

**MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2020

Name	Title	Term Expires
Board of Education		
Bea Niblock	President	2021
Sean Heitmann	Vice President	2023
Karina Hernandez	Board Member	2021
Michael Miller	Board Member	2021
Sara Faltys	Board Member	2023
Jan McGinnis	Board Member	2023
Bob Untiedt	Board Member	2023
School Officials		
Dr. Theron Schutte	Superintendent	Indefinite
Paulette Newbold	District Board Secretary/ Director of Business Operations	Indefinite
Bradshaw, Fowler, Proctor and Fairgrave, P.C.	Attorney	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Marshalltown Community School District
Marshalltown, Iowa

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that 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, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of changes in the District's total OPEB liability, related ratios and notes on pages 5 through 14 and 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshalltown Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2019 (which is not presented herein) and expressed an unmodified opinion on those financial statements. The financial statements for the eight years ended June 30, 2018 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 53 through 62, 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. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. 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 a report dated February 25, 2021 on our consideration of Marshalltown Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshalltown Community School District's internal control over financial reporting and compliance.



HOGAN - HANSEN

Mason City, Iowa
February 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshalltown Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$63,957,994 in fiscal year 2019 to \$65,968,115 in fiscal year 2020, while General Fund expenditures increased from \$63,781,332 in fiscal year 2019 to \$63,830,644 in fiscal year 2020. The District's General Fund balance increased from \$4,221,557 as of the end of fiscal year 2019 to \$6,509,028 as of the end of fiscal year 2020, a 54.2% increase. The District is intentionally improving the solvency ratio through a cash reserve levy in order to meet the minimum 8% required by Board policy. The June 30, 2020 solvency ratio is 7.7%. The school closure due to the pandemic also resulted in some cost savings and spending less in the General Fund.
- The fiscal year 2020 increase in General Fund revenue was primarily attributable to an increase in property tax and state funding. The increase in expenditures was due primarily to an increase in nonpersonnel expenditures including supplies, transportation and furniture and fixtures.

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 the 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 share of the net pension liability and related contributions, as well as 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.

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

FIGURE A-1
MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

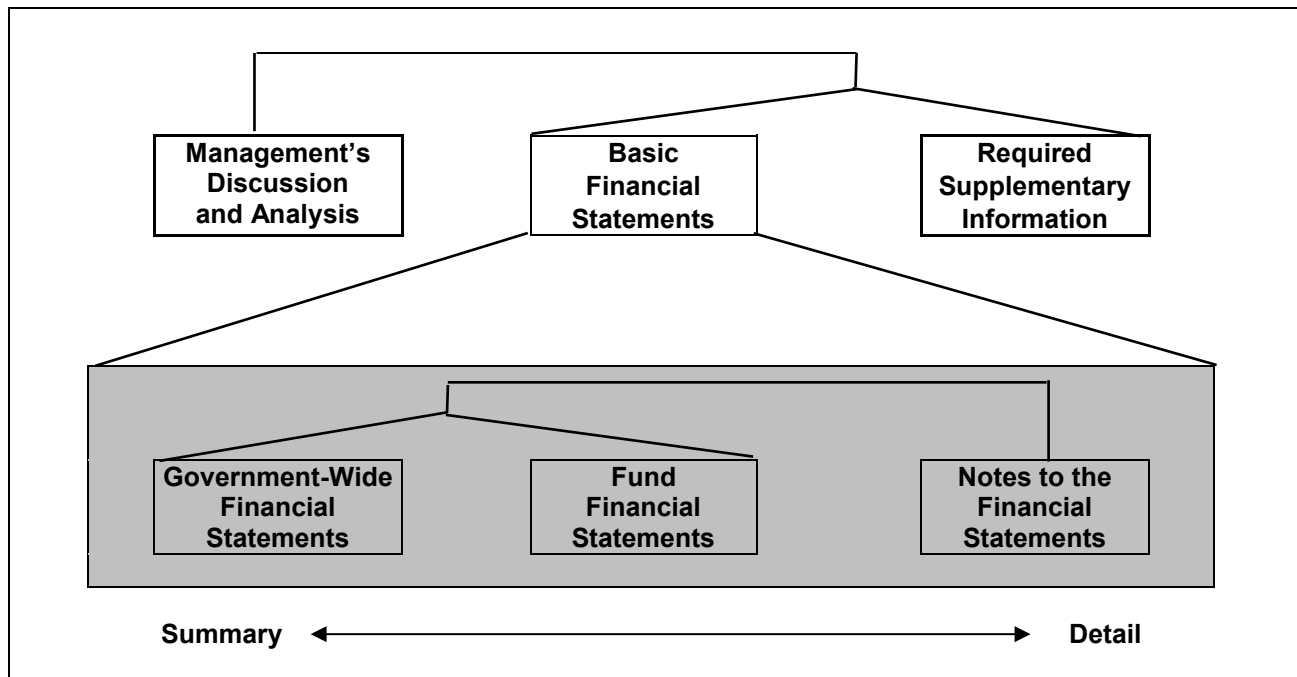


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 various student activity funds or to show it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- **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 revenue, expenditures and changes in fund balances.

- **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. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the Health Insurance Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- *Fiduciary Funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund, which is used to account for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund 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 the fiduciary fund includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2020 compared to June 30, 2019.

**FIGURE A-3
CONDENSED STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	2020	2019	2020	2019	2020	2019	2019-2020	
Current and other assets	\$ 47,689,924	\$ 46,007,784	\$ 1,940,564	\$ 1,724,688	\$ 49,630,488	\$ 47,732,472	\$ 1,898,016	4.0%
Capital assets	71,336,670	71,725,668	272,540	326,499	71,609,210	72,052,167	(442,957)	(0.6)
Total Assets	119,026,594	117,733,452	2,213,104	2,051,187	121,239,698	119,784,639	1,455,059	1.2
Deferred Outflows of Resources	8,214,664	8,925,395	246,294	263,428	8,460,958	9,188,823	(727,865)	(7.9)
Total Assets and Deferred Outflows of Resources	\$ 127,241,258	\$ 126,658,847	\$ 2,459,398	\$ 2,314,615	\$ 129,700,656	\$ 128,973,462	\$ 727,194	0.6
Liabilities								
Long-term liabilities	\$ 60,861,279	\$ 66,677,670	\$ 993,793	\$ 1,052,696	\$ 61,855,072	\$ 67,730,366	\$ (5,875,294)	(8.7)
Other liabilities	9,257,911	11,158,921	108,318	69,454	9,366,229	11,228,375	(1,862,146)	(16.6)
Total Liabilities	70,119,190	77,836,591	1,102,111	1,122,150	71,221,301	78,958,741	(7,737,440)	(9.8)
Deferred Inflows of Resources	27,452,734	22,400,316	158,804	91,259	27,611,538	22,491,575	5,119,963	22.8
Net Position								
Net investment in capital assets	48,623,670	45,392,668	272,540	326,499	48,896,210	45,719,167	3,177,043	6.9
Restricted	9,414,955	9,277,188	—	—	9,414,955	9,277,188	137,767	1.5
Unrestricted	(28,369,291)	(28,247,916)	925,943	774,707	(27,443,348)	(27,473,209)	29,861	0.1
Total Net Position	29,669,334	26,421,940	1,198,483	1,101,206	30,867,817	27,523,146	3,344,671	12.2
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 127,241,258	\$ 126,658,847	\$ 2,459,398	\$ 2,314,615	\$ 129,700,656	\$ 128,973,462	\$ 727,194	0.6

The District's net position increased 12.2%, or approximately \$3.3 million, 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 it can be used. The District's restricted net position increased approximately \$0.1 million, or 1.5%, from the prior year. The increase was primarily the result of less capital project expenses.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by approximately \$30,000, or 0.1%.

Figure A-4 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

**FIGURE A-4
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	2020	2019	2020	2019	2020	2019	2019-2020	
Revenue								
Program Revenue								
Charges for service	\$ 1,713,968	\$ 1,833,397	\$ 359,391	\$ 497,991	\$ 2,073,359	\$ 2,331,388	\$ (258,029)	(11.1)%
Operating grants and contributions	12,473,197	12,563,279	3,044,475	2,808,431	15,517,672	15,371,710	145,962	0.9
Capital grants and contributions	50,000	1,883,379	—	—	50,000	1,883,379	(1,833,379)	(97.3)
General Revenue								
Property tax	19,958,160	18,890,630	—	—	19,958,160	18,890,630	1,067,530	5.7
Statewide sales, services and use tax	5,561,874	5,596,255	—	—	5,561,874	5,596,255	(34,381)	(0.6)
Unrestricted state grants	33,936,856	33,703,299	—	—	33,936,856	33,703,299	233,557	0.7
Unrestricted investment earnings	189,349	170,297	12,577	12,137	201,926	182,434	19,492	10.7
Total Revenue	73,883,404	74,640,536	3,416,443	3,318,559	77,299,847	77,959,095	(659,248)	(0.8)
Program Expenses								
Governmental Activities								
Instruction	44,417,348	43,847,454	—	—	44,417,348	43,847,454	569,894	1.3
Support services	22,881,968	21,334,580	—	—	22,881,968	21,334,580	1,547,388	7.3
Noninstructional programs	78,848	74,684	3,169,166	3,114,230	3,248,014	3,188,914	59,100	1.9
Other expenses	3,407,846	4,816,832	—	—	3,407,846	4,816,832	(1,408,986)	(29.3)
Total Program Expenses	70,786,010	70,073,550	3,169,166	3,114,230	73,955,176	73,187,780	767,396	1.0
Transfers	150,000	—	(150,000)	—	—	—	—	0.0
Change in Net Position	3,247,394	4,566,986	97,277	204,329	3,344,671	4,771,315	(1,426,644)	(29.9)
Net Position - Beginning of Year	26,421,940	21,854,954	1,101,206	896,877	27,523,146	22,751,831	4,771,315	21.0
Net Position - End of Year	\$ 29,669,334	\$ 26,421,940	\$ 1,198,483	\$ 1,101,206	\$ 30,867,817	\$ 27,523,146	\$ 3,344,671	12.2

In fiscal year 2020, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 80.5% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.6% of business-type activities revenue. The District's total revenue was approximately \$77.3 million, of which approximately \$73.9 million was for governmental activities and \$3.4 million was for business-type activities.

As shown on Figure A-5, the District as a whole experienced a 0.8% decrease in revenue primarily due to a decrease in capital grants and contributions. Total program expenses increased 1.0% primarily due to an increase in nonpersonnel expenses including supplies, transportation and furniture and fixtures.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, noninstructional programs and other expenses for the year ended June 30, 2020 compared to the year ended June 30, 2019.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		Change 2019-2020	<u>Net Cost of Services</u>		Change 2019-2020
	2020	2019		2020	2019	
Instruction	\$ 44,417,348	\$ 43,847,454	1.3%	\$ 32,976,995	\$ 32,112,062	2.7%
Support services	22,881,968	21,334,580	7.3	22,620,976	19,309,414	17.1
Noninstructional programs	78,848	74,684	5.6	78,848	74,684	5.6
Other expenses	<u>3,407,846</u>	<u>4,816,832</u>	(29.3)	<u>872,026</u>	<u>2,297,335</u>	(62.0)
Total	<u>\$ 70,786,010</u>	<u>\$ 70,073,550</u>	1.0	<u>\$ 56,548,845</u>	<u>\$ 53,793,495</u>	5.1

For the year ended June 30, 2020:

- The cost financed by users of the District's programs (charges for service) was \$1,713,968.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$12,523,157.
- The net cost of governmental activities was financed with \$25,520,034 in property and other taxes, \$33,936,856 of unrestricted state grants and \$189,349 of unrestricted investment earnings.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2020 was \$3,416,443, representing a 2.9% increase from the prior year, while expenses totaled \$3,169,166, a 1.8% increase from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was 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 of June 30, 2020, the District's governmental funds reported combined fund balances of \$14,663,809, an increase from last year's ending fund balances of \$12,460,709. The primary reason for the increase in combined fund balances in fiscal year 2020 is due to less capital projects expenditures.

Governmental Fund Highlights

- The General Fund balance increased 54.2% from \$4,221,557, as of the end of fiscal year 2019 to \$6,509,028 as of the end of fiscal year 2020. The increase was primarily due to an increase in property tax revenue and a refund of prior year expenditures.
- The Debt Service Fund balance decreased from \$2,265,329 at the end of fiscal year 2019 to \$2,154,506 as of the end of fiscal year 2020, a decrease of approximately 4.9%.
- The Capital Projects Fund balance increased from \$3,876,825 as of the end of fiscal year 2019 to \$4,348,568 as of the end of fiscal year 2020, an increase of 12.2%. This increase was due to new capital projects starting later in fiscal year 2020 and less expenditures in the current year on capital projects.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$1,101,206 as of June 30, 2019 to \$1,198,483 as of June 30, 2020, an 8.8% increase. The increase is primarily due to more federal funding received.
- The Internal Service Fund net position increased from \$1,834,387 as of June 30, 2019 to \$2,097,665 as of June 30, 2020, a 14.4% increase. The increase is primarily due to a reduction in claims and fees and increase in contributions.

BUDGETARY HIGHLIGHTS

The District's total revenue was \$186,276 more than total budgeted revenue, a variance of 0.2%. The primary reason for the difference was more local revenue received than anticipated.

The District's total expenditures were \$4,862,147 more than budgeted. It is the District's practice to budget expenditures using realistic projections based on prior year expenditures with a buffer built in to prevent exceeding the annual budget. Due to issuing a refunding bond, the District exceeded the budget for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District had invested \$71,609,210 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-6) This represents a net decrease of 0.6% from 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 \$2,179,455.

The original cost of the District's capital assets was approximately \$103.3 million. Governmental funds account for approximately \$102.1 million, with the remainder of approximately \$1.2 million accounted for in the Enterprise, School Nutrition Fund.

The change in capital assets was primarily related to the continued depreciation of existing capital assets.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	2020	2019	2020	2019	
Land	\$ 859,396	\$ 859,396	\$ —	\$ —	\$ 859,396	\$ 859,396	0.0%
Construction in progress	1,048,863	—	—	—	1,048,863	—	100.0
Buildings	67,224,594	68,689,760	—	—	67,224,594	68,689,760	(2.1)
Land improvements	1,074,901	1,072,580	—	—	1,074,901	1,072,580	(0.2)
Machinery and equipment	1,128,916	1,103,932	272,540	326,499	1,401,456	1,430,431	(2.0)
Total	<u>\$ 71,336,670</u>	<u>\$ 71,725,668</u>	<u>\$ 272,540</u>	<u>\$ 326,499</u>	<u>\$ 71,609,210</u>	<u>\$ 72,052,167</u>	(0.6)

Long-Term Debt

As of June 30, 2020, the District had \$22,713,000 in total long-term debt outstanding. This represents a decrease of 13.7% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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 subject to this limit is below its constitutional debt limit of approximately \$55.9 million.

During the current year, the District issued \$7,323,000 of revenue bonds. All proceeds were used to call and pay off existing higher interest debt.

**FIGURE A-7
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	
General obligation bonds	\$ 7,750,000	\$ 9,580,000	(19.1)%
Revenue bonds	14,963,000	16,753,000	(10.7)
Total	<u>\$ 22,713,000</u>	<u>\$ 26,333,000</u>	(13.7)

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:

- On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared a national state of emergency and on March 15, 2020, Iowa Governor Kim Reynolds recommended the closure of all public and private schools in Iowa to contain the spread of COVID-19. The school closure ended up lasting through the end of the 2019-2020 school year. The District committed to paying staff their salaries and benefits during the closure. The District also implemented procedures to provide students with meals throughout the closure. District officials worked tirelessly over the summer to implement mitigation strategies in order to provide a safe learning environment during the 2020-2021 school year. Virtual learning practices were developed in order to provide on-line learning options for students unable to attend upon reopening.
- On March 27, 2020 the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Under this Act and other relief provisions, Marshalltown Community School District will receive federal stimulus allocations of just over \$6.7 million in fiscal year 2021 to address learning loss among students and ensure that access to technology and connectivity are available for all. This will also be used to pay for pandemic mitigation efforts.
- The Marshalltown Community School District certified enrollment count taken on October 1, 2019 was 5,420.2. This count represents an increase of 55.6 students from the previous year. The District was on the budget guarantee program during the 2019-2020 school year due to declining enrollment experienced following the 2018 tornado. The October 1, 2020 enrollment, which is a primary factor for fiscal year 2022 funding, declined again by 87.9 students. This decline is presumably due to the August 10, 2020 derecho and the ongoing pandemic.
- The District refinanced outstanding Sales Tax Revenue Bonds in the amount of \$7,230,000 in December, 2019 which resulted in interest cost savings of \$247,661 over the remaining nine years.
- During May, 2020 the Board of Education adopted a resolution to continue participation in the Instructional Support Program for a period of five years commencing July 1, 2021. Moneys received may be used for any general fund purpose and can be funded by a combination of property taxes and income surtax imposed annually. This program provides an additional \$2 million annually for salaries and benefits.

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 and Treasurer, Marshalltown Community School District, 1002 South 3rd Avenue, Marshalltown, IA 50158.

Basic Financial Statements

Statement of Net Position

As of June 30, 2020

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	\$ 21,800,677	\$ 1,762,807	\$ 23,563,484
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	294,393	—	294,393
Succeeding year	21,070,182	—	21,070,182
Accounts	57,795	32,063	89,858
Internal balances	135,259	(135,259)	—
Due from other governments	1,657,582	216,502	1,874,084
Inventories and prepaid expenses	2,674,036	64,451	2,738,487
Capital assets, net of accumulated depreciation	71,336,670	272,540	71,609,210
Total Assets	119,026,594	2,213,104	121,239,698
Deferred Outflows of Resources			
Pension-related deferred outflows	6,888,096	214,638	7,102,734
OPEB-related deferred inflows	1,326,568	31,656	1,358,224
Total Deferred Outflows of Resources	8,214,664	246,294	8,460,958
Total Assets and Deferred Outflows of Resources	\$ 127,241,258	\$ 2,459,398	\$ 129,700,656
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 446,380	\$ 20,316	\$ 466,696
Salaries and benefits payable	6,458,049	29,321	6,487,370
Due to other governments	1,077,528	—	1,077,528
Accrued interest payable	180,995	—	180,995
Provision for self-insurance claims	1,094,959	—	1,094,959
Unearned revenue	—	58,681	58,681
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds	1,870,000	—	1,870,000
Revenue bonds	1,931,000	—	1,931,000
Compensated absences	355,650	5,197	360,847
Portion Due After One Year			
General obligation bonds	5,880,000	—	5,880,000
Revenue bonds	13,032,000	—	13,032,000
Net pension liability	28,237,568	879,660	29,117,228
Total OPEB liability	9,555,061	108,936	9,663,997
Total Liabilities	70,119,190	1,102,111	71,221,301
Deferred Inflows of Resources			
Unavailable property tax revenue	21,070,182	—	21,070,182
Advances from grantors	781,352	—	781,352
Pension-related deferred inflows	4,845,561	141,113	4,986,674
OPEB related deferred inflows	755,639	17,691	773,330
Total Deferred Inflows of Resources	27,452,734	158,804	27,611,538
Net Position			
Net investment in capital assets	48,623,670	272,540	48,896,210
Restricted for			
Categorical funding	1,441,169	—	1,441,169
Debt service	1,973,511	—	1,973,511
School infrastructure	2,428,978	—	2,428,978
Physical plant and equipment	1,919,590	—	1,919,590
Management levy purposes	1,298,520	—	1,298,520
Student activities	199,363	—	199,363
Public education and recreation levy purposes	153,824	—	153,824
Unrestricted	(28,369,291)	925,943	(27,443,348)
Total Net Position	29,669,334	1,198,483	30,867,817
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 127,241,258	\$ 2,459,398	\$ 129,700,656

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 26,072,283	\$ 914,220	\$ 9,572,186	\$ —	\$ (15,585,877)	\$ —	\$ (15,585,877)
Special	9,949,575	247,015	333,472	—	(9,369,088)	—	(9,369,088)
Other	8,395,490	371,515	1,945	—	(8,022,030)	—	(8,022,030)
Total Instruction.....	<u>44,417,348</u>	<u>1,532,750</u>	<u>9,907,603</u>	<u>—</u>	<u>(32,976,995)</u>	<u>—</u>	<u>(32,976,995)</u>
Support Services							
Student	2,823,686	—	—	—	(2,823,686)	—	(2,823,686)
Instructional staff.....	4,779,460	—	—	—	(4,779,460)	—	(4,779,460)
Administration	6,173,321	—	—	—	(6,173,321)	—	(6,173,321)
Operation and maintenance of plant	6,990,918	128,843	—	50,000	(6,812,075)	—	(6,812,075)
Transportation.....	2,114,583	52,375	29,774	—	(2,032,434)	—	(2,032,434)
Total Support Services	<u>22,881,968</u>	<u>181,218</u>	<u>29,774</u>	<u>50,000</u>	<u>(22,620,976)</u>	<u>—</u>	<u>(22,620,976)</u>
Noninstructional Programs	<u>78,848</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(78,848)</u>	<u>—</u>	<u>(78,848)</u>
Other Expenses							
Long-term debt interest and fiscal charges.....	659,880	—	—	—	(659,880)	—	(659,880)
AEA flowthrough	2,535,820	—	2,535,820	—	—	—	—
Depreciation - unallocated*	212,146	—	—	—	(212,146)	—	(212,146)
Total Other Expenses.....	<u>3,407,846</u>	<u>—</u>	<u>2,535,820</u>	<u>—</u>	<u>(872,026)</u>	<u>—</u>	<u>(872,026)</u>
Total Governmental Activities.....	<u>70,786,010</u>	<u>1,713,968</u>	<u>12,473,197</u>	<u>50,000</u>	<u>(56,548,845)</u>	<u>—</u>	<u>(56,548,845)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations.....	<u>3,169,166</u>	<u>359,391</u>	<u>3,044,475</u>	<u>—</u>	<u>—</u>	<u>234,700</u>	<u>234,700</u>
Total	<u>\$ 73,955,176</u>	<u>\$ 2,073,359</u>	<u>\$ 15,517,672</u>	<u>\$ 50,000</u>	<u>(56,548,845)</u>	<u>234,700</u>	<u>(56,314,145)</u>
General Revenue							
Property Tax Levied for							
General purposes.....					17,619,796	—	17,619,796
Management levy.....					890,125	—	890,125
Public education and recreation levy					146,492	—	146,492
Capital outlay					1,104,149	—	1,104,149
Debt service					197,598	—	197,598
Statewide sales, services and use tax					5,561,874	—	5,561,874
Unrestricted state grants					33,936,856	—	33,936,856
Unrestricted investment earnings					189,349	12,577	201,926
Total General Revenue					<u>59,646,239</u>	<u>12,577</u>	<u>59,658,816</u>
Transfers					<u>150,000</u>	<u>(150,000)</u>	<u>—</u>
Change in Net Position					<u>3,247,394</u>	<u>97,277</u>	<u>3,344,671</u>
Net Position - Beginning of Year.....					26,421,940	1,101,206	27,523,146
Net Position - End of Year.....					<u>\$ 29,669,334</u>	<u>\$ 1,198,483</u>	<u>\$ 30,867,817</u>

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

Balance Sheet - Governmental Funds

As of June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments....	\$ 13,092,564	\$ 72,359	\$ 4,226,544	\$ 1,203,309	\$ 18,594,776
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent.....	259,219	2,899	16,383	15,892	294,393
Succeeding year	18,450,905	199,998	1,164,674	1,254,605	21,070,182
Accounts	49,889	—	7,906	—	57,795
Due from other funds	305,505	—	—	—	305,505
Due from other governments	1,189,327	—	468,255	—	1,657,582
Inventories and prepaid items....	<u>144,824</u>	<u>2,079,248</u>	<u>—</u>	<u>449,964</u>	<u>2,674,036</u>
Total Assets	<u>\$ 33,492,233</u>	<u>\$ 2,354,504</u>	<u>\$ 5,883,762</u>	<u>\$ 2,923,770</u>	<u>\$ 44,654,269</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 215,371	\$ —	\$ 213,551	\$ 17,458	\$ 446,380
Salaries and benefits payable....	6,458,049	—	—	—	6,458,049
Due to other funds.....	—	—	156,969	—	156,969
Due to other governments	<u>1,077,528</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,077,528</u>
Total Liabilities	<u>7,750,948</u>	<u>—</u>	<u>370,520</u>	<u>17,458</u>	<u>8,138,926</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax...	18,450,905	199,998	1,164,674	1,254,605	21,070,182
Advances from grantors	<u>781,352</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>781,352</u>
Total Deferred Inflows of Resources	<u>19,232,257</u>	<u>199,998</u>	<u>1,164,674</u>	<u>1,254,605</u>	<u>21,851,534</u>
Fund Balance					
Nonspendable					
Inventories and prepaid items ..	144,824	2,079,248	—	449,964	2,674,036
Restricted for					
Categorical funding	1,441,169	—	—	—	1,441,169
Debt service.....	—	75,258	—	—	75,258
School infrastructure	—	—	2,428,978	—	2,428,978
Physical plant and equipment ..	—	—	1,919,590	—	1,919,590
Management levy purposes	—	—	—	848,556	848,556
Student activities	—	—	—	199,363	199,363
Public education and recreation levy purposes.....	—	—	—	153,824	153,824
Unassigned	<u>4,923,035</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,923,035</u>
Total Fund Balances	<u>6,509,028</u>	<u>2,154,506</u>	<u>4,348,568</u>	<u>1,651,707</u>	<u>14,663,809</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,492,233</u>	<u>\$ 2,354,504</u>	<u>\$ 5,883,762</u>	<u>\$ 2,923,770</u>	<u>\$ 44,654,269</u>

See accompanying notes to the financial statements.

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

As of June 30, 2020

Total Fund Balances for Governmental Funds (Page 17).... **\$ 14,663,809**

***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 71,336,670

An Internal Service Fund is used by management to charge the costs of the partial self-funding of the health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are reported in governmental activities in the statement of net position 2,097,665

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (180,995)

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:

Pension-related deferred outflows of resources.....	\$ 6,888,096	
Pension-related deferred inflows of resources.....	(4,845,561)	
OPEB-related deferred outflows of resources.....	1,326,568	
OPEB-related deferred inflows of resources.....	<u>(755,639)</u>	2,613,464

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

General obligation bonds	\$ (7,750,000)	
Revenue bonds.....	(14,963,000)	
Compensated absences.....	(355,650)	
Net pension liability	(28,237,568)	
Total OPEB liability	<u>(9,555,061)</u>	<u>(60,861,279)</u>

Net Position of Governmental Activities (Page 15) **\$ 29,669,334**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax.....	\$ 17,619,796	\$ 197,598	\$ 1,104,149	\$ 1,036,617	\$ 19,958,160
Tuition	771,824	—	—	—	771,824
Other	1,384,340	8,671	150,268	394,986	1,938,265
State sources	43,222,562	5,520	5,592,713	27,653	48,848,448
Federal sources	2,969,593	—	—	—	2,969,593
Total Revenue	<u>65,968,115</u>	<u>211,789</u>	<u>6,847,130</u>	<u>1,459,256</u>	<u>74,486,290</u>
Expenditures					
Current					
Instruction					
Regular.....	24,215,101	—	435,138	771,872	25,422,111
Special.....	9,702,262	—	—	—	9,702,262
Other	7,775,977	—	—	383,203	8,159,180
Total Instruction	<u>41,693,340</u>	<u>—</u>	<u>435,138</u>	<u>1,155,075</u>	<u>43,283,553</u>
Support Services					
Student.....	2,739,519	—	—	—	2,739,519
Instructional staff	4,609,545	—	47,348	—	4,656,893
Administration	5,806,036	—	134,007	59,442	5,999,485
Operation and maintenance of plant	4,822,223	—	153,377	417,684	5,393,284
Transportation	1,613,628	—	259,655	97,691	1,970,974
Total Support Services	<u>19,590,951</u>	<u>—</u>	<u>594,387</u>	<u>574,817</u>	<u>20,760,155</u>
Noninstructional Programs	<u>10,533</u>	<u>—</u>	<u>—</u>	<u>68,315</u>	<u>78,848</u>
Other Expenditures					
Facilities acquisition....	—	—	1,326,012	106,340	1,432,352
Long-Term Debt					
Principal.....	—	10,943,000	—	—	10,943,000
Interest and fiscal charges	—	630,346	92,116	—	722,462
AEA flowthrough	2,535,820	—	—	—	2,535,820
Total Other Expenditures	<u>2,535,820</u>	<u>11,573,346</u>	<u>1,418,128</u>	<u>106,340</u>	<u>15,633,634</u>
Total Expenditures	<u>63,830,644</u>	<u>11,573,346</u>	<u>2,447,653</u>	<u>1,904,547</u>	<u>79,756,190</u>
Revenue Over (Under) Expenditures	<u>2,137,471</u>	<u>(11,361,557)</u>	<u>4,399,477</u>	<u>(445,291)</u>	<u>(5,269,900)</u>
Other Financing Sources (Uses)					
Revenue bonds issued ..	—	7,323,000	—	—	7,323,000
Transfer in	150,000	3,927,734	—	—	4,077,734
Transfer out.....	—	—	(3,927,734)	—	(3,927,734)
Total Other Finance Sources (Uses)...	<u>150,000</u>	<u>11,250,734</u>	<u>(3,927,734)</u>	<u>—</u>	<u>7,473,000</u>
Change in Fund Balances	2,287,471	(110,823)	471,743	(445,291)	2,203,100
Fund Balances - Beginning of Year	<u>4,221,557</u>	<u>2,265,329</u>	<u>3,876,825</u>	<u>2,096,998</u>	<u>12,460,709</u>
Fund Balances - End of Year.....	<u>\$ 6,509,028</u>	<u>\$ 2,154,506</u>	<u>\$ 4,348,568</u>	<u>\$ 1,651,707</u>	<u>\$ 14,663,809</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2020

Change in Fund Balances - Total Governmental Funds (Page 19)		\$ 2,203,100
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:		
Capital outlays.....	\$ 1,734,779	
Depreciation expense.....	<u>(2,123,777)</u>	(388,998)
An Internal Service Fund is used by management to charge the costs of partial self-funding of the health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities in the statement of activities.....		
		263,278
Certain items not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.....		
		(602,886)
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. The amount of issuances and repayments for the year are as follows:		
Issued	\$ (7,323,000)	
Repaid	<u>10,943,000</u>	3,620,000
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 interest accrues, regardless of when it is due.....		
		62,582
The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....		
		3,484,022
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.....	\$ 15,199	
Pension expense.....	(5,157,711)	
OPEB expense.....	<u>(251,192)</u>	<u>(5,393,704)</u>
Change in Net Position of Governmental Activities (Page 16) ..		<u>\$ 3,247,394</u>

See accompanying notes to the financial statements.

Statement of Net Position - Proprietary Funds

As of June 30, 2020

	<u>Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and pooled investments	\$ 1,762,807	\$ 3,205,901
Accounts receivable	32,063	—
Due from other governments	216,502	—
Inventories.....	64,451	—
Total Current Assets	<u>2,075,823</u>	<u>3,205,901</u>
Capital Assets, Net of Accumulated Depreciation	<u>272,540</u>	<u>—</u>
Total Assets	<u>2,348,363</u>	<u>3,205,901</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	214,638	—
OPEB-related deferred outflows	31,656	—
Total Deferred Outflows	<u>246,294</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,594,657</u>	<u>\$ 3,205,901</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 20,316	\$ —
Salaries and benefits payable.....	29,321	—
Due to other funds	135,259	13,277
Unearned revenue.....	58,681	—
Compensated absences.....	5,197	—
Provision for self-insurance claims	—	1,094,959
Total Current Liabilities	<u>248,774</u>	<u>1,108,236</u>
Noncurrent Liabilities		
Net pension liability.....	879,660	—
Total OPEB liability.....	108,936	—
Total Noncurrent Liabilities	<u>988,596</u>	<u>—</u>
Total Liabilities	<u>1,237,370</u>	<u>1,108,236</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	141,113	—
OPEB-related deferred inflows	17,691	—
Total Deferred Inflows of Resources	<u>158,804</u>	<u>—</u>
Net Position		
Investment in capital assets.....	272,540	—
Unrestricted	925,943	2,097,665
Total Net Position	<u>1,198,483</u>	<u>2,097,665</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,594,657</u>	<u>\$ 3,205,901</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2020

	<u>Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 343,630	\$ —
Other receipts	15,761	—
Self-insurance contributions	—	8,397,373
Total Operating Revenue	<u>359,391</u>	<u>8,397,373</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries	1,100,528	—
Benefits	439,946	—
Purchased services	22,094	—
Supplies	1,550,920	—
Depreciation	55,678	—
Self-insurance claims and fees	—	8,160,412
Total Operating Expenses	<u>3,169,166</u>	<u>8,160,412</u>
Income (Loss) From Operations	<u>(2,809,775)</u>	<u>236,961</u>
Nonoperating Revenue		
State sources	21,642	—
Federal sources	3,022,833	—
Interest on investments	12,577	26,317
Total Nonoperating Revenue	<u>3,057,052</u>	<u>26,317</u>
Income Before Transfers	<u>247,277</u>	<u>263,278</u>
Transfers Out	<u>(150,000)</u>	<u>—</u>
Change in Net Position	97,277	263,278
Net Position - Beginning of Year	<u>1,101,206</u>	<u>1,834,387</u>
Net Position - End of Year	<u>\$ 1,198,483</u>	<u>\$ 2,097,665</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2020

	<u>Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Cash Flows From Operating Activities		
Cash received from sale of breakfasts and lunches.....	\$ 357,476	\$ —
Cash received from assessments made to other funds	—	8,405,950
Cash received from other	15,761	—
Cash paid to employees for services	(1,518,614)	—
Cash paid to suppliers for goods or services	(1,362,004)	—
Cash paid for insurance premiums, claims and fees.....	—	(8,231,107)
Net Cash Provided by (Used in) Operating Activities	<u>(2,507,381)</u>	<u>174,843</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	21,642	—
Federal grants received.....	<u>2,621,063</u>	—
Net Cash Provided by Noncapital Financing Activities	<u>2,642,705</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(1,719)</u>	<u>—</u>
Cash Flows From Investing Activities		
Interest on investments	<u>12,577</u>	<u>26,317</u>
Net Increase in Cash and Pooled Investments.....	146,182	201,160
Cash and Pooled Investments - Beginning of Year.....	<u>1,616,625</u>	<u>3,004,741</u>
Cash and Pooled Investments - End of Year	<u>\$ 1,762,807</u>	<u>\$ 3,205,901</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (2,809,775)	\$ 236,961
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	244,733	—
Depreciation.....	55,678	—
Changes in Assets and Liabilities		
(Increase) decrease in accounts receivable.....	(15,843)	8,577
Increase in due from other funds	(9,444)	—
Increase in inventories.....	(32,073)	—
Decrease in deferred outflows of resources.....	17,134	—
Increase in accounts payable	8,760	—
Decrease in salaries and benefits payable	(25,742)	—
Increase (decrease) in due to other funds	(966)	13,277
Increase in unearned revenue	29,689	—
Decrease in compensated absences	(1,969)	—
Decrease in provision for self-insurance claims	—	(83,972)
Decrease in net pension liability	(83,986)	—
Increase in OPEB liability	19,886	—
Increase in deferred inflows of resources	<u>96,537</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (2,507,381)</u>	<u>\$ 174,843</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2020, the District received \$243,426 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2020

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 80,912</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	<u>\$ 4,000</u>
Net Position	
Restricted for scholarships	<u>76,912</u>
Total Liabilities and Net Position	<u>\$ 80,912</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 1,900
Interest income	<u>2,112</u>
Total Additions	4,012
Deductions	
Instruction	
Regular	
Scholarships awarded	<u>5,000</u>
Change in Net Position	(988)
Net Position - Beginning of Year	<u>77,900</u>
Net Position - End of Year	<u>\$ 76,912</u>

Notes to the Financial Statements

(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 prekindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Marshalltown, Iowa, and the predominately agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

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 Organizations

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all 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 revenue, 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

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 Project Fund accounts.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax revenue and other revenue 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 revenue to be used for the payment of principal and interest 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes 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.

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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2019.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. 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. The District did not have any intangible assets as of June 30, 2020. 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.

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/amortized using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Land improvements.....	20 Years
Intangibles.....	5 - 12 Years
Machinery and equipment	5 - 12 Years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension or OPEB expenses 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.

Unearned Revenue

Unearned revenue represents amounts paid to the District in advance of the District providing the services for which they were paid.

(1) Summary of Significant Accounting Policies

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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2020. 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.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows 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 and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 not collected within 60 days after year end and advances from grantors.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unrecognized items not yet charged to pension or OPEB expense and advances from grantors.

Fund Balance

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

Nonspendable - Amounts that cannot be spent 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.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2020, expenditures did exceed the amount budgeted in the other expenditures function and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Investments

The District's deposits in banks as of June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Investments

As of June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,280,437 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investment. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables as of June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 156,969
	Enterprise	
	School Nutrition	135,259
	Internal Service	
	Health Insurance	<u>13,277</u>
		<u>\$ 305,505</u>

The Capital Projects, School Nutrition and Health Insurance Funds are repaying the General Fund for expenses paid out of the General Fund that should have been paid out of the Capital Projects, School Nutrition and Health Insurance Funds. All balances are to be paid by June 30, 2021.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	\$ 3,927,734
General	Enterprise	
	School Nutrition	<u>150,000</u>
		<u>\$ 4,077,734</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 859,396	\$ —	\$ —	\$ 859,396
Construction in progress	—	1,048,863	—	1,048,863
Total Capital Assets Not Being Depreciated.....	<u>859,396</u>	<u>1,048,863</u>	<u>—</u>	<u>1,908,259</u>
Capital Assets Being Depreciated				
Buildings	94,208,365	259,661	—	94,468,026
Land improvements.....	1,706,206	84,958	—	1,791,164
Machinery and equipment	<u>5,732,375</u>	<u>341,297</u>	<u>232,578</u>	<u>5,841,094</u>
Total Capital Assets Being Depreciated.....	<u>101,646,946</u>	<u>685,916</u>	<u>232,578</u>	<u>102,100,284</u>
Less Accumulated Depreciation for				
Buildings	25,518,605	1,724,827	—	27,243,432
Land improvements.....	633,626	82,637	—	716,263
Machinery and equipment	<u>4,628,443</u>	<u>316,313</u>	<u>232,578</u>	<u>4,712,178</u>
Total Accumulated Depreciation...	<u>30,780,674</u>	<u>2,123,777</u>	<u>232,578</u>	<u>32,671,873</u>
Total Capital Assets Being Depreciated, Net	<u>70,866,272</u>	<u>(1,437,861)</u>	<u>—</u>	<u>69,428,411</u>
Governmental Activities Capital Assets, Net.....				
	<u>\$ 71,725,668</u>	<u>\$ (388,998)</u>	<u>\$ —</u>	<u>\$ 71,336,670</u>
Business-Type Activities				
Machinery and equipment	\$ 1,191,745	\$ 1,719	\$ —	\$ 1,193,464
Less accumulated depreciation	<u>865,246</u>	<u>55,678</u>	<u>—</u>	<u>920,924</u>
Business-Type Activities Capital Assets, Net				
	<u>\$ 326,499</u>	<u>\$ (53,959)</u>	<u>\$ —</u>	<u>\$ 272,540</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction	
Regular	\$ 30,643
Support Services	
Operation and maintenance of plant	1,498,545
Transportation	<u>382,443</u>
	1,911,631
Unallocated	<u>212,146</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,123,777</u>

Business-Type Activities

Food Service Operations	<u>\$ 55,678</u>
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds \$	9,580,000	\$ —	\$ 1,830,000	\$ 7,750,000	\$ 1,870,000
Revenue bonds	16,753,000	7,323,000	9,113,000	14,963,000	1,931,000
Compensated absences	370,849	355,650	370,849	355,650	355,650
Net pension liability.....	31,157,890	—	2,920,322	28,237,568	—
Total OPEB liability.....	<u>8,815,931</u>	<u>739,130</u>	<u>—</u>	<u>9,555,061</u>	<u>—</u>
Total	<u>\$ 66,677,670</u>	<u>\$ 8,417,780</u>	<u>\$ 14,234,171</u>	<u>\$ 60,861,279</u>	<u>\$ 4,156,650</u>
Business-Type Activities					
Compensated absences \$	7,166	\$ 5,197	\$ 7,166	\$ 5,197	\$ 5,197
Net pension liability.....	963,646	—	83,986	879,660	—
Total OPEB liability.....	<u>89,050</u>	<u>19,886</u>	<u>—</u>	<u>108,936</u>	<u>—</u>
Total	<u>\$ 1,059,862</u>	<u>\$ 25,083</u>	<u>\$ 91,152</u>	<u>\$ 993,793</u>	<u>\$ 5,197</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding - Series A Issued June 20, 2012			Refunding - Series B Issued June 20, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.25%	\$ 100,000	\$ 8,550	2.55%	\$ 1,770,000	\$ 187,935
2022	2.25	95,000	6,300	2.55	1,815,000	142,800
2023	2.25	95,000	4,163	2.55	1,870,000	96,518
2024	2.25	90,000	2,025	2.55	1,915,000	48,832
Total		<u>\$ 380,000</u>	<u>\$ 21,038</u>		<u>\$ 7,370,000</u>	<u>\$ 476,085</u>

Year Ending June 30,	Principal		Total	
	Principal	Interest	Principal	Interest
2021	\$ 1,870,000	\$ 196,485	\$ 2,066,485	
2022	1,910,000	149,100	2,059,100	
2023	1,965,000	100,681	2,065,681	
2024	2,005,000	50,857	2,055,857	
Total	<u>\$ 7,750,000</u>	<u>\$ 497,123</u>	<u>\$ 8,247,123</u>	

On June 20, 2012, the District issued \$870,000 of general obligation refunding bonds, Series 2012A with interest rates ranging from 2.00% to 2.25% per annum. The bonds were issued to call and refund existing general obligations bonds. During the year ended June 30, 2020, the District paid \$100,000 of principal and \$10,800 of interest on the bonds.

On June 20, 2012, the District issued \$17,120,000 of general obligation refunding bonds, Series 2012B with an interest rate of 2.55% per annum. The bonds were issued to call and refund existing general obligation bonds. During the year ended June 30, 2020, the District paid \$1,730,000 of principal and \$232,050 of interest on the bonds.

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Refunding - Series 2017 Issued December 11, 2017			Refunding - Series 2019 Issued December 17, 2019			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2021	1.98%	\$ 1,212,000	\$ 139,273	1.84%	\$ 719,000	\$ 133,368	\$ 1,931,000	\$ 272,641
2022	1.98	1,236,000	115,038	1.84	772,000	114,411	2,008,000	229,449
2023	1.98	1,260,000	90,328	1.84	785,000	100,087	2,045,000	190,415
2024	1.98	1,285,000	65,132	1.84	804,000	85,468	2,089,000	150,600
2025	1.98	1,311,000	39,432	1.84	817,000	70,555	2,128,000	109,987
2026-2029	1.98	1,336,000	13,226	1.84	3,426,000	127,438	4,762,000	140,664
Total		<u>\$ 7,640,000</u>	<u>\$ 462,429</u>		<u>\$ 7,323,000</u>	<u>\$ 631,327</u>	<u>\$ 14,963,000</u>	<u>\$ 1,093,756</u>

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the \$9,908,000 of bonds issued in December, 2017 and the \$7,323,000 of bonds issued in December, 2019. The revenue refunding bonds issued in December, 2017 were used to finance a portion of the Round House Project, pay issuance costs and call and refund revenue bonds issued in April, 2011. The revenue refunding bonds issued in December, 2019 were used to call and refund revenue bonds issued in November, 2013 and pay issuance costs. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July, 2025 and July, 2028 for the 2017 series and 2019 series, respectively. 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 approximately 30% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$16,056,756. For the current year, principal of \$9,113,000 and interest of \$384,296 was paid on the bonds and total statewide sales, services and use tax revenue was \$5,561,874.

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

- (a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2020.

(7) Pension and Retirement Benefits

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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

(7) Pension and Retirement Benefits

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

Notes to the Financial Statements

(7) Pension and Retirement Benefits

In fiscal year 2020, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$3,589,542.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a liability of \$29,117,228 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2019, the District's proportion was 0.502831% which was a decrease of 0.004759% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$5,306,043. As of June 30, 2020, 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	\$ 80,721	\$ 1,046,904
Changes of assumptions	3,118,872	—
Net difference between projected and actual earnings on IPERS' investments	—	3,281,161
Changes in proportion and differences between District contributions and proportionate share of contributions	313,599	658,609
District contributions subsequent to the measurement date	<u>3,589,542</u>	<u>—</u>
Total	<u>\$ 7,102,734</u>	<u>\$ 4,986,674</u>

\$3,589,542 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, 2021. 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,	
2021	\$ 498,203
2022	(790,570)
2023	(499,162)
2024	(579,363)
2025	(102,590)
Total	<u>\$ (1,473,482)</u>

There were no nonemployer contributing entities to IPERS.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Actuarial Assumptions

The total pension liability in the June 30, 2019 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.
Rate 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, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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 that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of 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 that is one percentage point lower (6.00%) or one percentage point 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	\$51,702,797	\$29,117,228	\$10,172,700

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

All legally required District contributions and legally required employee contributions which had been withheld from employee wages were remitted by the District to IPERS by June 30, 2020.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer benefit plan which provides medical and prescription drug, dental, vision and life benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by Marshalltown Community School 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 and prescription drug, dental, vision and life benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Retired participants must be age 55 or older at retirement.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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.

As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	54
Active employees	<u>725</u>
Total	<u>779</u>

Total OPEB Liability

The District's total OPEB liability of \$9,663,997 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements.

Rates of salary increase (effective June 30, 2020)	3.00% per annum.
Discount rate (effective June 30, 2020)	2.21% compounded annually.
Healthcare cost trend rate (effective June 30, 2020)	6.00% initial select rate decreasing by 0.50% annually to an ultimate rate of 4.50%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% 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 Pub-2010 mortality table with generational scale MP-2019. 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, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning of Year	<u>\$ 8,904,981</u>
Changes for the Year	
Service cost	587,292
Interest.....	320,222
Differences between expected and actual experience.....	(667,106)
Changes of assumptions.....	1,204,734
Benefit payments	<u>(686,126)</u>
Net Changes	<u>759,016</u>
Total OPEB Liability - End of Year	<u>\$ 9,663,997</u>

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Changes of assumptions reflect a change in the discount rate from 3.50% in fiscal year 2019 to 2.21% in fiscal year 2020.

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 one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate.

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability.....	\$10,495,000	\$9,663,997	\$8,909,000

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 well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current healthcare cost trend rate.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability.....	\$9,069,000	\$9,663,997	\$10,370,000

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$257,951. As of June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ (628,838)
Changes of assumptions	1,358,224	(144,492)
	<u>\$ 1,358,224</u>	<u>\$ (773,330)</u>

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

Year Ending June 30,	Amount
2021	\$ 36,563
2022	36,563
2023	36,563
2024	36,563
2025	36,563
Thereafter.....	402,079
Total	<u>\$ 584,894</u>

Notes to the Financial Statements

(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 \$2,097,665 as of June 30, 2020. The incurred but not recorded and unpaid claims liability of \$1,088,471 reported in the plan at June 30, 2020 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) Operating Leases

The District leases several copiers and a building under operating leases expiring in 2020 through 2022. The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

Year Ending June 30,	
2021	\$ 95,444
2022	7,953
	<u>\$ 103,397</u>

Rental expense for all operating leases was \$93,521 for the year ended June 30, 2020.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$2,535,820 for the year ended June 30, 2020, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Notes to the Financial Statements

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenue 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

The City of Marshalltown provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenue of the District was reduced by the following amount for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Marshall County	Urban renewal and economic development projects	\$ 26,593
City of Marshalltown	Urban renewal and economic development projects	82,994

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, 2020, this reimbursement amounted to \$38,700.

(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 unless transferred to the District's flexibility account.

The following is a detail of the categorical funding restricted in the General Fund as of June 30, 2020:

Program	Amount
Weighted limited English proficiency	\$ 372,560
Home school assistance program.....	4,573
Weighted at-risk programs.....	148,011
Gifted and talented program	43,055
Teacher leadership state aid	55,301
Statewide voluntary 4-year-old preschool program.....	168,138
Teacher salary supplement	174,046
Textbook aid for nonpublic students	4,403
Successful progression for early readers.....	9,905
Professional development	461,177
Total	<u>\$ 1,441,169</u>

Notes to the Financial Statements

(14) Construction and Equipment Commitment

The District entered into four contracts totaling \$3,080,439 related to the tennis court complex and a security project. As of June 30, 2020, costs of \$1,049,423 had been incurred against the projects. The balance of \$2,031,016 remaining as of June 30, 2020 will be paid as the work on the projects progresses.

The District also entered into various agreements for the purchase of three buses and various computer equipment totaling \$931,837 prior to June 30, 2020. The balance will be paid during the year ending June 30, 2021 when the buses and computer equipment are received and placed into service.

(15) Subsequent Events

Management has evaluated subsequent events through February 25, 2021, the date which the financial statements were available to be issued.

Subsequent to June 30, 2020, the District approved the issuance of \$10,000,000 in statewide sales, services and use tax bonds to fund various infrastructure projects. The District also approved a contract for the High School and Anson Elementary HVAC and remodeling project for \$5,253,000.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact revenue, expenses, net income and cash flows. Other financial impacts could occur as well. The potential impacts that the pandemic will have on the District are unknown at this time.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information



Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2020

	<u>Actual</u>		Total	<u>Budgeted Amounts</u>	Over (Under) Budget
	Governmental Funds	Proprietary Fund		Original and Final	
Revenue					
Local sources	\$ 22,668,249	\$ 371,968	\$ 23,040,217	\$ 22,340,994	\$ 699,223
State sources	48,848,448	21,642	48,870,090	49,274,463	(404,373)
Federal sources	2,969,593	3,022,833	5,992,426	6,101,000	(108,574)
Total Revenue	<u>74,486,290</u>	<u>3,416,443</u>	<u>77,902,733</u>	<u>77,716,457</u>	<u>186,276</u>
Expenditures/Expenses					
Instruction.....	43,283,553	—	43,283,553	44,686,000	(1,402,447)
Support services	20,760,155	—	20,760,155	20,936,900	(176,745)
Noninstructional programs	78,848	3,169,166	3,248,014	3,775,000	(526,986)
Other expenditures.....	15,633,634	—	15,633,634	8,665,309	6,968,325
Total Expenditures/Expenses.....	<u>79,756,190</u>	<u>3,169,166</u>	<u>82,925,356</u>	<u>78,063,209</u>	<u>4,862,147</u>
Revenue Over (Under) Expenditures/Expenses	(5,269,900)	247,277	(5,022,623)	(346,752)	(4,675,871)
Other Financing Sources (Uses), (Net)	<u>7,473,000</u>	<u>(150,000)</u>	<u>7,323,000</u>	<u>—</u>	<u>7,323,000</u>
Revenue and Other Financing Sources Over (Under) Expendi- tures/Expenses and Other Financing Uses	2,203,100	97,277	2,300,377	(346,752)	2,647,129
Balance - Beginning of Year	<u>12,460,709</u>	<u>1,101,206</u>	<u>13,561,915</u>	<u>11,130,729</u>	<u>2,431,186</u>
Balance - End of Year	<u>\$ 14,663,809</u>	<u>\$ 1,198,483</u>	<u>\$ 15,862,292</u>	<u>\$ 10,783,977</u>	<u>\$ 5,078,315</u>

Notes to Required Supplementary Information - Budgetary Reporting ————

Year Ended June 30, 2020

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service and private-purpose trust funds. The budget may be amended during the year utilizing similar and 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, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2020, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Six Years*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.502831%	0.507590%	0.495444%	0.499875%	0.520536%	0.509995%
District's proportionate share of the net pension liability.....	\$29,117,228	\$32,121,536	\$33,003,000	\$31,459,000	\$25,717,000	\$20,226,000
District's covered-employee payroll...	\$38,267,000	\$38,154,000	\$36,907,000	\$35,873,000	\$35,664,000	\$33,371,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.09%	84.19%	89.42%	87.70%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 3,589,542	\$ 3,612,438	\$ 3,407,000	\$ 3,296,000	\$ 3,203,000	\$ 3,185,000	\$ 2,980,000	\$ 2,899,000	\$ 2,613,000	\$ 2,183,000
Contributions in relation to the statutorily required contributions.....	<u>(3,589,542)</u>	<u>(3,612,438)</u>	<u>(3,407,000)</u>	<u>(3,296,000)</u>	<u>(3,203,000)</u>	<u>(3,185,000)</u>	<u>(2,980,000)</u>	<u>(2,899,000)</u>	<u>(2,613,000)</u>	<u>(2,183,000)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll	\$ 38,025,000	\$ 38,267,000	\$ 38,154,000	\$ 36,907,000	\$ 35,873,000	\$ 35,664,000	\$ 33,371,000	\$ 33,434,000	\$ 32,379,000	\$ 31,407,000
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2020

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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 unfunded actuarial liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

For the Last Three Years

	2020	2019	2018
Service cost.....	\$ 587,292	\$ 613,284	\$ 590,434
Interest.....	320,222	345,396	322,491
Differences between expected and actual experience	(667,106)	(193,209)	—
Changes of assumptions	1,204,734	262,469	(187,132)
Benefit payments.....	<u>(686,126)</u>	<u>(869,283)</u>	<u>(794,274)</u>
Net Change in Total OPEB Liability	759,016	158,657	(68,481)
Total OPEB Liability - Beginning of Year	<u>8,904,981</u>	<u>8,746,324</u>	<u>8,814,805</u>
Total OPEB Liability - End of Year	<u>\$ 9,663,997</u>	<u>\$ 8,904,981</u>	<u>\$ 8,746,324</u>
Covered-Employee Payroll	\$ 32,289,960	\$ 24,009,166	\$ 27,479,342
Total OPEB Liability as a Percentage of Covered-Employee Payroll.....	29.93%	37.09%	31.83%

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

Changes of Benefit Terms

There were no significant changes in benefit terms.

Changes of Assumptions

Changes of 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, 2020: 2.21%

Year ended June 30, 2019: 3.50%

Year ended June 30, 2018: 3.58%

Year ended June 30, 2017: 3.87%

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2020

	<u>Special Revenue</u>			Total
	Management Levy	Student Activity	Public Education and Recreation Levy	
Assets				
Cash and pooled investments	\$ 834,822	\$ 202,432	\$ 166,055	\$ 1,203,309
Receivables, Net of Allowance for Uncollectible Amounts				
Property Tax				
Current year delinquent.....	13,734	—	2,158	15,892
Succeeding year	1,099,995	—	154,610	1,254,605
Prepaid items	<u>449,964</u>	<u>—</u>	<u>—</u>	<u>449,964</u>
Total Assets	<u>\$ 2,398,515</u>	<u>\$ 202,432</u>	<u>\$ 322,823</u>	<u>\$ 2,923,770</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ —</u>	<u>\$ 3,069</u>	<u>\$ 14,389</u>	<u>\$ 17,458</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	<u>1,099,995</u>	<u>—</u>	<u>154,610</u>	<u>1,254,605</u>
Fund Balances				
Nonspendable				
Prepaid items	449,964	—	—	449,964
Restricted for				
Management levy purposes	848,556	—	—	848,556
Student activities	—	199,363	—	199,363
Public education and recreation levy purposes	<u>—</u>	<u>—</u>	<u>153,824</u>	<u>153,824</u>
Total Fund Balances	<u>1,298,520</u>	<u>199,363</u>	<u>153,824</u>	<u>1,651,707</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,398,515</u>	<u>\$ 202,432</u>	<u>\$ 322,823</u>	<u>\$ 2,923,770</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2020

	<u>Special Revenue</u>			Total
	Management Levy	Student Activity	Public Education and Recreation Levy	
Revenue				
Local Sources				
Local tax	\$ 890,125	\$ —	\$ 146,492	\$ 1,036,617
Other	20,221	373,520	1,245	394,986
State sources	23,743	—	3,910	27,653
Total Revenue	<u>934,089</u>	<u>373,520</u>	<u>151,647</u>	<u>1,459,256</u>
Expenditures				
Current				
Instruction				
Regular	771,872	—	—	771,872
Other	—	383,203	—	383,203
Total Instruction	<u>771,872</u>	<u>383,203</u>	<u>—</u>	<u>1,155,075</u>
Support Services				
Administration	59,352	90	—	59,442
Operation and maintenance of plant	417,684	—	—	417,684
Transportation	97,691	—	—	97,691
Total Support Services	<u>574,727</u>	<u>90</u>	<u>—</u>	<u>574,817</u>
Noninstructional programs	—	—	68,315	68,315
Other Expenditures				
Facilities acquisition	—	—	106,340	106,340
Total Expenditures	<u>1,346,599</u>	<u>383,293</u>	<u>174,655</u>	<u>1,904,547</u>
Changes in Fund Balances	(412,510)	(9,773)	(23,008)	(445,291)
Fund Balances - Beginning of Year	<u>1,711,030</u>	<u>209,136</u>	<u>176,832</u>	<u>2,096,998</u>
Fund Balances - End of Year	<u>\$ 1,298,520</u>	<u>\$ 199,363</u>	<u>\$ 153,824</u>	<u>\$ 1,651,707</u>

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

Year Ended June 30, 2020

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
High School Drama	\$ 4,995	\$ 4,055	\$ 1,935	\$ (716)	\$ 6,399
Fall Musical	2,978	—	2,054	—	924
High School Thespian Club	—	354	100	—	254
High School Speech Club.....	—	—	716	716	—
High School Forensics Club	816	—	—	—	816
High School Vocal Music.....	9,227	16,242	13,889	—	11,580
High School Jazz Band	15	1,366	1,919	538	—
High School Band.....	13,567	5,531	21,558	2,460	—
High School Orchestra	2,515	1,342	2,676	—	1,181
High School Band Uniform	43,353	14,487	47,959	(2,998)	6,883
High School Band Trip	196	13,416	13,547	—	65
High School Drill Team.....	—	1,973	586	—	1,387
Miller Drama	—	—	317	317	—
Miller Vocal Music	—	—	72	72	—
Miller Band	—	120	1,750	1,630	—
High School Athletic Office	—	764	18,761	17,997	—
High School Athletic Concessions	3,000	47,189	28,489	(18,700)	3,000
High School Boys' Bowling	—	967	95	(872)	—
High School Girls' Bowling.....	—	1,423	705	—	718
High School Cheerleading	—	1,387	874	—	513
High School Dance Team.....	—	5,645	6,911	1,266	—
High School Boys' Basketball	2,790	21,068	16,258	—	7,600
High School Football	9,999	25,353	21,305	(8,472)	5,575
High School Boys' Soccer	—	1,956	1,304	—	652
High School Baseball	—	7,272	10,505	3,233	—
High School Boys' Track	—	2,422	4,494	2,072	—
High School Boys' Cross Country	—	450	5,047	4,597	—
High School Boys' Tennis.....	—	1,501	1,522	21	—
High School Boys' Golf.....	—	3,981	6,553	2,572	—
High School Boys' Swimming	—	13,720	13,796	76	—
High School Wrestling	—	8,507	9,008	501	—
High School Girls' Basketball.....	2,791	9,372	10,079	—	2,084
High School Volleyball.....	—	16,620	10,927	—	5,693
High School Girls' Soccer.....	—	1,035	3,804	2,769	—
High School Softball	—	2,603	4,902	2,299	—
High School Softball Fundraising	3,168	3,620	2,063	—	4,725

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

Year Ended June 30, 2020

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
High School Girls' Track	\$ —	\$ 2,174	\$ 4,266	\$ 2,092	\$ —
High School Girls' Cross Country	—	1,175	5,830	4,655	—
High School Girls' Tennis	—	4,038	2,433	(1,605)	—
High School Girls' Golf	—	986	661	(325)	—
High School Girls' Swimming.....	—	8,669	7,713	(956)	—
High School Athletic Season Ticket	—	12,205	249	(11,956)	—
High School Special Athletic Donations.....	—	200	—	—	200
High School Bobcat Golf Fundraiser.....	—	5,494	1,907	—	3,587
High School Weight Room.....	—	170	651	481	—
Miller Athletic Concessions	6,819	20,280	19,686	(4,119)	3,294
Miller Boys' Basketball.....	—	2,413	3,255	842	—
Miller Football	—	1,207	6,367	7,260	2,100
Miller Boys' Track	—	1,620	1,121	—	499
Miller Boys' Cross Country	—	443	362	—	81
Miller Boys' Swimming.....	—	1,058	415	—	643
Miller Wrestling.....	—	1,987	1,818	—	169
Miller Girls' Basketball	—	1,005	180	—	825
Miller Volleyball	—	10,414	1,930	(6,304)	2,180
Miller Girls' Track.....	—	1,620	1,121	—	499
Miller Girls' Cross Country.....	—	—	302	302	—
High School Spanish Club	32	—	—	—	32
High School French Club.....	201	144	254	—	91
High School Art Club	8,669	4,104	4,544	—	8,229
High School Student Senate Fundraiser.....	—	782	—	—	782
High School Greenhouse Club ...	7,593	2,696	1,671	—	8,618
High School Key Club.....	118	—	—	—	118
High School National Honor Society	1,111	100	385	—	826
Health Careers Club.....	1,314	3,542	1,198	—	3,658
High School Student Senate.....	—	—	181	181	—
High School Homecoming	14,559	6,604	3,898	—	17,265
High School MLA Student Organizations.....	384	—	—	—	384
SOAR.....	—	91	395	304	—

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

Year Ended June 30, 2020

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
High School Prom Committee	\$ 8,492	\$ 340	\$ 887	\$ —	\$ 7,945
Other Reserved Funds	—	1,399	1,650	251	—
High School Postscript	—	2,553	619	—	1,934
High School Latino Club	230	—	—	—	230
Manga Anime Club	555	24	—	—	579
National Hispanic Institute	—	633	264	—	369
Delegation for Advancement of History	2,164	394	—	—	2,558
High School English Extra- Curricular	214	—	—	—	214
High School Science Olympiad ..	306	—	—	—	306
High School Special Need Fund	6,233	—	80	—	6,153
Investment Interest	—	2,006	—	(2,006)	—
High School Activity Tickets	—	10,106	249	—	9,857
High School French Trip Payments	61	—	—	—	61
Battle of the Books	42	335	60	—	317
Miller Student Senate	1,228	444	441	—	1,231
Miller Yearbook	102	3,906	4,833	825	—
Miller Investment Interest	336	—	—	(336)	—
Miller General	—	1,125	—	(1,125)	—
Miller Magazine Sales	21,991	15,120	8,855	—	28,256
Fisher Elementary Student Council	4,712	—	—	—	4,712
Hoglan Student Activities	12,296	—	—	—	12,296
Rogers Elementary Student Council	345	—	—	—	345
Woodbury Elementary Special Needs Fund	7,647	—	—	—	7,647
Lenihan Yearbook	—	1,950	—	(1,726)	224
Lenihan General	—	2,223	5,854	3,631	—
Other	1,972	—	228	(1,744)	—
Total	<u>\$ 209,136</u>	<u>\$ 373,520</u>	<u>\$ 383,293</u>	<u>\$ —</u>	<u>\$ 199,363</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2020

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 2,511,786	\$ 1,714,758	\$ 4,226,544
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	—	16,383	16,383
Succeeding year	—	1,164,674	1,164,674
Accounts	—	7,906	7,906
Internal balances	(190,848)	190,848	—
Due from other governments	<u>468,255</u>	<u>—</u>	<u>468,255</u>
Total Assets	<u>\$ 2,789,193</u>	<u>\$ 3,094,569</u>	<u>\$ 5,883,762</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 211,286	\$ 2,265	\$ 213,551
Due to other funds	<u>148,929</u>	<u>8,040</u>	<u>156,969</u>
Total Liabilities	<u>360,215</u>	<u>10,305</u>	<u>370,520</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>1,164,674</u>	<u>1,164,674</u>
Fund Balances			
Restricted for			
School infrastructure	2,428,978	—	2,428,978
Physical plant and equipment	<u>—</u>	<u>1,919,590</u>	<u>1,919,590</u>
Total Fund Balances	<u>2,428,978</u>	<u>1,919,590</u>	<u>4,348,568</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,789,193</u>	<u>\$ 3,094,569</u>	<u>\$ 5,883,762</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2020

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 1,104,149	\$ 1,104,149
Other.....	84,075	66,193	150,268
State sources	<u>5,561,874</u>	<u>30,839</u>	<u>5,592,713</u>
Total Revenue	<u>5,645,949</u>	<u>1,201,181</u>	<u>6,847,130</u>
Expenditures			
Current			
Instruction			
Regular.....	<u>435,138</u>	<u>—</u>	<u>435,138</u>
Support Services			
Instructional staff	34,986	12,362	47,348
Administration.....	1,148	132,859	134,007
Operation and maintenance of plant.....	3,840	149,537	153,377
Transportation	<u>—</u>	<u>259,655</u>	<u>259,655</u>
Total Support Services	<u>39,974</u>	<u>554,413</u>	<u>594,387</u>
Other Expenditures			
Facilities acquisition	1,042,819	283,193	1,326,012
Long-Term Debt			
Interest and fiscal charges	<u>92,116</u>	<u>—</u>	<u>92,116</u>
Total Other Expenditures	<u>1,134,935</u>	<u>283,193</u>	<u>1,418,128</u>
Total Expenditures	<u>1,610,047</u>	<u>837,606</u>	<u>2,447,653</u>
Revenue Over Expenditures	<u>4,035,902</u>	<u>363,575</u>	<u>4,399,477</u>
Other Financing Uses			
Transfer out.....	<u>(3,927,734)</u>	<u>—</u>	<u>(3,927,734)</u>
Change in Fund Balances	108,168	363,575	471,743
Fund Balances - Beginning of Year	<u>2,320,810</u>	<u>1,556,015</u>	<u>3,876,825</u>
Fund Balances - End of Year	<u>\$ 2,428,978</u>	<u>\$ 1,919,590</u>	<u>\$ 4,348,568</u>

**Schedule of Revenue by Source and Expenditures by Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue										
Local Sources										
Local tax	\$ 19,958,160	\$ 18,890,631	\$ 18,277,780	\$ 17,485,248	\$ 17,134,843	\$ 16,940,548	\$ 17,000,441	\$ 21,031,966	\$ 19,965,384	\$ 19,077,440
Tuition	771,824	806,259	915,871	621,039	469,851	581,413	541,623	511,382	520,212	615,127
Other	1,938,265	3,134,210	1,865,390	1,191,771	1,372,032	1,554,648	1,979,646	1,374,398	1,591,790	1,696,419
Intermediate sources	—	440	4,562	—	7,359	5,616	7,003	—	1,544	—
State sources	48,848,448	48,578,286	47,376,559	46,498,277	46,609,778	47,575,949	40,191,783	35,554,763	34,382,794	32,450,180
Federal sources	<u>2,969,593</u>	<u>3,100,267</u>	<u>3,235,735</u>	<u>3,150,119</u>	<u>3,760,714</u>	<u>3,140,684</u>	<u>4,394,036</u>	<u>4,569,742</u>	<u>6,037,941</u>	<u>5,144,022</u>
Total	<u>\$ 74,486,290</u>	<u>\$ 74,510,093</u>	<u>\$ 71,675,897</u>	<u>\$ 68,946,454</u>	<u>\$ 69,354,577</u>	<u>\$ 69,798,858</u>	<u>\$ 64,114,532</u>	<u>\$ 63,042,251</u>	<u>\$ 62,499,665</u>	<u>\$ 58,983,188</u>
Expenditures										
Instruction										
Regular	\$ 25,422,111	\$ 25,744,531	\$ 27,877,833	\$ 26,950,659	\$ 25,678,281	\$ 24,917,905	\$ 23,662,704	\$ 21,795,143	\$ 22,985,566	\$ 21,271,530
Special	9,702,262	8,813,246	9,316,868	8,873,092	8,785,695	8,961,367	8,233,983	8,126,989	7,799,537	7,793,197
Other	8,159,180	9,225,495	9,287,185	8,734,263	8,687,590	9,299,722	9,107,860	9,517,911	8,377,947	7,760,462
Support Services										
Student	2,739,519	2,655,236	2,616,548	2,517,988	2,398,621	2,535,340	2,865,287	3,149,677	3,234,778	2,805,043
Instructional staff	4,656,893	4,522,415	2,357,381	2,665,317	2,764,853	2,502,071	2,165,536	2,293,463	1,691,437	1,678,659
Administration	5,999,485	6,112,166	5,720,958	4,738,121	5,068,755	4,513,540	4,476,548	4,373,022	4,085,615	3,884,942
Operations and maintenance of plant...	5,393,284	5,130,763	5,228,474	4,423,982	4,918,247	4,790,097	4,686,393	4,496,125	4,268,969	4,402,034
Transportation	1,970,974	2,502,366	2,052,589	1,724,761	1,830,820	1,814,067	1,725,003	1,798,759	1,676,681	1,659,213
Noninstructional programs	78,848	74,684	62,258	60,068	99,108	72,995	76,400	63,308	53,420	67,803
Other Expenditures										
Facilities acquisition	1,432,352	4,857,817	3,983,201	822,804	2,712,836	8,417,292	9,880,744	4,546,813	7,019,895	2,499,292
Long-Term Debt										
Principal	10,943,000	3,560,000	8,630,000	3,280,000	3,365,000	2,530,000	18,510,000	2,025,000	2,570,000	1,165,000
Interest and fiscal charges	722,462	731,453	784,747	878,667	632,275	1,004,875	1,803,746	1,625,764	1,416,160	1,109,755
AEA flowthrough	<u>2,535,820</u>	<u>2,519,497</u>	<u>2,493,332</u>	<u>2,368,436</u>	<u>2,385,793</u>	<u>2,365,196</u>	<u>2,238,380</u>	<u>2,152,426</u>	<u>2,124,025</u>	<u>2,296,118</u>
Total	<u>\$ 79,756,190</u>	<u>\$ 76,449,669</u>	<u>\$ 80,411,374</u>	<u>\$ 68,038,158</u>	<u>\$ 69,327,874</u>	<u>\$ 73,724,467</u>	<u>\$ 89,432,584</u>	<u>\$ 65,964,400</u>	<u>\$ 67,304,030</u>	<u>\$ 58,393,048</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture - Indirect				
Pass-Through From Iowa Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 20	\$ —	\$ 392,958
National School Lunch Program	10.555	FY 20	—	1,585,745*^
National School Lunch Program - COVID-19	10.555	FY 20	—	868,032^
Summer Food Service Program for Children	10.559	FY 20	—	72,199
Total Child Nutrition Cluster			—	<u>2,918,934</u>
Fresh Fruit and Vegetable Program	10.582	FY 20	—	<u>103,900</u>
Total U.S. Department of Agriculture			<u>—</u>	<u>3,022,834</u>
U.S. Department of Education - Indirect				
Pass-Through From Central Rivers Area Education Agency				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 20	—	<u>283,811</u>
Career and Technical Education - Basic Grants to States	84.048	FY 20	—	<u>37,633</u>
English Language Acquisition State Grants	84.365	FY 20	—	<u>121,494#</u>
Total Pass-Through From Central Rivers Area Education Agency			—	<u>442,938</u>
Pass-Through From Iowa Department of Education				
Title I Grants to Local Educational Agencies	84.010	FY 20	—	<u>1,227,088</u>
Migrant Education - State Grant Program	84.011	FY 19 & FY 20	—	<u>172,241</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY 20	—	<u>62,240</u>
English Language Acquisition State Grants	84.365	FY 20	—	<u>22,169#</u>
Supporting Effective Instruction State Grants	84.367	FY 20	—	<u>201,474</u>
Student Support and Academic Enrichment Program	84.424	FY 19 & FY 20	—	<u>33,248</u>
Education Stabilization Fund	84.425	FY 20	—	<u>126,345</u>
Total Pass-Through From Iowa Department of Education			—	<u>1,844,805</u>
Total U.S. Department of Education			<u>—</u>	<u>2,287,743</u>

* Includes \$243,426 of noncash awards
 ^ Total CFDA number 10.555 is \$2,453,777
 # Total CFDA number 84.365 is \$143,663

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services - Indirect				
Pass-Through From Iowa Department of Education				
Foster Care Title IV-E	93.658	FY 20	\$ —	\$ 4,213
Assistance Programs for Chronic Disease Prevention and Control	93.945	FY 19	—	5,408
Total Pass-Through From Iowa Department of Education			—	9,621
Pass-Through From Iowa Department of Public Health				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	FY 20	—	149,029
Total U.S. Department of Health and Human Services			—	158,650
Total			\$ —	\$ 5,469,227

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, 2020. 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.

HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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*

Board of Education
Marshalltown Community School District
Marshalltown, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshalltown Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 20-II-R-1 that we consider to be a material weakness.

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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Marshalltown Community School District's Responses to Findings

Marshalltown Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the District's responses, we did not audit Marshalltown Community School District's responses and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report, a public record by law, 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.



HOGAN - HANSEN

Mason City, Iowa
February 25, 2021

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

Board of Education
Marshalltown Community School District
Marshalltown, Iowa

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 the 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, 2020. Marshalltown Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marshalltown Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 the 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshalltown Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Marshalltown Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marshalltown Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The management of Marshalltown Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marshalltown Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that 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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance described in Part III the accompanying schedule of findings and questioned costs as item 20-III-R-1 that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance, a public record by law, 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 25, 2021

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? yes no

Identification of major programs:

CFDA Numbers

10.553
10.555
10.559

84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program
Summer Food Service Program
for Children
Title I Grants to Local Educational
Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

20-II-R-1 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining a system of internal controls. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from 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 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 statement.

Condition - Various duties that should be segregated for each transaction including authorization, custody and recording are not each properly performed by a different employee.

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

Effect or Potential 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 staff in the normal course of performing their assigned functions.

Context - This is pervasive throughout the District.

Identification of Repeat Finding - We found this condition existed in the prior year audit.

Auditor's Recommendation - We realize segregation of duties is difficult with a limited number of business office employees. However, the District should continually review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Views of Responsible Officials and Planned Corrective Action - We will continue to review our procedures and implement additional controls where possible.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

20-III-R-1 Segregation of Duties - As previously identified in the fiscal year 2019 audit report as item (2020-001) 19-III-R-1, adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 20-II-R-1 for additional information.

Part IV: Other Findings Related to Statutory Reporting

20-IV-A Certified Budget - Expenditures for the year ended June 30, 2020 exceeded the certified budget amount in the other expenditures function. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2020.

Auditor's Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

20-IV-B Questionable Expenditures - We noted no expenditures that do not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-IV-C 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.

20-IV-D Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Adland, bus driver, owner of Adland Engraving Company	Engraving services	\$9,363

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

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

Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

20-IV-E Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-IV-F 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.

20-IV-G Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

20-IV-H Certified Enrollment - The following variance in the basic enrollment data certified to the Iowa Department of Education was noted:

- The District under certified one student by 0.04 units.

Auditor's Recommendation - The District should review procedures to ensure certified enrollment is properly reported to the Iowa Department of Education.

District's Response - We will continue to review procedures to ensure accurate certified enrollment is reported to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

20-IV-I Supplementary Weighting - The following variances in the supplementary weighting data certified to the Iowa Department were noted:

- The District over certified one class by 0.282 units in Computer Systems and under certified one class by 0.666 units in Civil Engineering and Architecture.

Auditor's Recommendation - The District should review procedures to ensure supplemental weighting data is properly reported to the Iowa Department of Education.

District's Response - We will continue to review procedures to ensure accurate supplemental weighting data is reported to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

20-IV-J Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

20-IV-K Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

20-IV-L Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's Certified Annual Report:

Beginning balance.....			\$ 2,320,810
Revenue			
Statewide sales, services and use tax revenue	\$ 5,561,874		
Contributions	50,000		
Other local revenue	<u>34,075</u>		5,645,949
Expenditures/Transfers Out			
School infrastructure construction and capital			
assets purchased	\$ 1,610,047		
Transfer to Debt Service Fund	<u>3,927,734</u>		<u>5,537,781</u>
Ending Balance			<u>\$ 2,428,978</u>

For the year ended June 30, 2020, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service Levy	<u>\$ 1.67698</u>	<u>\$ 1,873,850</u>