
AEA flow-through	272,126	276,408	278,630	272,285	282,484	311,385	308,807	251,378	248,491	231,586
Total	\$ 11,571,773	10,997,403	14,117,906	9,854,833	9,968,676	9,440,365	9,717,046	9,698,648	10,004,869	12,812,803

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 East Marshall Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part 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, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Marshall Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2017
Newton, Iowa

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-16 **Segregation of Duties** - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted individuals who have control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions, handling and recording, depositing and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Capital assets - purchasing, recording, and reconciling.
- 4) Receipts - collecting, recording, depositing, posting, and reconciling.
- 5) Payroll - record keeping, preparation, posting and distributing.
- 6) Financial reporting - preparing, reconciling and approving.

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

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

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-16** **Certified Budget** - District disbursements for the year ended June 30, 2016, exceeded the amended certified budget amounts in the non-instructional programs functional area.
- Recommendation** - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response** - The District will review the procedures in place when making budget amendments to ensure that an adequate amount will be amended for in the future when necessary.
- Conclusion** - Response accepted.
- II-B-16** **Questionable Disbursements** - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-16** **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-16** **Business Transactions** - No business transactions between the District and District officials or employees were noted.
- II-E-16** **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16** **Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16** **Certified Enrollment** - No variance regarding the certified enrollment certified to the Iowa Department of Education were noted.
- II-H-16** **Supplementary Weighting** - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16** **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-16** **Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education, and we noted no deficiencies in amounts reported.
- II-K-16** **Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	584,814
Revenues:			
Sales tax revenues	\$	557,164	
Other local revenues		2,147	
Sale of long-term debt		2,885,000	3,444,311
			<u>4,029,125</u>
Expenditures:			
School infrastructure construction		995,925	
Equipment		184,507	
Other		235,782	
Transfers to other funds:			
Debt service fund		161,724	1,577,938
			<u>1,577,938</u>
Ending Balance		\$	<u>2,451,187</u>

For the year ended June 30, 2016, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.31497	\$ 69,208

II-M-16 Published Salary - We noted during our audit an instance when the published employee wages did not accurately reflect the complete salary earned by an employee.

Recommendation - Chapter 279.35 of the Code of Iowa states in part that "Salaries paid to individuals regularly employed by the district shall only be published annually and the publication shall include the total amount of the annual salary of each employee." The District should review its procedures to comply with Chapter 279.35 of the Code of Iowa.

Response - The District has changed the procedures and timelines to ensure that the correct report is ran out of the Accounting System going forward to ensure that all salaries are captured for publication.

Conclusion - Response accepted.