

**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

May 31, 2019

Contact: Marlys Gaston  
(515) 281-5834

Auditor of State Rob Sand today released an audit report on Marshalltown Community School District in Marshalltown, Iowa.

The District's revenues totaled \$75,243,170 for the year ended June 30, 2018, a 4.0% increase over the prior year. Revenues included \$18,277,780 of local tax, \$5,059,745 of statewide sales, services and use tax, charges for service of \$2,843,351, operating grants, contributions and restricted interest of \$13,746,247, unrestricted state grants of \$34,622,343, unrestricted interest of \$190,081 and other general revenues of \$503,623.

Expenses for District operations for the year ended June 30, 2018 totaled \$73,286,939, a 3.6% increase over the prior year. Expenses included \$28,242,956 for regular instruction, \$9,423,460 for other instruction and \$9,401,539 for special instruction.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

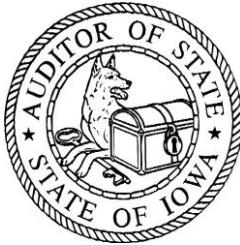
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**MARSHALLTOWN COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2018**

**Marshalltown Community School District**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004  
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

May 20, 2019

Officials of the Marshalltown Community School District  
Marshalltown, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Marshalltown Community School District for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Marshalltown Community School District throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,  
  
Rob Sand  
Auditor of State

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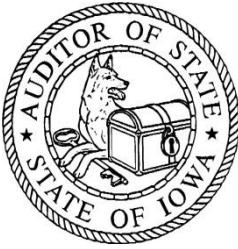
## **Marshalltown Community School District**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Bea Niblock	President	2021
Janelle Carter	Vice President	2019
Ben Fletcher	Board Member	2019
Ross Harris	Board Member	2019
Sean Heitmann	Board Member	2019
Michael Miller	Board Member	2021
Karina Hernandez	Board Member	2021

### **School Officials**

Dr. Theron Schutte	Superintendent	Indefinite
Brian Bartz	District Board Secretary/ Director of Business Operations	(Resigned Mar 2018)
Paulette Newbold (Appointed Apr 2018)	District Board Secretary/ Director of Business Operations	Indefinite
Cartwright, Druker, & Ryden	Attorney	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite



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**Independent Auditor's Report**

To the Board of Education of Marshalltown Community School District:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District, Marshalltown, Iowa, as of and for the year ended June 30, 2018, 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 Marshalltown Community School District as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 14 to the financial statements, Marshalltown Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 8 through 17 and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshalltown Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2017 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 May 20, 2019 on our consideration of Marshalltown Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Community School District's internal control over financial reporting and compliance.

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

May 20, 2019

**Marshalltown Community School District**

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

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Marshalltown Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$5,858,987 and \$82,546, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$61,070,260 in fiscal year 2017 to \$63,061,907 in fiscal year 2018, while General Fund expenditures increased from \$61,002,398 in fiscal year 2017 to \$64,930,122 in fiscal year 2018. The District's General Fund balance decreased from \$6,149,645 at the end of fiscal year 2017 to \$4,281,430 at the end of fiscal year 2018, a 30.4% decrease.
- The fiscal year 2018 General Fund revenue increase was attributable to increases in property tax and state grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2018. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

## **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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

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

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-1 below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017 before restatement.

Figure A-1 Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District	Total Change
	June 30, 2017	June 30, 2018 (Not Restated)	June 30, 2017	June 30, 2018 (Not Restated)	June 30, 2017	June 30, 2017-2018
Current and other assets	\$ 43,731,718	41,641,510	1,472,771	1,210,955	45,204,489	42,852,465
Capital assets	68,521,432	66,287,954	342,609	264,169	68,864,041	66,552,123
Total assets	112,253,150	107,929,464	1,815,380	1,475,124	114,068,530	109,404,588
Deferred outflows of resources	9,556,532	8,883,384	295,563	240,717	9,852,095	9,124,101
Long-term liabilities	70,926,968	62,295,103	1,086,983	965,148	72,013,951	63,260,251
Other liabilities	10,447,134	8,842,705	54,121	39,375	10,501,255	8,882,080
Total liabilities	81,374,102	71,137,808	1,141,104	1,004,523	82,515,206	72,142,331
Deferred inflows of resources	18,603,923	19,633,121	72,962	39,401	18,676,885	19,672,522
Net position:						
Net investment in capital assets	38,628,432	37,672,954	342,609	264,169	38,971,041	37,937,123
Restricted	11,464,567	7,177,532	-	-	11,464,567	7,177,532
Unrestricted	(28,261,342)	(18,808,567)	554,268	407,748	(27,707,074)	(18,400,819)
Total net position	\$ 21,831,657	26,041,919	896,877	671,917	22,728,534	26,713,836
						-14.9%

Prior to restatement, the District's total net position decreased 14.9%, or approximately \$3,985,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$4,287,000, or 59.7%, over the prior year. The increase was primarily a result of an increase in fund balance of the Capital Projects Fund due to the issuance of revenue bonds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$9,306,000, or 50.6%. This reduction in unrestricted net position was primarily a result of the increase in the District's total OPEB liability.

Figure A-2 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

<b>Figure A-2</b> <b>Changes in Net Position</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017		2017		2017		
	2018 (Not Restated)	2018 (Not Restated)	2018 (Not Restated)	2018 (Not Restated)	2017	2017-2018	
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$ 2,278,116	1,427,235	565,235	544,215	2,843,351	1,971,450	44.2%
Operating grants, contributions and restricted interest	10,857,290	6,339,253	2,888,957	2,869,091	13,746,247	9,208,344	49.3%
General revenues:							
Property tax	18,277,780	17,485,248	-	-	18,277,780	17,485,248	4.5%
Statewide sales, services and use tax	5,059,745	5,096,844	-	-	5,059,745	5,096,844	-0.7%
Unrestricted state grants	34,622,343	38,367,523	-	-	34,622,343	38,367,523	-9.8%
Unrestricted investment earnings	180,213	24,711	9,868	953	190,081	25,664	640.7%
Other	498,543	205,640	5,080	1,160	503,623	206,800	143.5%
Total revenues	71,774,030	68,946,454	3,469,140	3,415,419	75,243,170	72,361,873	4.0%
Program expenses:							
Instruction	47,067,955	45,851,701	-	-	47,067,955	45,851,701	2.7%
Support services	18,070,574	16,898,673	-	29,430	18,070,574	16,928,103	6.7%
Non-instructional programs	62,259	60,068	3,161,634	3,057,177	3,223,893	3,117,245	3.4%
Other expenses	4,924,517	4,817,932	-	-	4,924,517	4,817,932	2.2%
Total expenses	70,125,305	67,628,374	3,161,634	3,086,607	73,286,939	70,714,981	3.6%
Change in net position	1,648,725	1,318,080	307,506	328,812	1,956,231	1,646,892	18.8%
Net position beginning of year, as restated	20,182,932	24,723,839	589,371	343,105	20,772,303	25,066,944	+17.1%
Net position end of year	\$ 21,831,657	26,041,919	896,877	671,917	22,728,534	26,713,836	-14.9%

In fiscal year 2018, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 80.8% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.6% of business type activities revenues. The District's total revenues were approximately \$75.2 million, of which approximately \$71.8 million was for governmental activities and \$3.4 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 4.0% increase in revenues and a 3.6% increase in expenses. Operating grants, contributions and interest increased approximately \$4,538,000. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

## **Governmental Activities**

Revenues for governmental activities were \$71,774,030 and expenses were \$70,125,305 for the year ended June 30, 2018.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2018 compared to those expenses for the year ended June 30, 2017.

**Figure A-3**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2017		Change	2017		Change
	2018 (Not Restated)	2017-2018		2018 (Not Restated)	2017-2018	
Instruction	\$ 47,067,955	45,851,701	2.7%	36,469,883	41,323,268	-11.7%
Support services	18,070,574	16,898,673	6.9%	18,026,572	16,043,388	12.4%
Non-instructional programs	62,259	60,068	3.6%	62,259	45,734	36.1%
Other expenses	4,924,517	4,817,932	2.2%	2,431,185	2,449,496	-0.7%
Total	\$ 70,125,305	67,628,374	3.7%	56,989,899	59,861,886	-4.8%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$2,278,116.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$10,857,290.
- The net cost of governmental activities was financed with \$18,277,780 of property taxes, \$5,059,745 of statewide sales, services and use tax, \$34,622,343 of unrestricted state grants, \$180,213 of unrestricted investment earnings and \$498,543 in other general revenues.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2018 were \$3,469,140, representing a 1.6% increase over the prior year, while expenses totaled \$3,161,634, a 2.4% increase over the prior year. 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 and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$14,506,377, above last year's ending fund balances of \$13,257,353. The primary reason for the increase in combined fund balances at the end of fiscal year 2018 is due to the increase in ending fund balance of the Capital Projects Fund.

## **Governmental Fund Highlights**

- The General Fund balance decreased 30.4% from \$6,149,645 to \$4,281,430 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District. Expenditures increased 6.4% due to these expenditures.
- The Debt Service Fund balance increased from \$1,824,178 at the end of fiscal year 2017 to \$2,154,902 at the end of fiscal year 2018. Revenues and expenditures increased due to refunding the Series 2011 revenue bonds during fiscal year 2018.
- The Capital Projects Fund balance increased due to the sale of \$5,572,000 of revenue bonds during fiscal year 2018. The fund balance ended fiscal year 2018 at \$5,922,295 consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

## **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$589,371 as restated at June 30, 2017 to \$896,877 at June 30, 2018, an increase of approximately 52.2%. For fiscal year 2018, the District increased meal prices, resulting in an increase in revenues.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Marshalltown Community School District amended its budget one time to reflect the refunding of Series 2011 School Infrastructure bonds.

The District's total revenues were \$3,073,934 less than total budgeted revenues, a variance of approximately 3.9%. A reduction in state resources caused the total amount received to be less 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 using realistic projections based on prior year expenditures with a buffer built as to not exceed the annual budget. 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.

The District's certified budget was not exceeded in any function.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2018, the District had invested approximately \$68.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a net increase of 3.5% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$2,065,325.

The original cost of the District's capital assets was approximately \$98.5 million. Governmental funds account for approximately \$97.4 million, with the remainder of approximately \$1.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,558,001 at June 30, 2018, compared to \$0 reported at June 30, 2017. This significant increase resulted from construction activity financed by the issuance of revenue bonds totaling \$5,572,000 in fiscal year 2018 for construction of phase two of the roundhouse project.

**Figure A-4**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-2018
	\$ 859,396	859,396	-	-	859,396	859,396	0.0%
Land	\$ 3,558,001	-	-	-	3,558,001	-	100.0%
Construction in progress	62,239,210	63,677,628	-	-	62,239,210	63,677,628	-2.3%
Buildings	907,723	778,446	-	-	907,723	778,446	16.6%
Land improvements	957,102	972,484	342,609	264,169	1,299,711	1,236,653	5.1%
Machinery and equipment	\$ 68,521,432	66,287,954	342,609	264,169	68,864,041	66,552,123	3.5%
Total							

#### **Long-Term Debt**

At June 30, 2018, the District had \$29,893,000 of total long-term debt outstanding. This represents an increase of approximately 4.5% over last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In December 2017, the District issued \$9,908,000 of School Infrastructure Statewide Sales, Services and Use Tax revenue refunding bonds. The District had total outstanding revenue bonded indebtedness at June 30, 2018 of \$18,508,000, payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund.

The District also had outstanding general obligation indebtedness of \$11,385,000 at June 30, 2018, payable from the Debt Service Fund.

**Figure A-5**  
**Outstanding Long-Term Debt**

	Total		Total
	District		Change
	June 30,		June 30,
	2018	2017	2017-2018
General obligation bonds	\$ 11,385,000	13,160,000	-13.5%
Revenue bonds	18,508,000	15,455,000	19.8%
Total	\$ 29,893,000	28,615,000	4.5%

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$92.6 million.

## **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 which could significantly affect its financial health in the future:

- Marshall County has advised the District its total taxable valuation will increase 5% for property tax collected in fiscal year 2019 due to the addition of two new industrial sites and the recent completion of property revaluation assessments.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, three buses must be replaced during fiscal year 2019 at a cost of approximately \$180,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Capital Projects Fund.
- Fiscal year 2019 will be the last year of a two-year contract with the Marshalltown Education Teachers Association. The District will negotiate a new agreement during fiscal year 2019. Settlements in excess of "new money" or supplemental state aid will have an adverse effect on the District's General Fund budget and related fund balance.

## **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 Paulette Newbold, District Board Secretary/Director of Business Operations, Marshalltown Community School District, 1002 S 3<sup>rd</sup> Avenue, Marshalltown, Iowa, 50158.

**Basic Financial Statements**

## Marshalltown Community School District

## Statement of Net Position

Year ended June 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 24,734,842	1,347,098	26,081,940
Receivables:			
Property tax:			
Delinquent	140,465	-	140,465
Succeeding year	16,984,000	-	16,984,000
Accounts	46,875	17,401	64,276
Internal balances	966	(966)	-
Due from other governments	1,789,452	78,170	1,867,622
Inventories	35,118	31,068	66,186
Capital assets, net of accumulated depreciation	68,521,432	342,609	68,864,041
<b>Total assets</b>	<b>112,253,150</b>	<b>1,815,380</b>	<b>114,068,530</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	9,556,532	295,563	9,852,095
<b>Liabilities</b>			
Accounts payable	2,356,022	10,490	2,366,512
Salaries and benefits payable	6,715,980	48,928	6,764,908
Advances from grantors	25,772	-	25,772
Internal balances	5,297	(5,297)	-
Incurred but not reported claims	1,063,173	-	1,063,173
Accrued interest payable	280,890	-	280,890
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,805,000	-	1,805,000
Revenue bonds	1,755,000	-	1,755,000
Compensated absences	362,366	9,435	371,801
Portion due after one year:			
General obligation bonds	9,580,000	-	9,580,000
Revenue bonds	16,753,000	-	16,753,000
Net pension liability	32,012,741	990,085	33,002,826
Total OPEB liability	8,658,861	87,463	8,746,324
<b>Total liabilities</b>	<b>81,374,102</b>	<b>1,141,104</b>	<b>82,515,206</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	16,984,000	-	16,984,000
Other unavailable revenues	-	29,110	29,110
Pension related deferred inflows	1,448,733	42,123	1,490,856
OPEB related deferred inflows	171,190	1,729	172,919
<b>Total deferred inflows of resources</b>	<b>18,603,923</b>	<b>72,962</b>	<b>18,676,885</b>
<b>Net Position</b>			
Net investment in capital assets	38,628,432	342,609	38,971,041
Restricted for:			
Categorical funding	1,520,510	-	1,520,510
Debt service	1,874,012	-	1,874,012
Public education and recreation	222,316	-	222,316
Management levy purposes	1,782,569	-	1,782,569
Student activities	142,865	-	142,865
School infrastructure	4,467,046	-	4,467,046
Physical plant and equipment	1,455,249	-	1,455,249
Unrestricted	(28,261,342)	554,268	(27,707,074)
<b>Total net position</b>	<b>\$ 21,831,657</b>	<b>896,877</b>	<b>22,728,534</b>

See notes to financial statements.

Marshalltown Community School District

Statement of Activities

Year ended June 30, 2018

	Program Revenues		
	Operating Expenses	Grants, Contributions	Charges for Service and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 28,242,956	670,332	4,789,762
Special instruction	9,401,539	1,081,591	689,671
Other instruction	<u>9,423,460</u>	<u>482,191</u>	<u>2,884,525</u>
	<u>47,067,955</u>	<u>2,234,114</u>	<u>8,363,958</u>
Support services:			
Student	2,635,098	-	-
Instructional staff	2,142,625	-	-
Administration	5,819,881	-	-
Operation and maintenance of plant	5,362,370	44,002	-
Transportation	<u>2,110,600</u>	<u>-</u>	<u>-</u>
	<u>18,070,574</u>	<u>44,002</u>	<u>-</u>
Non-instructional programs	62,259	-	-
Other expenditures:			
Long-term debt interest	771,783	-	-
AEA flowthrough	2,493,332	-	2,493,332
Depreciation/amortization (unallocated)*	<u>1,659,402</u>	<u>-</u>	<u>-</u>
	<u>4,924,517</u>	<u>-</u>	<u>2,493,332</u>
Total governmental activities	<u>70,125,305</u>	<u>2,278,116</u>	<u>10,857,290</u>
Business type activities:			
Non-instructional programs:			
Food service operations	3,161,634	565,235	2,888,957
Total	<u>\$ 73,286,939</u>	<u>2,843,351</u>	<u>13,746,247</u>
<b>General Revenues:</b>			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year, as restated			
Net position end of year			

\* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(22,782,862)	-	(22,782,862)
(7,630,277)	-	(7,630,277)
<u>(6,056,744)</u>	<u>-</u>	<u>(6,056,744)</u>
<u>(36,469,883)</u>	<u>-</u>	<u>(36,469,883)</u>
(2,635,098)	-	(2,635,098)
(2,142,625)	-	(2,142,625)
(5,819,881)	-	(5,819,881)
(5,318,368)	-	(5,318,368)
<u>(2,110,600)</u>	<u>-</u>	<u>(2,110,600)</u>
<u>(18,026,572)</u>	<u>-</u>	<u>(18,026,572)</u>
<u>(62,259)</u>	<u>-</u>	<u>(62,259)</u>
(771,783)	-	(771,783)
-	-	-
<u>(1,659,402)</u>	<u>-</u>	<u>(1,659,402)</u>
<u>(2,431,185)</u>	<u>-</u>	<u>(2,431,185)</u>
<u>(56,989,899)</u>	<u>-</u>	<u>(56,989,899)</u>
<u>-</u>	<u>292,558</u>	<u>292,558</u>
<u>(56,989,899)</u>	<u>292,558</u>	<u>(56,697,341)</u>
\$ 17,107,311	-	17,107,311
146,634	-	146,634
1,023,835	-	1,023,835
5,059,745	-	5,059,745
34,622,343	-	34,622,343
180,213	9,868	190,081
498,543	5,080	503,623
<u>58,638,624</u>	<u>14,948</u>	<u>58,653,572</u>
1,648,725	307,506	1,956,231
<u>20,182,932</u>	<u>589,371</u>	<u>20,772,303</u>
<u>\$ 21,831,657</u>	<u>896,877</u>	<u>22,728,534</u>

**Exhibit C**

## Marshalltown Community School District

Balance Sheet  
Governmental Funds

June 30, 2018

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 11,205,054	2,153,778	6,053,864	2,179,909	21,592,605
Receivables:					
Property tax:					
Delinquent	122,765	1,124	7,841	8,735	140,465
Succeeding year	14,759,000	180,000	964,000	1,081,000	16,984,000
Accounts	41,650	-	-	3,082	44,732
Due from other funds	45,319	-	-	-	45,319
Due from other governments	1,360,574	-	428,878	-	1,789,452
Inventory	35,118	-	-	-	35,118
<b>Total assets</b>	<b>\$ 27,569,480</b>	<b>2,334,902</b>	<b>7,454,583</b>	<b>3,272,726</b>	<b>40,631,691</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,782,001	-	568,288	5,733	2,356,022
Salaries and benefits payable	6,715,980	-	-	-	6,715,980
Advances from grantors and student accounts	25,772	-	-	-	25,772
Due to other funds	5,297	-	-	38,243	43,540
Total liabilities	8,529,050	-	568,288	43,976	9,141,314
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	14,759,000	180,000	964,000	1,081,000	16,984,000
Fund balances:					
Nonspendable for:					
Inventory	35,118	-	-	-	35,118
Restricted for:					
Categorical funding	1,520,510	-	-	-	1,520,510
Debt service	-	2,154,902	-	-	2,154,902
Public education and recreation	-	-	-	222,316	222,316
Management levy purposes	-	-	-	1,782,569	1,782,569
Student activities	-	-	-	142,865	142,865
School infrastructure	-	-	4,467,046	-	4,467,046
Physical plant and equipment	-	-	1,455,249	-	1,455,249
Unassigned	2,725,802	-	-	-	2,725,802
Total fund balances	4,281,430	2,154,902	5,922,295	2,147,750	14,506,377
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,569,480</b>	<b>2,334,902</b>	<b>7,454,583</b>	<b>3,272,726</b>	<b>40,631,691</b>

See notes to financial statements.

## Marshalltown Community School District

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2018

**Total fund balances of governmental funds (page 22)** \$ 14,506,377***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of capital assets is \$97,380,903 and the accumulated depreciation is \$28,859,741.

68,521,432

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.

2,075,097

Pension and OPEB 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	\$ 9,556,532
Deferred inflows of resources	<u>(1,619,923)</u> 7,936,609

Long-term liabilities, including bonds payable, compensated absences payable, total OPEB liability, net pension liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(71,207,858)**Net position of governmental activities (page 19)** \$ 21,831,657

See notes to financial statements.

**Exhibit E**


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## Marshalltown Community School District

 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Governmental Funds

Year ended June 30, 2018

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 15,971,509	146,634	1,023,835	1,135,802	18,277,780
Tuition	915,871	-	-	-	915,871
Other	610,354	31,488	664,706	558,842	1,865,390
Intermediate sources	4,562	-	-	-	4,562
State sources	42,247,375	4,460	5,090,885	33,839	47,376,559
Federal sources	3,235,735	-	-	-	3,235,735
<b>Total revenues</b>	<b>62,985,406</b>	<b>182,582</b>	<b>6,779,426</b>	<b>1,728,483</b>	<b>71,675,897</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	27,156,031	-	-	721,802	27,877,833
Special	9,316,868	-	-	-	9,316,868
Other	8,858,599	-	-	428,586	9,287,185
	<b>45,331,498</b>	<b>-</b>	<b>-</b>	<b>1,150,388</b>	<b>46,481,886</b>
Support services:					
Student	2,616,548	-	-	-	2,616,548
Instructional staff	2,152,407	-	204,974	-	2,357,381
Administration	5,701,232	-	-	19,726	5,720,958
Operation and maintenance of plant	4,876,434	-	9,683	342,357	5,228,474
Transportation	1,757,225	-	228,704	66,660	2,052,589
	<b>17,103,846</b>	<b>-</b>	<b>443,361</b>	<b>428,743</b>	<b>17,975,950</b>
Non-instructional programs	<b>1,446</b>	<b>-</b>	<b>-</b>	<b>60,812</b>	<b>62,258</b>
Other expenditures:					
Facilities acquisition	-	-	3,860,121	123,080	3,983,201
Long-term debt:					
Principal	-	8,630,000	-	-	8,630,000
Interest and fiscal charges	-	782,747	2,000	-	784,747
AEA flowthrough	2,493,332	-	-	-	2,493,332
	<b>2,493,332</b>	<b>9,412,747</b>	<b>3,862,121</b>	<b>123,080</b>	<b>15,891,280</b>
<b>Total expenditures</b>	<b>64,930,122</b>	<b>9,412,747</b>	<b>4,305,482</b>	<b>1,763,023</b>	<b>80,411,374</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,944,716)</b>	<b>(9,230,165)</b>	<b>2,473,944</b>	<b>(34,540)</b>	<b>(8,735,477)</b>
<b>Other financing sources (uses):</b>					
Revenue bonds issued	-	4,336,000	5,572,000	-	9,908,000
Sale of capital assets	37,492	-	-	-	37,492
Insurance proceeds	39,009	-	-	-	39,009
Transfers in	-	5,715,402	490,513	-	6,205,915
Transfers out	-	(490,513)	(5,715,402)	-	(6,205,915)
<b>Total other financing sources (uses)</b>	<b>76,501</b>	<b>9,560,889</b>	<b>347,111</b>	<b>-</b>	<b>9,984,501</b>
<b>Change in fund balances</b>	<b>(1,868,215)</b>	<b>330,724</b>	<b>2,821,055</b>	<b>(34,540)</b>	<b>1,249,024</b>
<b>Fund balances beginning of year</b>	<b>6,149,645</b>	<b>1,824,178</b>	<b>3,101,240</b>	<b>2,182,290</b>	<b>13,257,353</b>
<b>Fund balances end of year</b>	<b>\$ 4,281,430</b>	<b>2,154,902</b>	<b>5,922,295</b>	<b>2,147,750</b>	<b>14,506,377</b>

See notes to financial statements.

## Marshalltown Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2018

**Change in fund balances - total governmental funds (page 24)** \$ 1,249,024***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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 4,233,191	
Depreciation expense	<u>(1,999,713)</u>	2,233,478

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 issuances exceeded repayments, as follows:

Issued	(9,908,000)	
Repaid	<u>8,630,000</u>	(1,278,000)

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

12,963

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.

3,265,062

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

Compensated absences	(53,001)	
Pension expense	(4,229,865)	
OPEB expense	<u>(103,394)</u>	<u>(4,386,260)</u>

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities.

552,458**Change in net position of governmental activities (page 21)**\$ 1,648,725

See notes to financial statements.

**Exhibit G**

## Marshalltown Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise, School Nutrition	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,347,098	3,142,237
Accounts receivable	17,401	2,143
Due from other funds	5,297	-
Due from other governments	78,170	-
Inventories	<u>31,068</u>	<u>-</u>
Total current assets	1,479,034	3,144,380
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>342,609</u>	<u>-</u>
<b>Total assets</b>	<u>1,821,643</u>	<u>3,144,380</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>295,563</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	10,490	-
Salaries and benefits payable	48,928	-
Due to other funds	966	6,110
Incurred but not reported claims	<u>-</u>	<u>1,063,173</u>
Total current liabilities	60,384	1,069,283
Noncurrent liabilities:		
Compensated absences	9,435	-
Net pension liability	990,085	-
Total OPEB liability	<u>87,463</u>	<u>-</u>
Total noncurrent liabilities	<u>1,086,983</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,147,367</u>	<u>1,069,283</u>
<b>Deferred Inflows of Resources</b>		
Other unavailable revenues	29,110	-
Pension related deferred inflows	42,123	-
OPEB related deferred inflows	<u>1,729</u>	<u>-</u>
	<u>72,962</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	342,609	-
Unrestricted	<u>554,268</u>	<u>2,075,097</u>
<b>Total net position</b>	<u>\$ 896,877</u>	<u>2,075,097</u>

See notes to financial statements.

## Marshalltown Community School District

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise, School Nutrition	Internal Service Fund
<b>Operating revenues:</b>		
Local sources:		
Charges for service	\$ 565,235	-
Reimbursements from operating funds and employees	-	8,543,579
Miscellaneous	5,080	-
<b>Total operating revenues</b>	<b>570,315</b>	<b>8,543,579</b>
<b>Operating expenses:</b>		
Support services:		
Administration	-	8,012,752
Non-instructional programs:		
Food service operations:		
Salaries	1,108,877	-
Benefits	196,713	-
Purchased services	17,329	-
Supplies	1,767,507	-
Depreciation	65,612	-
<b>Total operating expenses</b>	<b>3,156,038</b>	<b>8,012,752</b>
<b>Operating income (loss)</b>	<b>(2,585,723)</b>	<b>530,827</b>
<b>Non-operating revenues (expenses):</b>		
State sources	27,920	-
Federal sources	2,861,037	-
Interest income	9,868	21,631
Loss on disposal of assets	(5,596)	-
<b>Total non-operating revenues</b>	<b>2,893,229</b>	<b>21,631</b>
<b>Increase in net position</b>	<b>307,506</b>	<b>552,458</b>
<b>Net position beginning of year, as restated</b>	<b>589,371</b>	<b>1,522,639</b>
<b>Net position end of year</b>	<b>\$ 896,877</b>	<b>2,075,097</b>

See notes to financial statements.

**Exhibit I**

## Marshalltown Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise, School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 560,403	-
Cash received from operating funds and employees	-	8,541,436
Cash received from miscellaneous	5,080	-
Cash paid to salaries and to suppliers for goods or services	<u>(2,921,018)</u>	<u>(8,066,716)</u>
Net cash provided (used) by operating activities	<u>(2,355,535)</u>	<u>474,720</u>
Cash flows from non-capital financing activities:		
State grants received	27,920	-
Federal grants received	<u>2,909,552</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>2,937,472</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(149,648)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(149,648)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	4,571	21,631
Net increase in cash and cash equivalents	436,860	496,351
Cash and cash equivalents beginning of year	910,238	2,645,886
Cash and cash equivalents end of year	<u>\$ 1,347,098</u>	<u>3,142,237</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating income (loss)	\$ (2,585,723)	530,827
Adjustments to reconcile operating income		
to net cash provided (used) by operating activities:		
Commodities used	218,294	-
Depreciation	65,612	-
Decrease in inventories	2,572	-
Increase in accounts receivable	(5,908)	(2,143)
Decrease in accounts payable	(851)	(49,696)
Increase in salaries and benefits payable	48,928	-
Decrease in incurred but not reported	-	(10,378)
Increase (Decrease) in due to other funds	(88,429)	6,110
Increase in compensated absences	5,538	-
Increase in unearned revenues	1,076	-
Increase in net pension liability	34,436	-
Increase in deferred outflows of resources	(54,846)	-
Increase in deferred inflows of resources	4,451	-
Decrease in OPEB liability	<u>(685)</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (2,355,535)</u>	<u>474,720</u>

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

During the year ended June 30, 2018, the District received \$218,294 of federal commodities.

See notes to financial statements.

## Marshalltown Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2018

	Private Purpose Trust
	<u>Scholarship</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	<u>\$ 82,878</u>
<b>Liabilities</b>	
Accounts payable	<u>1,000</u>
<b>Net position</b>	
Restricted for scholarships	<u>\$ 81,878</u>

See notes to financial statements.

**Exhibit K**

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## Marshalltown Community School District

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2018

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$ 2,691	
Interest income	45	
Total additions	<u>2,736</u>	
Deductions:		
Instruction:		
Regular:		
Scholarships awarded	<u>10,000</u>	
Change in net position	(7,264)	
Net position beginning of year	<u>89,142</u>	
Net position end of year	<u>\$ 81,878</u>	

See notes to financial statements.

Marshalltown Community School District

Notes to Financial Statements

June 30, 2018

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

Marshalltown Community School District is a political subdivision of the State of Iowa and operates public schools for children in preschool and grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Marshalltown, Iowa and the predominate agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports a nonmajor proprietary fund. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Land improvements	20
Intangibles	5 - 12
Machinery and equipment:	5 - 12

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 District after the measurement date but before the end of the District's reporting period.

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

Advances from Grantors and Student Accounts – Grant proceeds and proceeds from student registration which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

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

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund. The net pension liability attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund. The total OPEB liability attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

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 receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

**(2) Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2018 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, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$131,381 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.

### **(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Management Levy	\$ 38,243
	Enterprise: School Nutrition	966
	Internal Service	<u>6,110</u>
		<u>45,319</u>
Enterprise: School Nutrition	General	<u>5,297</u>
		<u>\$ 50,616</u>

The Management Levy Fund is repaying the General Fund for a portion of the early retirement benefits paid during the year for retirees who were eligible from the Management Levy Fund but whose benefits were paid by the General Fund.

The School Nutrition Fund is repaying the General Fund for payroll expenses incurred during the year which had not yet been reimbursed by year end.

The Internal Service Fund is repaying the General Fund for payments made to AVESIS out of the General Fund for which the premiums were deposited in the Internal Service Fund.

The General Fund is repaying the School Nutrition Fund for indirect expenses for workshop conferences and equipment repairs which should have been paid out of the General Fund.

### **(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Debt Service	\$ 490,513
Debt Service	Capital Projects	<u>5,715,402</u>
Total		<u>\$ 6,205,915</u>

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

## (5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 859,396	-	-	859,396
Construction in progress	-	3,558,001	-	3,558,001
Total capital assets not being depreciated	859,396	3,558,001	-	4,417,397
Capital assets being depreciated:				
Buildings	85,883,424	154,757	-	86,038,181
Land improvements	1,267,457	195,504	-	1,462,961
Machinery and equipment	5,478,999	324,929	(341,564)	5,462,364
Total capital assets being depreciated	92,629,880	675,190	(341,564)	92,963,506
Less accumulated depreciation for:				
Buildings	22,205,796	1,593,175	-	23,798,971
Land improvements	489,011	66,227	-	555,238
Machinery and equipment	4,506,515	340,311	(341,564)	4,505,262
Total accumulated depreciation	27,201,322	1,999,713	(341,564)	28,859,471
Total capital assets being depreciated, net	65,428,558	(1,324,523)	-	64,104,035
Governmental activities capital assets, net	\$ 66,287,954	2,233,478	-	68,521,432
<b>Business type activities:</b>				
Machinery and equipment	\$ 1,017,766	149,648	(15,185)	1,152,229
Less accumulated depreciation	753,597	65,612	(9,589)	809,620
Business type activities capital assets, net	\$ 264,169	84,036	(5,596)	342,609

Depreciation expense was charged to the following functions:

Governmental activities:				
Instruction:				
Regular				\$ 20,733
Support services:				
Operation and maintenance of plant				5,610
Transportation				313,968
Unallocated				340,311
Total depreciation expense - governmental activities				<u>1,659,402</u>
Business type activities:				
Food service operations				\$ 1,999,713
				<u>65,612</u>

## (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,160,000	-	1,775,000	11,385,000	1,805,000
Revenue bonds	15,455,000	9,908,000	6,855,000	18,508,000	1,755,000
Compensated absences	309,365	362,366	309,365	362,366	362,366
Net pension liability	30,503,068	1,509,673	-	32,012,741	-
Total OPEB liability	8,726,657	-	67,796	8,658,861	-
Total	\$ 68,154,090	11,780,039	9,007,161	70,926,968	3,922,366
Business type activities:					
Compensated absences	\$ 3,897	9,435	3,897	9,435	9,435
Net pension liability	955,649	34,436	-	990,085	-
Total OPEB liability	88,148	-	685	87,463	-
Total	\$ 1,047,694	43,871	4,582	1,086,983	9,435

### General Obligation Bonds

Details of the District's June 30, 2018 general obligation indebtedness are as follows:

Year Ending June 30,	Series A			Series B			Total		
	Issued June 20, 2012		Interest Rates	Issued June 20, 2012		Interest Rates	Principal	Interest	Total
	Interest Rates	Principal		Interest	Principal				
2019	2.25%	\$ 125,000	13,612	2.55%	\$ 1,680,000	274,890	1,805,000	288,502	2,093,502
2020	2.25	100,000	10,800	2.55	1,730,000	232,050	1,830,000	242,850	2,072,850
2021	2.25	100,000	8,550	2.55	1,770,000	187,935	1,870,000	196,485	2,066,485
2022	2.25	95,000	6,300	2.55	1,815,000	142,800	1,910,000	149,100	2,059,100
2023	2.25	95,000	4,163	2.55	1,870,000	96,518	1,965,000	100,681	2,065,681
2024	2.25	90,000	2,025	2.55	1,915,000	48,832	2,005,000	50,857	2,055,857
Total		\$ 605,000	45,450		\$ 10,780,000	983,025	11,385,000	1,028,475	12,413,475

During the year ended June 30, 2018, the District retired \$1,775,000 of general obligation bonds.

### Revenue Bonds

Details of the District's June 30, 2018 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Series 2013			Series 2017			Total		
	Issued Nov 6, 2013		Interest Rates	Issued Dec 11, 2017		Interest Rates	Principal	Interest	Total
	Interest Rates	Principal		Interest	Principal				
2019	2.92%	\$ 675,000	241,265	1.98%	\$ 1,080,000	108,988	1,755,000	350,253	2,105,253
2020	2.92	695,000	221,263	1.98	1,188,000	174,794	1,883,000	396,057	2,279,057
2021	2.92	715,000	200,667	1.98	1,212,000	151,272	1,927,000	351,939	2,278,939
2022	2.92	735,000	179,507	1.98	1,236,000	127,274	1,971,000	306,781	2,277,781
2023	2.92	755,000	157,753	1.98	1,260,000	102,802	2,015,000	260,555	2,275,555
2024-2028	2.92	4,125,000	439,241	1.98	3,932,000	156,717	8,057,000	595,958	8,652,958
2029	2.92	900,000	13,140		-	-	900,000	13,140	913,140
Total		\$ 8,600,000	1,452,836		\$ 9,908,000	821,847	18,508,000	2,274,683	20,782,683

On December 11, 2017, the District issued \$9,908,000 of school infrastructure sales, services and use tax revenue refunding bonds with an interest rate of 1.98% per annum. The bonds were issued as a current refunding to retire the outstanding balance of the school infrastructure sales, services and use tax revenue bonds issued April 1, 2011. The District reduced its total debt service payments over the next five fiscal years by \$299,273 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$280,628.

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in November 2013 and \$9,908,000 of bonds issued in December 2017. The bonds were issued for the purpose of financing a portion of various school infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 22% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$20,782,683. For the current year, principal of \$1,580,000 and interest of \$444,501 was paid on the bonds and total statewide sales, services and use tax revenues were \$5,059,745.

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

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

## **(7) Pension Plan**

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 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 2018, 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, 2018 totaled \$3,406,806.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$33,002,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportion was 0.495444%, which was a decrease of 0.004431% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,360,685. At June 30, 2018, 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	\$ 302,998	285,944
Changes of assumptions	5,734,369	-
Net difference between projected and actual earnings on IPERS' investments	-	344,703
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	407,922	860,209
District contributions subsequent to the measurement date	<u>3,406,806</u>	-
Total	<u>\$ 9,852,095</u>	<u>1,490,856</u>

\$3,406,806 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 620,996
2020	2,495,637
2021	1,375,363
2022	85,421
2023	<u>377,016</u>
Total	<u>\$ 4,954,433</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 54,375,417	33,002,826	15,045,743

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

Payables to IPERS – At June 30, 2018, the District reported payables to IPERS of \$308,602 for legally required District contributions and \$205,619 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

## **(8) Other Postemployment Benefits (OPEB)**

Plan Description – The District administers a single-employer benefit plan which provides medical/prescription drug, dental, vision and life benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug, dental, vision and life benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

In addition, the District offers a voluntary early retirement plan for employees, which is included in the OPEB liability. The early retirement benefits consist of District contributions toward the retiree's premiums to continue participation in the District's health insurance plan for 96 months or when the retiree reaches age 65.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	63
Active employees	<u>527</u>
Total	<u>590</u>

Total OPEB Liability – The District's total OPEB liability of \$8,746,324 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.50% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 generational table scaled using MP-18 and applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

#### Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	<u>\$ 8,814,805</u>
Changes for the year:	
Service cost	590,434
Interest	322,491
Changes in assumptions	(187,132)
Benefit payments	(794,274)
Net changes	<u>(68,481)</u>
Total OPEB liability end of year	<u>\$ 8,746,324</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.87%)	(3.87%)	(4.87%)
Total OPEB liability	\$ 8,139,302	8,746,324	9,413,349

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1%	Healthcare Cost Trend	1%
	Decrease (6.00%)	Rate (7.00%)	Increase (8.00%)
Total OPEB liability	\$ 8,203,304	8,746,324	9,463,351

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$898,712. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Changes in assumptions	\$ 172,919

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ 14,213
2020	14,213
2021	14,213
2022	14,213
2023	14,213
Thereafter	<u>101,854</u>
	<u>\$ 172,919</u>

## **(9) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$75,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$2,075,097 at June 30, 2018. The incurred by not recorded and unpaid claims liability of \$1,063,173 reported in the plan at June 30, 2018 based on the requirements of GASB Statement Number 10 is set up as a liability on the Statement of Net Position.

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$2,493,332 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Marshall County	Urban renewal and economic development projects	\$ 19,794
City of Marshalltown	Urban renewal and economic development projects	49,968
		<u>\$ 69,762</u>

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$25,431.

**(12) Construction Commitment**

The District entered into a contract totaling \$6,686,000 for the construction of an addition to the high school. As of June 30, 2018, costs of \$3,126,208 had been incurred against the contract. The balance of \$3,559,792 remaining at June 30, 2018 will be paid as work on the projects progress.

### **(13) Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Weighted limited english proficient	\$ 53,058
Weighted at-risk programs	212,148
Gifted and talented programs	11,258
Teacher leadership state aid	210,492
Four-year-old preschool state aid	231,677
Teacher salary supplement	74,670
Textbook aid for nonpublic students	10,987
Successful progression for early readers	96,094
Professional development for model core curriculum	363,892
Professional development	253,234
Governors advisory council STEM scale-up programs	<u>3,000</u>
Total	<u>\$ 1,520,510</u>

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2017, as previously reported	\$ 26,041,919	671,917
OPEB obligation measured under previous standards	943,858	5,602
Termination benefits at June 30, 2017	1,923,812	-
Total OPEB liability at June 30, 2017	(8,726,657)	(88,148)
Net position July 1, 2017, as restated	<u>\$ 20,182,932</u>	<u>589,371</u>

**Required Supplementary Information**

Marshalltown 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, 2018

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 21,059,041	580,183	21,639,224
Intermediate sources	4,562	-	4,562
State sources	47,376,559	27,920	47,404,479
Federal sources	3,235,735	2,861,037	6,096,772
<b>Total revenues</b>	<b>71,675,897</b>	<b>3,469,140</b>	<b>75,145,037</b>
<b>Expenditures/Expenses:</b>			
Instruction	46,481,886	-	46,481,886
Support services	17,975,950	-	17,975,950
Non-instructional programs	62,258	3,161,634	3,223,892
Other expenditures	15,891,280	-	15,891,280
<b>Total expenditures/expenses</b>	<b>80,411,374</b>	<b>3,161,634</b>	<b>83,573,008</b>
Deficiency of revenues under expenditures/expenses	(8,735,477)	307,506	(8,427,971)
Other financing sources, net	9,984,501	-	9,984,501
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,249,024	307,506	1,556,530
Balances beginning of year, as restated	13,257,353	589,371	13,846,724
Balances end of year	<b>\$ 14,506,377</b>	<b>896,877</b>	<b>15,403,254</b>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Actual Variance
Original	Final	
23,294,485	23,294,485	(1,655,261)
4,500	4,500	62
49,444,986	49,444,986	(2,040,507)
5,475,000	5,475,000	621,772
<u>78,218,971</u>	<u>78,218,971</u>	<u>(3,073,934)</u>
46,755,000	46,755,000	273,114
18,925,500	18,925,500	949,550
3,580,000	3,580,000	356,108
15,958,456	21,408,456	5,517,176
<u>85,218,956</u>	<u>90,668,956</u>	<u>7,095,948</u>
(6,999,985)	(12,449,985)	4,022,014
4,400,000	4,400,000	5,584,501
<u>(2,599,985)</u>	<u>(8,049,985)</u>	<u>9,606,515</u>
<u>12,444,181</u>	<u>12,444,181</u>	<u>1,402,543</u>
<u>9,844,196</u>	<u>4,394,196</u>	<u>11,009,058</u>

Marshalltown Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2018

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$5,450,000.

During the year ended June 30, 2018, expenditures did not exceed the amounts budgeted.

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Marshalltown Community School District  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Iowa Public Employees' Retirement System  
 For the Last Four Years\*  
 (In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
District's proportion of the net pension liability	0.495444%	0.499875%	0.520536%	0.509995%
District's proportionate share of the net pension liability	\$ 33,003	31,459	25,717	20,226
District's covered payroll	\$ 36,907	35,873	35,664	33,371
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.42%	87.70%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	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.

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Marshalltown Community School District

Schedule of District Contributions

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

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 3,407	3,296	3,203	3,185
Contributions in relation to the statutorily required contribution	(3,407)	(3,296)	(3,203)	(3,185)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 38,154	36,907	35,873	35,664
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

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2014	2013	2012	2011	2010	2009
2,980	2,899	2,613	2,183	2,030	1,885
(2,980)	(2,899)	(2,613)	(2,183)	(2,030)	(1,885)
-	-	-	-	-	-
33,371	33,434	32,379	31,407	30,532	29,682
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

Marshalltown Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) 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.

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Marshalltown Community School District

Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes

For the Current Year  
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 590,434
Interest cost	322,491
Changes in assumptions	(187,132)
Benefit payments	<u>(794,274)</u>
Net change in total OPEB liability	(68,481)
Total OPEB liability beginning of year, as restated	<u>8,814,805</u>
Total OPEB liability end of year	<u>\$ 8,746,324</u>
Covered-employee payroll	\$ 27,479,342
Total OPEB liability as a percentage of covered-employee payroll	31.83%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	3.87%

**Marshalltown Community School District**

## **Supplementary Information**

**Schedule 1**

## Marshalltown Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

<hr/> <hr/>				
Special Revenue				
	Student Activity	Management Levy	Public Education and Recreation Levy	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 144,790	1,813,859	221,260	2,179,909
Receivables:				
Property tax:				
Delinquent	-	7,679	1,056	8,735
Succeeding year	-	954,000	127,000	1,081,000
Accounts	3,082	-	-	3,082
<b>Total assets</b>	<b>\$ 147,872</b>	<b>2,775,538</b>	<b>349,316</b>	<b>3,272,726</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 5,007	726	-	5,733
Due to other funds	-	38,243	-	38,243
Total liabilities	5,007	38,969	-	43,976
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	954,000	127,000	1,081,000
Fund balances:				
Restricted for:				
Public education and recreation	-	-	222,316	222,316
Management levy purposes	-	1,782,569	-	1,782,569
Student activities	142,865	-	-	142,865
Total fund balances	142,865	1,782,569	222,316	2,147,750
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 147,872</b>	<b>2,775,538</b>	<b>349,316</b>	<b>3,272,726</b>

See accompanying independent auditor's report.

## Marshalltown Community School District

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year ended June 30, 2018

	Special Revenue			
	Student Activity	Management Levy	Public Education and Recreation Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	998,493	137,309	1,135,802
Other	487,309	69,694	1,839	558,842
State sources	-	29,748	4,091	33,839
Total revenues	487,309	1,097,935	143,239	1,728,483
Expenditures:				
Current:				
Instruction:				
Regular	-	721,802	-	721,802
Other	428,586	-	-	428,586
Support services:				
Administration	-	19,726	-	19,726
Operation and maintenance of plant	-	342,357	-	342,357
Transportation	-	66,660	-	66,660
Non-instructional programs	-	-	60,812	60,812
Other expenditures:				
Facilities acquisition	-	-	123,080	123,080
Total expenditures	428,586	1,150,545	183,892	1,763,023
Change in fund balances	58,723	(52,610)	(40,653)	(34,540)
Fund balances beginning of year	84,142	1,835,179	262,969	2,182,290
Fund balances end of year	\$ 142,865	1,782,569	222,316	2,147,750

See accompanying independent auditor's report.

**Schedule 3**

## Marshalltown Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2018

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expendi- tures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
High School Drama	\$ 879	7,085	3,726	-	4,238
Fall Musical	-	5,000	2,022	-	2,978
High School Speech Club	-	3,306	4,227	2,192	1,271
High School Forensics Club	-	229	1,340	2,151	1,040
High School Vocal Music	-	17,699	14,527	3,121	6,293
High School Jazz Band	-	1,491	1,731	240	-
High School Band	-	31,582	19,111	(4,554)	7,917
High School Orchestra	-	1,653	969	2,420	3,104
High School Band Uniform	-	2,355	2,250	2,478	2,583
High School Band Trip	176	-	-	-	176
High School Drill Team	-	380	1,124	744	-
Miller Drama	-	-	448	448	-
Miller Vocal Music	-	1,109	1,743	634	-
Miller Band	-	6,136	6,651	515	-
High School Athletic Office	-	15,363	12,340	(3,023)	-
High School Athletic Concessions	-	57,573	38,793	(15,630)	3,150
High School Athletic Fund CD's	328	-	-	(328)	-
High School Hersey Track Meet	301	-	-	(301)	-
High School Boys Bowling	-	1,072	242	(830)	-
High School Girls Bowling	531	1,565	784	(1,312)	-
High School Cheerleading	-	6,634	1,457	(5,177)	-
High School Dance Team	-	10,259	16,030	5,771	-
High School Dance Team Fundraising	-	4,878	2,793	(2,085)	-
High School Boy's Basketball	-	18,195	22,274	4,079	-
High School Football	-	34,237	12,182	(12,854)	9,201
High School Boys' Soccer	-	7,240	6,657	(583)	-
High School Baseball	-	11,203	17,526	6,323	-
High School Special Baseball	441	-	-	(441)	-
High School Boys' Track	-	3,279	4,483	1,204	-
High School Boys' Cross Country	-	4,207	3,151	(1,056)	-
High School Boys' Tennis	-	5,352	6,811	1,459	-
High School Boys' Golf	-	6,553	5,531	(1,022)	-
High School Boys' Swimming	-	10,805	10,324	(481)	-
High School Wrestling	-	9,709	11,208	1,499	-
High School Girls' Basketball	-	8,689	9,465	776	-
High School Volleyball	-	7,622	6,410	(1,212)	-
High School Girls' Soccer	-	8,115	9,772	1,657	-
High School Softball	-	5,358	8,228	2,870	-
High School Softball Fundraising	-	2,724	4,055	1,331	-
High School Girls' Track	-	3,375	3,210	(165)	-
High School Girls' Cross Country	-	2,446	4,401	1,955	-
High School Girls' Tennis	-	1,218	2,280	1,062	-
High School Girls' Golf	-	3,865	2,641	(1,224)	-
High School Girls' Swimming	919	10,790	9,370	(2,339)	-
High School Athletic Season Ticket	-	13,555	381	(13,174)	-
High School Special Athletic Donations	-	-	1,390	1,390	-
High School Bobcat Golf Fundraiser	-	11,815	6,383	(5,432)	-
High School Weight Room	-	-	5,000	5,000	-
Student Rotarians	13,100	-	-	(13,100)	-
Miller Athletic Concessions	7,252	18,937	16,429	(2,524)	7,236
Miller Boys' Basketball	754	1,169	1,425	(498)	-

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Miller Football	-	738	2,875	2,137	-
Miller Boys' Track	2,089	1,362	1,728	(1,723)	-
Miller Boys' Cross Country	237	770	711	(296)	-
Miller Boys Swimming	183	-	-	(183)	-
Miller Wrestling	2,400	1,425	1,544	(2,281)	-
Miller Girls' Basketball	-	692	1,314	622	-
Miller Volleyball	4,619	2,342	1,176	(5,785)	-
Miller Girls' Track	2,130	861	528	(2,463)	-
Miller Girls' Cross Country	-	150	175	25	-
High School Spanish Club	32	-	-	-	32
High School French Club	844	339	453	-	730
High School Art Club	-	10,924	9,459	7,721	9,186
High School Greenhouse Club	-	3,222	1,139	5,066	7,149
High School Key Club	118	-	-	-	118
High School National Honor Society	347	3,175	2,307	-	1,215
Health Careers Club	-	1,252	2,542	1,820	530
High School Student Senate	-	-	1,330	1,330	-
High School Homecoming	-	7,580	3,365	6,445	10,660
High School MLA Student Organization	384	-	-	-	384
SOAR	1	309	48	-	262
High School Prom Committee	-	4,085	3,299	6,686	7,472
Not In Our Town (NIOT)	-	291	450	159	-
High School Foreign Exchange Students	-	-	-	1,459	1,459
High School Pebbles	-	83	-	(83)	-
High School Postscript	-	2,758	4,312	1,554	-
High School Latino Club	220	-	-	-	220
Manga Anime Club	485	70	-	-	555
Delegation for Advancement of History	-	-	-	2,319	2,319
High School English Extra-Curricular	214	-	-	-	214
High School Science Olympiad	345	88	127	-	306
High School Special Need Fund	-	1,577	104	2,481	3,954
Investment Interest	-	573	-	-	573
High School ID Card Supplies	-	1,904	2,086	182	-
High School Activity Tickets	-	8,555	53	(8,502)	-
Battle of the Books	50	395	311	-	134
High School Parking Lot Fees	-	8,417	993	(7,424)	-
Miller Student Senate	1,307	556	134	-	1,729
Miller Yearbook	120	4,372	5,186	694	-
Miller Investment Interest	-	336	-	-	336
Miller General	8,275	4,740	17,454	4,439	-
Miller Magazine Sales	13,149	15,917	11,174	-	17,892
Fisher Elementary Student Council	1,390	-	-	-	1,390
Fisher Elementary 4th Grade Camp	3,322	-	-	-	3,322
Fisher Elementary Field Trips	2,455	-	-	(2,455)	-
Fisher Elementary Interest	32	60	-	(92)	-
Elementary Playground	368	-	-	(368)	-
Hoglan Elementary Interest	54	100	-	(154)	-
Hoglan Student Activities	8,733	-	-	-	8,733
Hoglan Donations/Fundraisers	3,563	-	-	-	3,563
Hoglan Activity Fund Interest	208	-	-	(208)	-
Rogers Elementary Student Council	370	-	25	-	345
Rogers Elementary Field Trips	87	-	-	-	87
Rogers Elementary Interest	2	13	-	(15)	-
Woodbury Elementary Special Needs Fund	22	-	17,996	25,621	7,647
Woodbury Elementary Investment Interest	568	144	-	(712)	-
Lenihan Yearbook	734	3,976	4,742	32	-
Lenihan General	-	7,313	6,151	-	1,162
Lenihan Interest	4	18	-	(22)	-
<b>Total</b>	<b>\$ 84,142</b>	<b>487,309</b>	<b>428,586</b>	<b>-</b>	<b>142,865</b>

See accompanying independent auditor's report.

**Schedule 4**

Marshalltown Community School District

Combining Balance Sheet  
Capital Projects Fund Accounts

June 30, 2018

<b>Capital Projects</b>				
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 4,565,982	1,487,882	6,053,864	
Receivables:				
Property tax:				
Delinquent	-	7,841	7,841	
Succeeding year	-	964,000	964,000	
Due from other governments	428,878	-	428,878	
<b>Total assets</b>	\$ 4,994,860	2,459,723	7,454,583	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 527,814	40,474	568,288	
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	964,000	964,000	
Fund balances:				
Restricted for:				
School infrastructure	4,467,046	-	4,467,046	
Physical plant and equipment	-	1,455,249	1,455,249	
Total fund balances	4,467,046	1,455,249	5,922,295	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 4,994,860	2,459,723	7,454,583	

See accompanying independent auditor's report.

## Marshalltown Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Projects Fund Accounts**

Year ended June 30, 2018

Capital Projects				
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total	
<b>Revenues:</b>				
Local sources:				
Local tax	\$ -	1,023,835	1,023,835	
Other	652,544	12,162	664,706	
State sources	<u>5,059,746</u>	<u>31,139</u>	<u>5,090,885</u>	
Total revenues	<u>5,712,290</u>	<u>1,067,136</u>	<u>6,779,426</u>	
<b>Expenditures:</b>				
Current:				
Support services:				
Instructional staff	200,000	4,974	204,974	
Operation and maintenance of plant	-	9,683	9,683	
Transportation	-	228,704	228,704	
Other expenditures:				
Facilities acquisition	3,748,300	111,821	3,860,121	
Debt service	2,000	-	2,000	
Total expenditures	<u>3,950,300</u>	<u>355,182</u>	<u>4,305,482</u>	
Excess of revenues over expenditures	<u>1,761,990</u>	<u>711,954</u>	<u>2,473,944</u>	
<b>Other financing sources (uses):</b>				
Revenue bonds issued	5,572,000	-	5,572,000	
Transfers in	490,513	-	490,513	
Transfers out	<u>(5,715,402)</u>	<u>-</u>	<u>(5,715,402)</u>	
Total other financing sources (uses)	<u>347,111</u>	<u>-</u>	<u>347,111</u>	
Change in fund balances	2,109,101	711,954	2,821,055	
Fund balances beginning of year	2,357,945	743,295	3,101,240	
Fund balances end of year	<u>\$ 4,467,046</u>	<u>1,455,249</u>	<u>5,922,295</u>	

See accompanying independent auditor's report.

Marshalltown Community School District  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds  
 For the Last Ten Years

	Modified			
	2018	2017	2016	2015
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 18,277,780	17,485,248	17,134,843	16,940,548
Tuition	915,871	621,039	469,851	581,413
Other	1,865,390	1,191,771	1,372,032	1,554,648
Intermediate sources	4,562	-	7,359	5,616
State sources	47,376,559	46,498,277	46,609,778	47,575,949
Federal sources	3,235,735	3,150,119	3,760,714	3,140,684
Total	<u>\$ 71,675,897</u>	<u>68,946,454</u>	<u>69,354,577</u>	<u>69,798,858</u>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 27,877,833	26,950,659	25,678,281	24,917,905
Special	9,316,868	8,873,092	8,785,695	8,961,367
Other	9,287,185	8,734,263	8,687,590	9,299,722
Support services:				
Student	2,616,548	2,517,988	2,398,621	2,535,340
Instructional staff	2,357,381	2,665,317	2,764,853	2,502,071
Administration	5,720,958	4,738,121	5,068,755	4,513,540
Operation and maintenance of plant	5,228,474	4,423,982	4,918,247	4,790,097
Transportation	2,052,589	1,724,761	1,830,820	1,814,067
Non-instructional programs	62,258	60,068	99,108	72,995
Other expenditures:				
Facilities acquisition	3,983,201	822,804	2,712,836	8,417,292
Long-term debt:				
Principal	8,630,000	3,280,000	3,365,000	2,530,000
Interest and other charges	784,747	878,667	632,275	1,004,875
AEA flowthrough	2,493,332	2,368,436	2,385,793	2,365,196
Total	<u>\$ 80,411,374</u>	<u>68,038,158</u>	<u>69,327,874</u>	<u>73,724,467</u>

See accompanying independent auditor's report.

<b>Accrual Basis</b>					
	2014	2013	2012	2011	2010
17,000,441	21,031,966	19,965,384	19,077,440	18,991,634	18,480,477
541,623	511,382	520,212	615,127	620,278	884,833
1,979,646	1,374,398	1,591,790	1,696,419	1,615,686	1,856,905
7,003	-	1,544	-	12,677	3,000
40,191,783	35,554,763	34,382,794	32,450,180	27,135,151	31,849,930
4,394,036	4,569,742	6,037,941	5,144,022	5,654,814	2,794,429
<b>64,114,532</b>	<b>63,042,251</b>	<b>62,499,665</b>	<b>58,983,188</b>	<b>54,030,240</b>	<b>55,869,574</b>
23,662,704	21,795,143	22,985,566	21,271,530	21,034,796	20,060,964
8,233,983	8,126,989	7,799,537	7,793,197	7,391,297	7,044,662
9,107,860	9,517,911	8,377,947	7,760,462	7,026,144	7,164,887
2,865,287	3,149,677	3,234,778	2,805,043	2,103,723	1,908,107
2,165,536	2,293,463	1,691,437	1,678,659	2,270,085	2,142,918
4,476,548	4,373,022	4,085,615	3,884,942	3,728,482	3,834,695
4,686,393	4,496,125	4,268,969	4,402,034	4,203,737	3,956,726
1,725,003	1,798,759	1,676,681	1,659,213	1,683,260	1,484,621
76,400	63,308	53,420	67,803	56,138	165,550
9,880,744	4,546,813	7,019,895	2,499,292	530,603	2,789,759
18,510,000	2,025,000	2,570,000	1,165,000	1,115,000	1,075,000
1,803,746	1,625,764	1,416,160	1,109,755	1,163,755	1,204,542
2,238,380	2,152,426	2,124,025	2,296,118	2,192,875	1,921,715
<b>89,432,584</b>	<b>65,964,400</b>	<b>67,304,030</b>	<b>58,393,048</b>	<b>54,499,895</b>	<b>54,754,146</b>

**Schedule 7**

## Marshalltown Community School District

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Entity Identifying Number	Pass-Through Expenditures
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY18	\$ 564,020
National School Lunch Program	10.555	FY18	2,064,413
Summer Food Service Program for Children	10.559	FY18	<u>82,477</u>
			<u>2,710,910</u>
Fresh Fruit and Vegetable Program	10.582	FY18	<u>150,128</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY18	<u>1,444,649</u>
Migrant Education - State Grant Program	84.011	FY18	<u>246,023</u>
Career and Technical Education - Basic Grants to States	84.048	FY18	<u>9,284</u>
Gaining Early Awareness	84.334	FY18	<u>56,275</u>
English Language Acquisition State Grants	84.365	FY18	<u>108,165</u>
Supporting Effective Instruction State Grant	84.367	FY18	<u>192,240</u>
Hurricane Education Recovery	84.938	FY18	<u>50,500</u>
Iowa Department of Education:			
Area Education Agency 267:			
Special Education Cluster:			
Special Education_Grants to States	84.027	FY18	<u>267,787</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	FY18	<u>95,663</u>
Developmental Disabilities Projects of National Significance	93.631	FY18	<u>507</u>
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs and to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY18	<u>233</u>
Assistance Programs for Chronic Disease Prevention and Control	93.945	FY18	<u>12,797</u>
Total			<u>\$ 5,345,161</u>
* Includes \$218,294 of non-cash awards.			

Marshalltown Community School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

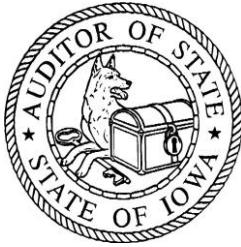
**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Marshalltown Community School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marshalltown Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Marshalltown Community School District.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – Marshalltown Community School District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**Marshalltown Community School District**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Board of Education of Marshalltown Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-18 through II-E-18 to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

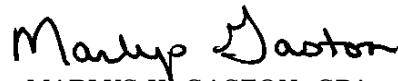
### Marshalltown Community School District's Responses to the Findings

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

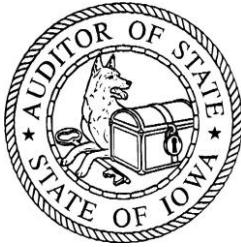
### Purpose of this Report

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

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

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

May 20, 2019



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Board of Education of Marshalltown Community School District:

Report on Compliance for Each Major Federal Program

We have audited Marshalltown Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2018. Marshalltown Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Marshalltown Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshalltown Community School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Marshalltown Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

### Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-18 and III-B-18 we consider to be material weaknesses.

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

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

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

May 20, 2019

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Marshalltown Community School District did not qualify as a low-risk auditee.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-18 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – A limited number of individuals are responsible for the following areas:

- (1) Cash – preparing bank account reconciliations, performing cash receipt and disbursement functions and handling and recording cash. There is not documentation of independent review of bank reconciliations.
- (2) Inventory – receiving, issuing, accounting, and storing. Inventory counts are not performed regularly.
- (3) Receipts – opening mail, collecting, posting and reconciling.
- (4) Payroll – recordkeeping, preparing, distributing and entering hourly rates into the payroll system. There is no independent review of payroll.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The District will monitor this situation and continue to segregate incompatible duties as much as possible.

Conclusion – Response accepted.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

II-B-18 Disaster Recovery Plan

Criteria – Management is responsible for establishing, maintaining, and testing a disaster recovery plan. A disaster recovery plan should include, identification of critical applications, identification of staff responsible, identification of steps for recovery of the system, identification of computer equipment needed for temporary processing, and identification of business location(s) which could be used to process critical application in the event of an emergency. Additionally, a copy of the disaster recovery plan should be kept off site, system backups should be kept current and off site, inventory of all hardware and components should be noted, inventory of all software applications, copies of all user documentation and policy and procedures manuals to be located off site, and require extra stocks of paper supplies, such as checks, warrants, purchase orders, etc. be located off site. Further, the plan should be tested regularly and all employees should be trained for appropriate responses to emergency situations.

Condition – The following key items are not included in the District's plan:

- Identification of business location(s) which could be used to process critical application in the event of an emergency.
- Requirement to keep copies of all user documentation and policy and procedures manuals be located off site.
- Requirement for an extra stock of paper supplies, such as checks, purchase orders, etc., be located off site.
- Requirement outlining the frequency of testing or review of the disaster recovery plan.

Cause – Management has not required the current written disaster recovery plan to be updated with necessary information.

Effect – The failure to have a formal disaster recovery plan which includes all the essential elements could result in the District's inability to function in the event of a disaster or continue District business without interruption. Storing back-up records off-site helps ensure financial and other information is readily available in the case of a disaster or emergency.

Recommendation – The written disaster recovery plan should be updated to include the above items and to require the plan be periodically tested.

Response – The District will review and update the Disaster Recovery Plan.

Conclusion – Response accepted.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

II-C-18 Negative Lunch Account Balances

Criteria – The District is responsible for implementing and maintaining an internal control system related to the collection of revenue for meals served by the School Nutrition Program.

Condition – It was noted during the audit the School Nutrition Fund is carrying numerous negative student lunch account balances on its books as of June 30, 2018 totaling \$17,401.

Cause – The District's policies and procedures do not ensure adequate collection of revenues earned for meals served which enables patrons to accumulate significant deficit balances owed.

Effect – Potentially ineffective or unenforced policies and procedures over lunch account revenue and related balances could result in the District forgoing or not collecting revenue it is entitled to for meals served.

Recommendation – The District should review their procedures and policies in regard to negative student lunch account balances. The District should attempt various collection techniques to collect the balances owed.

Response – State law requires Iowa school districts to provide all students with a reimbursable meal if the student makes a request, regardless of the student's lunch account status. The District will continue to communicate with parents and guardians regarding negative account balances.

Conclusion – Response accepted.

II-D-18 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the District's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The following weaknesses in the District's computer system were noted:

- The District does not have a written policy regarding password privacy and confidentiality.
- A time out and/or log off function to protect a terminal if left unattended is not utilized.
- A function to prohibit access to the computer system after three failed log-in attempts is not utilized.

Condition – Management has not required written policies for the above computer based controls.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The District should review its control activities and establish policies pertaining to its computer systems.

Response – The District's Board policy prohibits the use of another person's account or password. The District will add language to the employee handbook regarding computer use policies and procedures. The District will continue to evaluate access granted within the financial accounting software.

Conclusion – Response accepted.

II-E-18 Inventory

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all inventory items and for periodic review of those records by someone independent of other duties related to inventory.

Condition – Inventory counts are not performed regularly and verified by a person independent of the inventory records. Also, there is no record kept to keys to storerooms and storage areas. Additionally, pre-numbered receiving reports are not used for inventory recordkeeping.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Inventory counts should be performed regularly and verified by a person independent of the inventory records. Also, a record should be maintained documenting who has access to the inventory storage facilities and pre-numbered receiving reports should be utilized for recordkeeping purposes.

Response – Additional oversight and review of inventory records will be implemented.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553: School Breakfast Program**

**CFDA Number 10.555: National School Lunch Program and**

**CFDA Number 10.559: Summer Food Service Program for Children**

**Pass-Through Entity Identifying Number: N/A**

**Federal Award Year: 2018**

**Prior Year Finding Number: N/A**

**U.S. Department of Agriculture**

**Passed through the Iowa Department of Education**

III-A-18      Segregation of Duties – The District did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See II-A-18.  
(2018-001)

III-B-18      Claim Approval  
(2018-002)  
Criteria – An effective internal control system provides for internal controls related to approval of disbursements at the department level.

Condition – The District does not have procedures in place to ensure departmental approval of claims to be paid.

Cause – Policies and procedures have not been implemented to ensure department head approval is obtained for claims to be paid.

Effect – Because there is no evidence of departmental approval, claims may be paid which were not properly authorized or approved to be purchased.

Recommendation – Individual claims should include evidence of approval at the department level.

Response – The District will implement procedures to ensure departments are documenting the review and approval of disbursements.

Conclusion – Response accepted.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part IV: Other Findings Related To Required Statutory Reporting:**

- IV-A-18 Certified Budget – Expenditures for the year ended June 30, 2018 did not exceed the amounts budgeted.
- IV-B-18 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-18 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-18 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Miller, Board Member, President/CEO of RACOM	Services	\$ 1,123
Annie Grieshop, Accompaniest, Owner Grieshop Piano Service	Services	2,210
Dave Adland, Bus Driver, Owner of Adland Engraving Company	Engraving services	19,524

In accordance with Chapter 301.28 of the Code of Iowa, the transactions with Dave Adland and Annie Grieshop appear to represent conflicts of interest since this section disallows an officer or teacher acting as an agent for school supplies.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mike Miller do not represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

Recommendation – The District should consult legal counsel to determine the disposition of these matters.

Response – The District will consult with our attorney when necessary.

Conclusion – Response acknowledged. The District should consult with legal counsel to determine the disposition of these matters and develop policies and procedures to address these transactions.

- IV-E-18 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 the coverage is adequate for current operations.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-F-18    Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within the timeframe required by the Code of Iowa.

Response – Procedures will be revised to ensure the Board meeting minutes will be published as required.

Conclusion – Response accepted.

IV-G-18    Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-18    Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-18    Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-18    Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-18    Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-18    Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Marshalltown Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,357,945
Revenues/other financing sources/transfers in:		
Sales tax revenues	\$ 5,059,746	
Interest on investments	37,363	
Contributions and donations	615,182	
Sale of long-term debt	5,572,000	
Transfers from other funds	<u>490,513</u>	<u>11,774,804</u>
		14,132,749
Expenditures/transfers out:		
School infrastructure construction	3,750,300	
Equipment	200,000	
Transfers to other funds:		
Debt service fund	<u>5,715,402</u>	<u>9,665,702</u>
Ending balance		<u>\$ 4,467,047</u>

For the year ended June 30, 2018, 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	Property	
	Per \$1,000	Tax	
	of Taxable	Dollars	
	Valuation	Reduced	
Debt service levy	\$ 1.913	<u>1,962,338</u>	

IV-M-18    Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Special Revenue, Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The High School Parking Lot Fees, Miller General, Woodbury Elementary Special Needs and other similar accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation – The District should review and reclassify these accounts to the appropriate fund, as required.

Response – The District will review and reclassify to the appropriate fund.

Conclusion – Response accepted.

Marshalltown Community School District

Staff

This audit was performed by:

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