

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Marshalltown Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Sherman Welker	President	2015
Jennifer Wilson	Vice President	2013
John Johnson	Board Member	2015
Anne Paullus	Board Member	2015
Jason Jablonski	Board Member	2013
Larry Schrum	Board Member	2013
Kay Beach	Board Member	2015
School Officials		
Dr. Marvin L. Wade, Jr.	Superintendent	2013
Kevin Posekany	District Secretary/ Director of Finance	2013
Rex J. Ryden, Cartwright, Druker, & Ryden	Attorney	2013
Ahlers & Cooney, P.C.	Attorney	2013

Marshalltown Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District, Marshalltown, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshalltown Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2014 on our consideration of Marshalltown Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshalltown Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$54,440,914 in fiscal 2012 to \$55,219,115 in fiscal 2013, while General Fund expenditures increased from \$53,937,249 in fiscal 2012 to \$55,894,500 in fiscal 2013. The overall result was a decrease in the District's General Fund balance from \$4,701,673 in fiscal 2012 to \$4,026,288 in fiscal 2013, a 14.36% decrease from the prior year.
- The increase in General Fund revenues occurred mainly in the local tax and state sources of revenue during fiscal year 2013. The increase in expenditures was due primarily to increases in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
Marshalltown Community School District Annual Financial Report

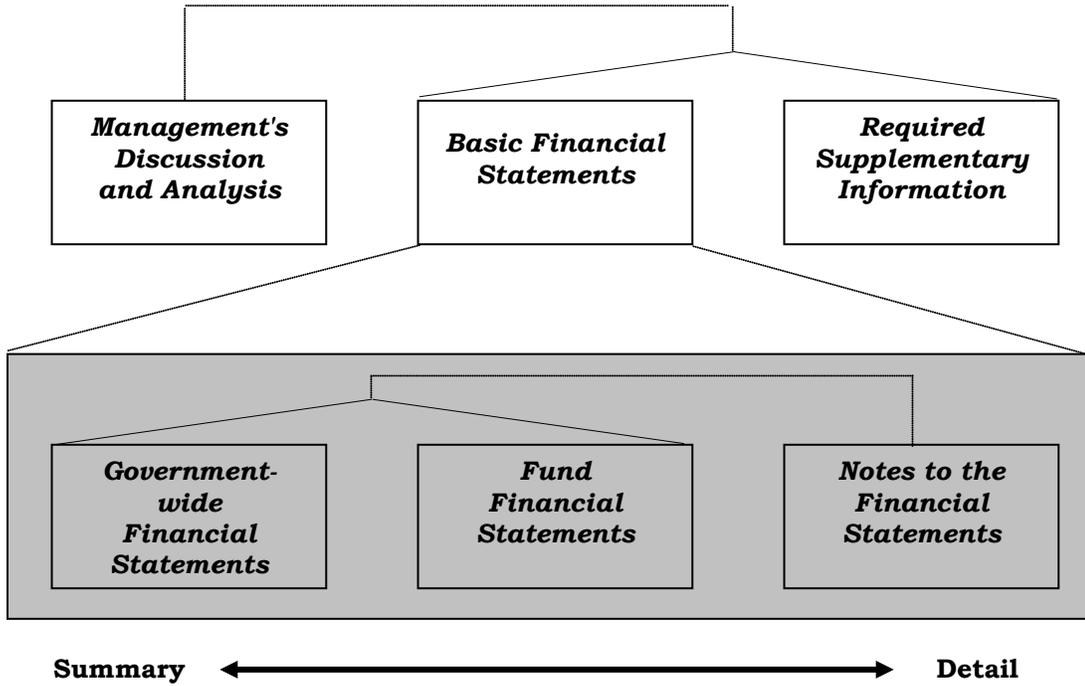


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Current and other assets	\$ 59,205,304	62,018,902	606,369	802,644	59,811,673	62,821,546	-4.79%	
Capital assets	51,756,955	48,432,118	385,776	326,689	52,142,731	48,758,807	6.94%	
Total assets	110,962,259	110,451,020	992,145	1,129,333	111,954,404	111,580,353	0.34%	
Long-term liabilities	50,215,987	51,892,532	10,532	11,341	50,226,519	51,903,873	-3.23%	
Other liabilities	24,748,183	24,518,331	215,198	307,394	24,963,381	24,825,725	0.55%	
Total liabilities	74,964,170	76,410,863	225,730	318,735	75,189,900	76,729,598	-2.01%	
Net position:								
Invested in capital assets, net of related debt	22,158,718	20,329,332	385,776	326,689	22,544,494	20,656,021	9.14%	
Restricted	10,070,700	9,135,603	-	-	10,070,700	9,135,603	10.24%	
Unrestricted	3,768,671	4,575,222	380,639	483,909	4,149,310	5,059,131	-17.98%	
Total net position	\$ 35,998,089	34,040,157	766,415	810,598	36,764,504	34,850,755	5.49%	

The District's total net position increased by 5.49%, or \$1,913,749, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$935,097, or 10.24% over the prior year. The increase was primarily the result of the improvement in the Capital Projects Fund balances during the year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$909,821, or 17.98%. This was primarily due to the decrease in the General Fund unassigned fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 1,554,246	1,664,899	618,900	619,579	2,173,146	2,284,478	-4.87%
Operating grants, contributions and restricted interest	7,305,777	7,509,122	2,397,084	2,185,735	9,702,861	9,694,857	0.08%
Capital grants, contributions and restricted interest	312,911	859,373	-	40,078	312,911	899,451	-65.21%
General revenues:							
Property tax	16,541,600	16,061,621	-	-	16,541,600	16,061,621	2.99%
Statewide sales, services and use tax	4,490,366	3,903,763	-	-	4,490,366	3,903,763	15.03%
Unrestricted state grants	32,681,084	31,181,841	-	-	32,681,084	31,181,841	4.81%
Nonspecific program federal grants	-	1,103,726	-	-	-	1,103,726	-100.00%
Unrestricted investment earnings	78,369	94,668	603	955	78,972	95,623	-17.41%
Other	77,898	120,652	-	3,409	77,898	124,061	-37.21%
Total revenues	<u>63,042,251</u>	<u>62,499,665</u>	<u>3,016,587</u>	<u>2,849,756</u>	<u>66,058,838</u>	<u>65,349,421</u>	<u>1.09%</u>
Program expenses:							
Instruction	39,886,992	38,975,995	-	-	39,886,992	38,975,995	2.34%
Support services	16,094,927	15,583,946	-	-	16,094,927	15,583,946	3.28%
Non-instructional programs	63,308	53,420	3,060,770	2,917,003	3,124,078	2,970,423	5.17%
Other expenses	5,039,092	4,585,789	-	-	5,039,092	4,585,789	9.88%
Total expenses	<u>61,084,319</u>	<u>59,199,150</u>	<u>3,060,770</u>	<u>2,917,003</u>	<u>64,145,089</u>	<u>62,116,153</u>	<u>3.27%</u>
Change in net position	1,957,932	3,300,515	(44,183)	(67,247)	1,913,749	3,233,268	40.81%
Net position beginning of year	<u>34,040,157</u>	<u>30,739,642</u>	<u>810,598</u>	<u>877,845</u>	<u>34,850,755</u>	<u>31,617,487</u>	<u>10.23%</u>
Net position end of year	<u>\$ 35,998,089</u>	<u>34,040,157</u>	<u>766,415</u>	<u>810,598</u>	<u>36,764,504</u>	<u>34,850,755</u>	<u>5.49%</u>

In fiscal 2013, property tax, statewide sales, services and use tax, and unrestricted state grants account for 85.20% of the revenue from governmental activities while charges for services and operating grants account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$66.06 million of which approximately \$63.04 million was for governmental activities and approximately \$3.02 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.09% increase in revenues and a 3.27% increase in expenses. Unrestricted state grants increased \$1,499,243 to fund increases in expenses. The increase in expenses was related to increases in the instructional and support services functional areas.

Governmental Activities

Revenues for governmental activities were \$63,042,251 and expenses were \$61,084,319 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 39,886,992	38,975,995	2.34%	35,426,912	34,350,190	3.13%
Support services	16,094,927	15,583,946	3.28%	13,534,499	12,300,382	10.03%
Non-instructional programs	63,308	53,420	18.51%	63,308	53,420	18.51%
Other expenses	5,039,092	4,585,789	9.88%	2,886,666	2,461,764	17.26%
Totals	\$ 61,084,319	59,199,150	3.18%	51,911,385	49,165,756	5.58%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,554,246.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$7,618,688.
- The net cost of governmental activities was financed with \$16,541,600 in property tax, \$4,490,366 in statewide sales, services and use tax, \$32,681,084 in unrestricted state grants, \$78,369 in interest income, and \$77,898 in other income.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$3,016,587 and expenses were \$3,060,770. The District's business type activities include the School Nutrition and the Caring Resale Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$31,506,315, compared to last year's ending fund balances of \$34,425,605. The largest decrease occurred in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state source revenues received resulted in an increase in revenues. However, the increase in expenditures outpaced the increase in revenues resulting in a decrease of the District's fund balance by 14.36%.
- The Capital Projects Fund balance decreased from a balance of \$9,962,835 at the end of fiscal year 2012 to \$7,818,072 at the end of fiscal 2013. The decrease was due in part to the District's use of statewide sales, services and use tax revenues for general obligation bond debt relief.
- The Debt Service Fund balance decreased from a balance of \$17,834,628 in fiscal 2012 to \$17,696,056 in fiscal 2013.

Proprietary Fund Highlights

The net position of the Enterprise Funds decreased from \$810,598 at June 30, 2012 to \$766,415 at June 30, 2013, representing a decrease of 5.45%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time to reflect additional expenditures associated with instructional programs and capital projects.

The District's revenues were \$2,251,928 more than budgeted revenues, a variance of 3.53%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$52.14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.94% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,793,265.

The original cost of the District's capital assets was \$75,275,274. Governmental funds account for \$74,290,551 with the remainder of \$984,723 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$729,741 at June 30, 2013, compared to \$371,983 reported at June 30, 2012. This increase resulted from various projects completed during the year including the track resurfacing and Rogers playground projects.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 637,187	637,187	-	-	637,187	637,187	0.00%
Construction in progress	3,316,209	5,962,201	-	-	3,316,209	5,962,201	-44.38%
Buildings	45,756,056	40,150,161	-	-	45,756,056	40,150,161	13.96%
Land improvements	729,741	371,983	-	-	729,741	371,983	96.18%
Machinery and equipment	1,317,762	1,310,586	385,776	326,689	1,703,538	1,637,275	4.05%
Total	\$ 51,756,955	48,432,118	385,776	326,689	52,142,731	48,758,807	6.94%

Long-Term Debt

At June 30, 2013, the District had \$50,226,519 in total long-term debt outstanding. This represents a decrease of 3.23% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$35,530,000 at June 30, 2013.

The District had total outstanding revenue bonds payable of \$8,770,000 at June 30, 2013, which are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding capital loan notes payable and qualified zone academy bonds payable of \$300,000 and \$1,700,000 respectively at June 30, 2013. Both of these debt issuances are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District also had total outstanding termination benefits payable of \$3,382,225 from the Special Revenue, Management Fund at June 30, 2013.

The District had compensated absences payable of \$203,294 from the General and School Nutrition Funds at June 30, 2013.

The District had other postemployment benefits payable of \$341,000 at June 30, 2013 from the General and School Nutrition Funds.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 35,530,000	36,705,000	-	-	35,530,000	36,705,000	-3.20%
Revenue bonds	8,770,000	9,520,000	-	-	8,770,000	9,520,000	-7.88%
Capital loan notes	300,000	400,000	-	-	300,000	400,000	-25.00%
Qualified zone academy bonds	1,700,000	1,700,000	-	-	1,700,000	1,700,000	0.00%
Termination benefits	3,382,225	2,669,490	-	-	3,382,225	2,669,490	26.70%
Compensated absences	195,592	202,415	7,702	6,649	203,294	209,064	-2.76%
Net OPEB liability	338,170	695,627	2,830	4,692	341,000	700,319	-51.31%
Total	\$ 50,215,987	51,892,532	10,532	11,341	50,226,519	51,903,873	-3.23%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced stable enrollment for a few years, the District expects enrollment to remain the same.
- The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Marshalltown Community School District's employer benefit costs during fiscal year 2014.

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 Kevin Posekany, District Board Secretary/Director of Finance, Marshalltown Community School District, 317 Columbus Dr., Marshalltown, Iowa, 50158.

Basic Financial Statements

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
U.S. Treasury Securities on deposit with fiscal agent	\$ 16,701,763	-	16,701,763
Other	22,759,465	458,734	23,218,199
Receivables:			
Property tax:			
Delinquent	196,746	-	196,746
Succeeding year	17,015,746	-	17,015,746
Accounts	-	14,271	14,271
Due from other funds	143,310	-	143,310
Due from other governments	2,334,798	48,916	2,383,714
Inventories	53,476	84,448	137,924
Capital assets, net of accumulated depreciation	51,756,955	385,776	52,142,731
Total assets	110,962,259	992,145	111,954,404
Liabilities			
Due to other funds	-	143,310	143,310
Accounts payable	1,496,844	35,841	1,532,685
Salaries and benefits payable	5,151,075	-	5,151,075
Accrued interest payable	224,161	-	224,161
Unearned revenue	-	36,047	36,047
Deferred revenue:			
Succeeding year property tax	17,015,746	-	17,015,746
Other	63,964	-	63,964
Incurred but not reported claims	796,393	-	796,393
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,235,000	-	1,235,000
Revenue bonds	820,000	-	820,000
Capital loan notes	100,000	-	100,000
Termination benefits	810,224	-	810,224
Compensated absences	195,592	7,702	203,294
Portion due after one year:			
General obligation bonds	34,295,000	-	34,295,000
Revenue bonds	7,950,000	-	7,950,000
Capital loan notes	200,000	-	200,000
Qualified zone academy bonds	1,700,000	-	1,700,000
Termination benefits	2,572,001	-	2,572,001
Net OPEB liability	338,170	2,830	341,000
Total liabilities	74,964,170	225,730	75,189,900
Net Position			
Invested in capital assets, net of related debt	22,158,718	385,776	22,544,494
Restricted for:			
Categorical funding	979,249	-	979,249
Debt service	1,770,132	-	1,770,132
Student activities	248,672	-	248,672
Public education and recreation	254,575	-	254,575
School infrastructure	5,522,537	-	5,522,537
Physical plant and equipment	1,295,535	-	1,295,535
Unrestricted	3,768,671	380,639	4,149,310
Total net position	\$ 35,998,089	766,415	36,764,504

SEE NOTES TO FINANCIAL STATEMENTS.

**MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 22,301,099	442,167	387,634	-	(21,471,298)	-	(21,471,298)
Special	8,091,640	247,347	310,400	-	(7,533,893)	-	(7,533,893)
Other	9,494,253	659,580	2,412,952	-	(6,421,721)	-	(6,421,721)
	<u>39,886,992</u>	<u>1,349,094</u>	<u>3,110,986</u>	<u>-</u>	<u>(35,426,912)</u>	<u>-</u>	<u>(35,426,912)</u>
Support services:							
Student	3,156,244	-	1,879,430	-	(1,276,814)	-	(1,276,814)
Instructional staff	2,234,196	-	137,107	-	(2,097,089)	-	(2,097,089)
Administration	4,580,726	-	-	-	(4,580,726)	-	(4,580,726)
Operation and maintenance of plant	4,460,492	-	-	312,911	(4,147,581)	-	(4,147,581)
Transportation	1,663,269	205,152	25,828	-	(1,432,289)	-	(1,432,289)
	<u>16,094,927</u>	<u>205,152</u>	<u>2,042,365</u>	<u>312,911</u>	<u>(13,534,499)</u>	<u>-</u>	<u>(13,534,499)</u>
Non-instructional programs:							
Community service operations	63,308	-	-	-	(63,308)	-	(63,308)
Long-term debt interest	1,644,921	-	-	-	(1,644,921)	-	(1,644,921)
Other expenses:							
AEA flowthrough	2,152,426	-	2,152,426	-	-	-	-
Depreciation(unallocated)*	1,241,745	-	-	-	(1,241,745)	-	(1,241,745)
	<u>3,394,171</u>	<u>-</u>	<u>2,152,426</u>	<u>-</u>	<u>(1,241,745)</u>	<u>-</u>	<u>(1,241,745)</u>
Total governmental activities	<u>61,084,319</u>	<u>1,554,246</u>	<u>7,305,777</u>	<u>312,911</u>	<u>(51,911,385)</u>	<u>-</u>	<u>(51,911,385)</u>
Business Type activities:							
Non-instructional programs:							
Food service operations	3,060,770	618,900	2,397,084	-	-	(44,786)	(44,786)
Total	<u>\$ 64,145,089</u>	<u>2,173,146</u>	<u>9,702,861</u>	<u>312,911</u>	<u>(51,911,385)</u>	<u>(44,786)</u>	<u>(51,956,171)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 15,567,361	-	15,567,361	
Capital outlay				974,239	-	974,239	
Statewide sales, services and use tax				4,490,366	-	4,490,366	
Unrestricted state grants				32,681,084	-	32,681,084	
Unrestricted investment earnings				78,369	603	78,972	
Other				77,898	-	77,898	
Total general revenues				<u>53,869,317</u>	<u>603</u>	<u>53,869,920</u>	
Change in net position				1,957,932	(44,183)	1,913,749	
Net position beginning of year				34,040,157	810,598	34,850,755	
Net position end of year				<u>\$ 35,998,089</u>	<u>766,415</u>	<u>36,764,504</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with fiscal agent	\$ -	-	16,701,763	-	16,701,763
Other	8,670,421	7,110,078	994,293	1,976,715	18,751,507
Receivables:					
Property tax:					
Delinquent	169,190	11,765	-	15,791	196,746
Succeeding year	14,676,930	1,008,797	-	1,330,019	17,015,746
Due from other funds	143,310	-	-	-	143,310
Due from other governments	1,128,554	1,206,244	-	-	2,334,798
Inventories	53,476	-	-	-	53,476
Total assets	\$ 24,841,881	9,336,884	17,696,056	3,322,525	55,197,346
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 935,989	510,015	-	14,242	1,460,246
Salaries and benefits payable	5,151,075	-	-	-	5,151,075
Deferred revenue:					
Succeeding year property tax	14,676,930	1,008,797	-	1,330,019	17,015,746
Other	51,599	-	-	12,365	63,964
Total liabilities	20,815,593	1,518,812	-	1,356,626	23,691,031
Fund balances:					
Nonspendable	53,476	-	-	-	53,476
Restricted for:					
Categorical funding	979,249	-	-	-	979,249
Debt service	-	1,000,000	17,696,056	-	18,696,056
Management levy purposes	-	-	-	1,530,281	1,530,281
Student activities	-	-	-	248,672	248,672
Public education and recreation	-	-	-	254,575	254,575
School infrastructure	-	5,522,537	-	-	5,522,537
Physical plant and equipment	-	1,295,535	-	-	1,295,535
Committed for:					
Cell tower projects	53,603	-	-	-	53,603
Anson fuel up to play 60	1,023	-	-	-	1,023
Project lead the way	8,278	-	-	-	8,278
Unassigned:					
General	2,930,659	-	-	-	2,930,659
Student activities	-	-	-	(67,629)	(67,629)
Total fund balances	4,026,288	7,818,072	17,696,056	1,965,899	31,506,315
Total liabilities and fund balances	\$ 24,841,881	9,336,884	17,696,056	3,322,525	55,197,346

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	31,506,315
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		51,756,955
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,174,967
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(224,161)
Long-term liabilities, including bonds and notes payable, termination benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(50,215,987)</u>
Net position of governmental activities(page 18)	\$	<u><u>35,998,089</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 14,238,424	5,464,605	-	1,328,937	21,031,966
Tuition	511,382	-	-	-	511,382
Other	656,246	17,949	53,806	646,397	1,374,398
State sources	35,547,082	6,867	-	814	35,554,763
Federal sources	4,263,122	306,620	-	-	4,569,742
Total revenues	55,216,256	5,796,041	53,806	1,976,148	63,042,251
Expenditures:					
Current:					
Instruction:					
Regular	21,270,673	-	-	524,470	21,795,143
Special	8,126,989	-	-	-	8,126,989
Other	8,874,185	-	-	643,726	9,517,911
	38,271,847	-	-	1,168,196	39,440,043
Support services:					
Student	3,149,677	-	-	-	3,149,677
Instructional staff	2,205,394	88,069	-	-	2,293,463
Administration	3,942,954	-	-	430,068	4,373,022
Operation and maintenance of plant	4,395,443	-	-	100,682	4,496,125
Transportation	1,776,759	22,000	-	-	1,798,759
	15,470,227	110,069	-	530,750	16,111,046
Non-instructional programs:					
Community service operations	-	-	-	63,308	63,308
Capital outlay	-	4,372,349	-	174,464	4,546,813
Long-term debt:					
Principal	-	-	2,025,000	-	2,025,000
Interest and other fiscal charges	-	-	1,625,764	-	1,625,764
	-	-	3,650,764	-	3,650,764
Other expenditures:					
AEA flowthrough	2,152,426	-	-	-	2,152,426
Total expenditures	55,894,500	4,482,418	3,650,764	1,936,718	65,964,400
Excess(Deficiency)of revenues over(under)expenditures	(678,244)	1,313,623	(3,596,958)	39,430	(2,922,149)
Other financing sources(uses):					
Transfers in	-	3,045,922	3,458,386	-	6,504,308
Transfers out	-	(6,504,308)	-	-	(6,504,308)
Sale of equipment	2,859	-	-	-	2,859
Total other financing sources(uses)	2,859	(3,458,386)	3,458,386	-	2,859
Change in fund balances	(675,385)	(2,144,763)	(138,572)	39,430	(2,919,290)
Fund balances beginning of year	4,701,673	9,962,835	17,834,628	1,926,469	34,425,605
Fund balances end of year	\$ 4,026,288	7,818,072	17,696,056	1,965,899	31,506,315

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (2,919,290)

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

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

Expenditures for capital assets	\$ 5,059,676	
Depreciation expense	(1,734,839)	3,324,837

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (105,003)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,025,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (19,157)

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

Termination benefits	(712,735)	
Compensated absences	6,823	
Other postemployment benefits payable	357,457	(348,455)

Changes in net position of governmental activities(page 19) \$ 1,957,932

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: Enterprise Fund			Governmental Activities:
	School Nutrition	Caring Resale	Total	Internal Service Fund
Assets				
Cash and cash equivalents	\$ 415,615	43,119	458,734	4,007,958
Accounts receivable	14,271	-	14,271	-
Due from other governments	48,916	-	48,916	-
Inventories	84,448	-	84,448	-
Capital assets, net of accumulated depreciation	385,776	-	385,776	-
Total assets	949,026	43,119	992,145	4,007,958
Liabilities				
Due to other funds	143,310	-	143,310	-
Accounts payable	35,841	-	35,841	36,598
Unearned revenue	36,047	-	36,047	-
Incurred but not reported claims	-	-	-	796,393
Long-term liabilities:				
Compensated absences	7,702	-	7,702	-
Net OPEB liability	2,830	-	2,830	-
Total liabilities	225,730	-	225,730	832,991
Net Position				
Invested in capital assets	385,776	-	385,776	-
Unrestricted	337,520	43,119	380,639	3,174,967
Total net position	\$ 723,296	43,119	766,415	3,174,967

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Caring Resale	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 618,900	-	618,900	-
Miscellaneous	-	-	-	6,145,335
Total operating revenues	618,900	-	618,900	6,145,335
Operating expenses:				
Support services:				
Administration:				
Benefits	-	-	-	6,256,066
Non-instructional programs:				
Food service operations:				
Salaries	962,256	-	962,256	-
Benefits	193,222	-	193,222	-
Services	79,250	-	79,250	-
Supplies	1,761,727	-	1,761,727	-
Depreciation	58,426	-	58,426	-
Other	1,132	-	1,132	-
Total operating expenses	3,056,013	-	3,056,013	6,256,066
Operating loss	(2,437,113)	-	(2,437,113)	(110,731)
Non-operating revenues(expenses)				
Interest income	603	-	603	5,728
State sources	25,610	-	25,610	-
Federal sources	2,371,474	-	2,371,474	-
Loss on disposal of capital assets	(4,757)	-	(4,757)	-
Total non-operating revenues(expenses)	2,392,930	-	2,392,930	5,728
Change in net position	(44,183)	-	(44,183)	(105,003)
Net position at beginning of year	767,479	43,119	810,598	3,279,970
Net position end of year	\$ 723,296	43,119	766,415	3,174,967

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Caring Resale	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 613,699	-	613,699	-
Cash received from miscellaneous operating activities	-	-	-	6,145,335
Cash payments to employees for services	(1,156,287)	-	(1,156,287)	(6,222,586)
Cash payments to suppliers for goods or services	(1,788,123)	-	(1,788,123)	-
Net cash used in operating activities	(2,330,711)	-	(2,330,711)	(77,251)
Cash flows from non-capital financing activities:				
Borrowings from General Fund	20,452	-	20,452	-
State grants received	25,610	-	25,610	-
Federal grants received	2,202,097	-	2,202,097	-
Net cash provided by non-capital financing activities	2,248,159	-	2,248,159	-
Cash flows from investing activities:				
Interest on investments	603	-	603	5,728
Cash flows from capital financing activities:				
Purchase of capital assets	(122,270)	-	(122,270)	-
Net decrease in cash and cash equivalents	(204,219)	-	(204,219)	(71,523)
Cash and cash equivalents beginning of year	619,834	43,119	662,953	4,079,481
Cash and cash equivalents end of year	\$ 415,615	43,119	458,734	4,007,958
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (2,437,113)	-	(2,437,113)	(110,731)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	169,922	-	169,922	-
Depreciation	58,426	-	58,426	-
Increase in inventories	(8,681)	-	(8,681)	-
Decrease in accounts receivable	192	-	192	-
Increase(Decrease) in accounts payable	(107,255)	-	(107,255)	7,665
Decrease in other postemployment benefits	(1,862)	-	(1,862)	-
Increase in compensated absences.	1,053	-	1,053	-
Increase in incurred but not reported	-	-	-	25,815
Decrease in unearned revenue	(5,393)	-	(5,393)	-
Net cash used in operating activities	\$ (2,330,711)	-	(2,330,711)	(77,251)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$169,922 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 97,678</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u><u>\$ 97,678</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 174
Gifts and contributions	11,540
Total additions	11,714
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,500
Change in net position	9,214
Net position beginning of year	88,464
Net position end of year	\$ 97,678

SEE NOTES TO FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition Fund.

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

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

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

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

Committed - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$163,485 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

At June 30, 2013 the District had investments in U.S. Treasury Securities which are stated at the fair value of \$16,701,763. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 3,458,386
Capital Projects: Construction	Capital Projects: Statewide Sales, Services and Use Tax	3,045,922
Total		<u>\$ 6,504,308</u>

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest requirements of the District's various long-term debt.

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Capital Projects: Construction Fund was for costs associated with the District's various school infrastructure projects during the year.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Payable Fund	Amount
School Nutrition	<u>\$ 143,310</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid from the General Fund at year end.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 637,187	-	-	637,187
Construction in progress	5,962,201	4,362,043	7,008,035	3,316,209
Total capital assets not being depreciated	<u>6,599,388</u>	<u>4,362,043</u>	<u>7,008,035</u>	<u>3,953,396</u>
Capital assets being depreciated:				
Buildings	55,766,213	6,803,706	-	62,569,919
Land improvements	615,430	401,692	-	1,017,122
Machinery and equipment	6,524,781	500,270	274,937	6,750,114
Total capital assets being depreciated	<u>62,906,424</u>	<u>7,705,668</u>	<u>274,937</u>	<u>70,337,155</u>
Less accumulated depreciation for:				
Buildings	15,616,052	1,197,811	-	16,813,863
Land improvements	243,447	43,934	-	287,381
Machinery and equipment	5,214,195	493,094	274,937	5,432,352
Total accumulated depreciation	<u>21,073,694</u>	<u>1,734,839</u>	<u>274,937</u>	<u>22,533,596</u>
Total capital assets being depreciated, net	<u>41,832,730</u>	<u>5,970,829</u>	<u>-</u>	<u>47,803,559</u>
Governmental activities capital assets, net	<u>\$ 48,432,118</u>	<u>10,332,872</u>	<u>7,008,035</u>	<u>51,756,955</u>
Business type activities:				
Machinery and equipment	\$ 890,706	122,270	28,253	984,723
Less accumulated depreciation	564,017	58,426	23,496	598,947
Business type activities capital assets, net	<u>\$ 326,689</u>	<u>63,844</u>	<u>4,757</u>	<u>385,776</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 257,918
Support services:	
Operation and maintenance of plant	12,627
Transportation	222,549
	<u>493,094</u>
Unallocated depreciation	<u>1,241,745</u>
Total governmental activities depreciation expense	<u>\$ 1,734,839</u>
Business type activities:	
Food service operations	<u>\$ 58,426</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 36,705,000	-	1,175,000	35,530,000	1,235,000
Revenue bonds	9,520,000	-	750,000	8,770,000	820,000
Qualified zone academy bonds	1,700,000	-	-	1,700,000	-
Capital loan notes	400,000	-	100,000	300,000	100,000
Termination benefits	2,669,490	1,476,211	763,476	3,382,225	810,224
Compensated absences	202,415	195,592	202,415	195,592	195,592
Net OPEB liability	695,627	-	357,457	338,170	-
Total	\$ 51,892,532	1,671,803	3,348,348	50,215,987	3,160,816
Business type activities:					
Compensated absences	\$ 6,649	7,702	6,649	7,702	7,702
Net OPEB liability	4,692	-	1,862	2,830	-
Total	\$ 11,341	7,702	8,511	10,532	7,702

General Obligation

On June 20, 2012, the District issued \$17,120,000 of general obligation refunding bonds, with interest rates of 2.55% for a crossover refunding of a portion of the general obligation bonds issued July 1, 2004 with interest rates of 5.00%. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the \$16,305,000 principal of the refunded general obligation bonds when they become callable on May 1, 2014 and the interest from November 1, 2012 to and including May 1, 2014 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 20, 2012			Bond Issue of June 20, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	5.00%	\$ 1,235,000	877,000	2.00%	\$ -	19,108	2.55%	\$ -	436,560	1,235,000	1,332,668	2,567,668
2015	5.00	1,295,000	815,250	2.00	-	19,107	2.55	1,525,000	436,560	2,820,000	1,270,917	4,090,917
2016	5.00	1,365,000	750,500	2.00	-	19,108	2.55	1,565,000	397,673	2,930,000	1,167,281	4,097,281
2017	5.00	1,430,000	682,250	2.00	135,000	19,107	2.55	1,605,000	357,765	3,170,000	1,059,122	4,229,122
2018	5.00	1,500,000	610,750	2.15	130,000	16,408	2.55	1,645,000	316,837	3,275,000	943,995	4,218,995
2019-2023	5.00	8,700,000	1,852,000	2.25	515,000	43,425	2.55	8,865,000	934,193	18,080,000	2,829,618	20,909,618
2024	5.00	2,015,000	100,750	2.25	90,000	2,025	2.55	1,915,000	48,832	4,020,000	151,607	4,171,607
		<u>\$ 17,540,000</u>	<u>5,688,500</u>		<u>\$ 870,000</u>	<u>138,288</u>		<u>\$ 17,120,000</u>	<u>2,928,420</u>	<u>35,530,000</u>	<u>8,755,208</u>	<u>44,285,208</u>

Revenue Bonds

Details of the District’s June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2014	2.55%	\$ 820,000	262,668	1,082,668
2015	2.15	855,000	246,267	1,101,267
2016	2.40	890,000	227,885	1,117,885
2017	2.70	930,000	206,525	1,136,525
2018	3.00	970,000	181,415	1,151,415
2019-2022	3.20-4.00	4,305,000	402,235	4,707,235
		<u>\$ 8,770,000</u>	<u>1,526,995</u>	<u>10,296,995</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in April 2011. The bonds were issued for the purpose of financing a portion of various school infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 24 percent of the statewide sales, services, and use tax revenues. The total principal and interest paid remaining to be paid is \$10,296,995. For the current year principal of \$750,000 and interest of \$277,378 was paid on the bonds and total statewide sales, services and use tax revenues were \$4,490,366.

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

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

Qualified Zone Academy Bonds

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

Capital Loan Note Payable

Details of the District's June 30, 2013 capital loan note indebtedness paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Note Issue of May 30, 2008			
	Interest Rates	Principal	Interest	Total
2014	4.00%	\$ 100,000	12,300	112,300
2015	4.10	100,000	8,300	108,300
2016	4.20	100,000	4,200	104,200
		<u>\$ 300,000</u>	<u>24,800</u>	<u>324,800</u>

Termination Benefits (Early Retirement)

The District has in place a retirement incentive plan, that provides a monthly stipend based in a percentage of the employee's last full time contract. This stipend continues until the retiree reaches the age of 65. Early retirement benefits paid during the year ended June 30, 2013, totaled \$763,476. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$2,898,690, \$2,612,959 and \$2,182,769, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription, dental, vision, and life benefits for employees, retirees and their spouses. There are 748 active and 78 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription and dental coverage is provided through a fully-insured plan with Wellmark. The vision coverage is provided through a fully-insured plan with Avisis. The life coverage is provided through a fully-insured plan with Madison National Life. Retirees under age 65 pay the same premium for the medical/prescription, dental, vision, and life benefits as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 571,000
Interest on net OPEB obligation	32,000
Adjustment to annual required contribution	(27,319)
Annual OPEB cost	<u>575,681</u>
Contributions made	<u>(935,000)</u>
Increase in net OPEB obligation	(359,319)
Net OPEB obligation beginning of year	<u>700,319</u>
Net OPEB obligation end of year	<u><u>\$ 341,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$935,000 to the medical/prescription, dental, vision, and life plans. Plan members eligible for benefits contributed \$630,000, or 40.26% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,459,201	76.82%	\$ 483,000
2012	1,449,319	85.01	700,319
2013	575,681	162.42	341,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$6,464,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,464,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$26,531,152 and the ratio of the UAAL to covered payroll was 24.36%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10% and the projected dental and vision trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$668 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 15 years.

(9) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,174,967 at June 30, 2013. The incurred but not recorded and unpaid claims liability of \$796,393 reported in the plan at June 30, 2013 based on the requirements of GASB Statement Number 10 is set up as a liability on the Statement of Net Position.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$2,152,426 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District has entered into various contracts for school infrastructure improvements and upgrades. As of June 30, 2013, costs of \$3,316,209 had been incurred against the contracts and the balance will be paid as work on the projects progresses.

(12) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the certified budget.

(13) Deficit Fund Balance

The District had 23 individual Student Activity Fund accounts with deficit unassigned fund balances totaling \$67,629.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old Preschool State Aid	\$ 353,643
Teacher Salary Supplement	11,116
Professional Development for Model Core Curriculum	422,047
Professional Development	188,612
Market Factor Incentives	3,831
Total	<u>\$ 979,249</u>

(15) Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Invested in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	18,696,056	1,530,281	2,930,659
Invested in capital assets, net of accumulated depreciation	51,756,955	-	-	-
General obligation bond capitalized indebtedness	(18,828,237)	-	-	-
Crossover refunding general obligation bond escrow	-	(16,701,763)	-	-
Revenue bond capitalized indebtedness	(8,770,000)	-	-	-
Capital loan note capitalized indebtedness	(300,000)	-	-	-
QZAB capitalized indebtedness	(1,700,000)	-	-	-
Termination benefits	-	-	(1,530,281)	(1,851,944)
Compensated absences	-	-	-	(195,592)
Accrued interest payable	-	(224,161)	-	-
Internal service fund	-	-	-	3,174,967
Net OPEB liability	-	-	-	(338,170)
Nonspendable fund balance	-	-	-	53,476
Committed fund balances	-	-	-	62,904
Unassigned for student activities	-	-	-	(67,629)
Net position (Exhibit A)	<u>\$ 22,158,718</u>	<u>1,770,132</u>	<u>-</u>	<u>3,768,671</u>

Marshalltown Community School District

Required Supplementary Information

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 22,917,746	619,503	23,537,249	23,127,065	23,127,065	410,184
State sources	35,554,763	25,610	35,580,373	35,979,845	35,979,845	(399,472)
Federal sources	4,569,742	2,371,474	6,941,216	4,700,000	4,700,000	2,241,216
Total revenues	<u>63,042,251</u>	<u>3,016,587</u>	<u>66,058,838</u>	<u>63,806,910</u>	<u>63,806,910</u>	<u>2,251,928</u>
Expenditures/Expenses:						
Instruction	39,440,043	-	39,440,043	38,552,057	40,000,000	559,957
Support services	16,111,046	-	16,111,046	15,876,357	17,000,000	888,954
Non-instructional programs	63,308	3,060,770	3,124,078	2,760,655	3,300,000	175,922
Other expenditures	10,350,003	-	10,350,003	7,589,037	10,000,000	(350,003)
Total expenditures/expenses	<u>65,964,400</u>	<u>3,060,770</u>	<u>69,025,170</u>	<u>64,778,106</u>	<u>70,300,000</u>	<u>1,274,830</u>
Deficiency of revenues under expenditures/expenses	(2,922,149)	(44,183)	(2,966,332)	(971,196)	(6,493,090)	3,526,758
Other financing sources, net	<u>2,859</u>	<u>-</u>	<u>2,859</u>	<u>-</u>	<u>-</u>	<u>36,859</u>
Deficiency of revenues and other financing sources under expenditures/expenses	(2,919,290)	(44,183)	(2,963,473)	(971,196)	(6,493,090)	3,563,617
Balances beginning of year	<u>34,425,605</u>	<u>810,598</u>	<u>35,236,203</u>	<u>15,954,499</u>	<u>15,954,499</u>	<u>19,281,704</u>
Balances end of year	<u>\$ 31,506,315</u>	<u>766,415</u>	<u>32,272,730</u>	<u>14,983,303</u>	<u>9,461,409</u>	<u>22,845,321</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$5,521,894.

During the year ended June 30, 2013, the expenditures in the other expenditures functional area exceeded the certified budget.

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

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

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue			
	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 1,516,000	207,650	253,065	1,976,715
Receivables:				
Property tax:				
Delinquent	14,281	-	1,510	15,791
Succeeding year	1,200,003	-	130,016	1,330,019
Total assets	\$ 2,730,284	207,650	384,591	3,322,525
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	14,242	-	14,242
Deferred revenue:				
Succeeding year property tax	1,200,003	-	130,016	1,330,019
Other	-	12,365	-	12,365
	1,200,003	26,607	130,016	1,356,626
Fund balances:				
Restricted for:				
Management levy purposes	1,530,281	-	-	1,530,281
Student activities	-	248,672	-	248,672
Public education and recreation	-	-	254,575	254,575
Unassigned	-	(67,629)	-	(67,629)
Total fund balances	1,530,281	181,043	254,575	1,965,899
Total liabilities and fund balances	\$ 2,730,284	207,650	384,591	3,322,525

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Total
	Manage- ment	Student Activity	Public Education and Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 1,201,893	-	127,044	1,328,937
Other	37,232	608,893	272	646,397
State sources	736	-	78	814
Total revenues	<u>1,239,861</u>	<u>608,893</u>	<u>127,394</u>	<u>1,976,148</u>
Expenditures:				
Current:				
Instruction:				
Regular	524,470	-	-	524,470
Other	-	643,726	-	643,726
Support services:				
Administration	430,068	-	-	430,068
Operation and maintenance of plant	100,682	-	-	100,682
Non-instructional programs:				
Community service operations	-	-	63,308	63,308
Capital outlay	-	-	174,464	174,464
Total expenditures	<u>1,055,220</u>	<u>643,726</u>	<u>237,772</u>	<u>1,936,718</u>
Excess(Deficiency) of revenues over(under) expenditures	184,641	(34,833)	(110,378)	39,430
Fund balances beginning of year	<u>1,345,640</u>	<u>215,876</u>	<u>364,953</u>	<u>1,926,469</u>
Fund balances end of year	<u>\$ 1,530,281</u>	<u>181,043</u>	<u>254,575</u>	<u>1,965,899</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Construction	Total
Assets				
Cash and pooled investments	\$ 5,418,486	1,361,494	330,098	7,110,078
Receivables:				
Property tax:				
Delinquent	-	11,765	-	11,765
Succeeding year	-	1,008,797	-	1,008,797
Due from other governments	1,206,244	-	-	1,206,244
Total assets	\$ 6,624,730	2,382,056	330,098	9,336,884
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 102,193	77,724	330,098	510,015
Deferred revenue:				
Succeeding year property tax	-	1,008,797	-	1,008,797
Total liabilities	102,193	1,086,521	330,098	1,518,812
Fund balances:				
Restricted for:				
Debt service	1,000,000	-	-	1,000,000
School infrastructure	5,522,537	-	-	5,522,537
Physical plant and equipment	-	1,295,535	-	1,295,535
Total fund balances	6,522,537	1,295,535	-	7,818,072
Total liabilities and fund balances	\$ 6,624,730	2,382,056	330,098	9,336,884

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Construction	
Revenues:				
Local sources:				
Local tax	\$ 4,490,366	974,239	-	5,464,605
Other	12,283	5,666	-	17,949
State sources	-	6,867	-	6,867
Federal sources	-	56,620	250,000	306,620
Total revenues	<u>4,502,649</u>	<u>1,043,392</u>	<u>250,000</u>	<u>5,796,041</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	17,385	70,684	-	88,069
Transportation	-	22,000	-	22,000
Capital outlay	505,488	570,939	3,295,922	4,372,349
Total expenditures	<u>522,873</u>	<u>663,623</u>	<u>3,295,922</u>	<u>4,482,418</u>
Excess(Deficiency)of revenues over(under)expenditures	3,979,776	379,769	(3,045,922)	1,313,623
Other financing sources(uses):				
Transfer in	-	-	3,045,922	3,045,922
Transfer out	(6,504,308)	-	-	(6,504,308)
Total other financing sources(uses):	<u>(6,504,308)</u>	<u>-</u>	<u>3,045,922</u>	<u>(3,458,386)</u>
Change in fund balances	(2,524,532)	379,769	-	(2,144,763)
Fund balances beginning of year	<u>9,047,069</u>	<u>915,766</u>	<u>-</u>	<u>9,962,835</u>
Fund balances end of year	<u>\$ 6,522,537</u>	<u>1,295,535</u>	<u>-</u>	<u>7,818,072</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Senior High School	\$ 121,816	480,541	512,364	89,993
Miller Middle School	32,225	69,484	65,922	35,787
Anson Elementary School	2,064	2	647	1,419
Fisher Elementary School	10,972	1,241	1,482	10,731
Franklin Elementary School	957	838	602	1,193
Hoglan Elementary School	18,642	17,759	24,430	11,971
Rogers Elementary School	584	275	-	859
Woodbury Elementary School	31,578	562	1,991	30,149
Lenihan School	(2,962)	38,191	36,288	(1,059)
Total	<u>\$ 215,876</u>	<u>608,893</u>	<u>643,726</u>	<u>181,043</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
PRIVATE PUROSE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Beginning Net Position	Additions	Deductions	Intrafund Transfers	Ending Net Position
Kiser Memorial	\$ 6,311	-	-	(339)	5,972
White Memorial	14,648	-	-	(630)	14,018
Supinger Memorial	33,801	172	-	969	34,942
Wilkins Memorial	2,385	-	-	-	2,385
Warrington Memorial	2,291	-	500	-	1,791
Forman Scholarship	19,777	2	1,000	-	18,779
Drama Award	250	-	-	-	250
Mann Scholarship	9,001	-	1,000	-	8,001
Hoop Scholarship	-	10,000	-	-	10,000
Wilson Memorial	-	1,540	-	-	1,540
	<u>\$ 88,464</u>	<u>11,714</u>	<u>2,500</u>	<u>-</u>	<u>97,678</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Marshalltown Community School District

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 21,031,966	19,965,384	19,077,440	18,991,634	18,480,477	17,944,565	17,338,396	16,221,358	14,959,584	11,593,268
Tuition	511,382	520,212	615,127	620,278	884,833	690,049	786,543	763,379	658,440	610,311
Other	1,374,398	1,591,790	1,696,419	1,615,686	1,856,905	2,000,495	2,105,819	1,982,435	1,956,450	1,529,229
Intermediate sources	-	1,544	-	12,677	3,000	-	-	-	-	-
State sources	35,554,763	34,382,794	32,450,180	27,135,151	31,849,930	29,525,104	27,891,472	25,374,838	24,175,261	22,767,651
Federal sources	4,569,742	6,037,941	5,144,022	5,654,814	2,794,429	2,687,752	4,082,428	2,530,261	2,986,008	4,026,455
Total	\$ 63,042,251	62,499,665	58,983,188	54,030,240	55,869,574	52,847,965	52,204,658	46,872,271	44,735,743	40,526,914
Expenditures:										
Instruction:										
Regular	\$ 21,795,143	22,985,566	21,271,530	21,034,796	20,060,964	18,726,781	16,356,028	15,410,271	16,448,312	15,701,301
Special	8,126,989	7,799,537	7,793,197	7,391,297	7,044,662	7,236,665	5,579,883	6,481,420	5,691,633	7,219,374
Other	9,517,911	8,377,947	7,760,462	7,026,144	7,164,887	6,464,219	6,549,435	5,635,206	4,333,260	2,874,639
Support services:										
Student	3,149,677	3,234,778	2,805,043	2,103,723	1,908,107	1,991,004	1,846,262	1,690,065	2,425,533	2,422,512
Instructional staff	2,293,463	1,691,437	1,678,659	2,270,085	2,142,918	1,794,691	2,272,949	2,119,595	1,603,247	1,645,564
Administration	4,373,022	4,085,615	3,884,942	3,728,482	3,834,695	3,900,824	4,611,452	4,555,965	3,533,077	3,911,954
Operation and maintenance of plant	4,496,125	4,268,969	4,402,034	4,203,737	3,956,726	4,043,697	3,750,599	3,352,581	2,837,917	2,934,819
Transportation	1,798,759	1,676,681	1,659,213	1,683,260	1,484,621	1,521,172	1,346,938	1,085,648	1,044,119	1,042,819
Central support	-	-	-	-	-	-	-	-	507,834	507,200
Non-instructional programs:										
Community service operations	63,308	53,420	67,803	56,138	165,550	120,319	95,017	100,334	133,200	87,783
Capital outlay	4,546,813	7,019,895	2,499,292	530,603	2,789,759	3,368,510	7,386,945	14,855,639	5,721,204	2,561,731
Long Term Debt:										
Principal	2,025,000	2,570,000	1,165,000	1,115,000	1,075,000	940,000	900,000	1,557,000	735,000	700,000
Interest and other fiscal charges	1,625,764	1,416,160	1,109,755	1,163,755	1,204,542	1,215,005	1,246,434	1,250,195	1,054,408	102,334
Other expenditures:										
AEA flow-through	2,152,426	2,124,025	2,296,118	2,192,875	1,921,715	1,833,651	1,712,160	1,569,129	1,493,820	1,471,610
Total	\$ 65,964,400	67,304,030	58,393,048	54,499,895	54,754,146	53,156,538	53,654,102	59,663,048	47,562,564	43,183,640

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS			
	84.334	FY 13	\$ 42,193
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS			
	84.184	FY 13	1,163,414
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM			
	10.553	FY 13	501,110
NATIONAL SCHOOL LUNCH PROGRAM			
	10.555	FY 13	1,667,917 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN			
	10.559	FY 13	82,965
			<u>2,251,992</u>
FRESH FRUIT AND VEGETABLE PROGRAM			
	10.582	FY 13	119,482
DEPARTMENT OF TRANSPORTATION:			
IOWA DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION			
	20.205	FY 13	1,288
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:			
IOWA STATE UNIVERSITY:			
SCIENCE			
	43.001	FY 13	12,502
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)			
	84.010	FY 13	60,013
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4104-GC	248,588
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	FY 12	33,609
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4104-G	940,420
			<u>1,282,630</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM			
	84.011	FY 13	359,100
FUND FOR THE IMPROVEMENT OF EDUCATION - (FIRE SAFETY GRANT)			
	84.215	FY 13	250,000

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
DEPARTMENT OF EDUCATION(CONTINUED):			
IOWA DEPARTMENT OF EDUCATION(CONTINUED):			
ENGLISH LANGUAGE ACQUISITION STATE GRANTS- TITLE III	84.365	FY 13	<u>32,665</u> **
IMPROVING TEACHER QUALITY STATE GRANTS - TITLE IIA	84.367	FY 13	<u>192,330</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	<u>31,831</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 13	<u>310,400</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>45,851</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS- TITLE III	84.365	FY 13	<u>90,735</u> **
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF HOMELAND SECURITY:			
PUBLIC ASSISTANCE GRANTS (FEMA DISASTER ASSISTANCE)	97.036	FY 13	<u>56,620</u>
TOTAL			<u>\$ 6,243,033</u>

* - Includes \$169,922 of non-cash awards

** - The English Language Acquisition State Grants total is \$123,400

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Marshalltown Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Marshalltown Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Education of Marshalltown Community School District:

Report on Compliance for Each Major Federal Program

We have audited Marshalltown Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Marshalltown Community School District's major federal programs for the year ended June 30, 2013. Marshalltown Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Marshalltown Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 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 is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2014
Newton, Iowa

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title I Cluster
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.011 - Migrant Education - State Grant Program
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.184 - Safe and Drug-Free Schools and Communities - National Programs
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshalltown Community School District did not qualify as a low-risk auditee.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site. We noted in the Student Activity Fund that collections, receipting and deposit preparation duties were performed by the same individual.

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

Response - The District will continue to reviews controls at Central Office and within individual buildings to obtain the maximum internal control possible.

Conclusion - Response accepted.

II-B-13 Detailed Deposit Slips - We noted during our audit instances of deposit slips that lacked detail as to the make-up of the deposit. Lack of detail on deposit slips makes subsequent reconciliation of receipts to the deposits very difficult.

Recommendation - The District should develop procedures to document the composition of each deposit on the deposit slips. This would allow an individual to determine which receipts are included in any given deposit, and subsequently reconcile that all money collected for which a receipt was issued, was included in the deposit.

Response - The District will include detail and review deposits without detail whenever possible.

Conclusion - Response accepted.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site.

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

Response - The District will continue to review and document internal controls of nutrition deposits to obtain the maximum internal control possible.

Conclusion - Response accepted.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - The District will review disbursements at the end of year and will review specific instances of expenditures that are known for June. The District will then amend the budget in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted a check written to purchase prizes given to individual students who were top sellers of a fundraiser. Prizes for top sellers of fundraisers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review with Lenihan Administrators on proper use of activity funds. The District will no longer purchase prizes to be given to top sellers of fundraisers.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Adland, Bus Driver Owner of Adland Engraving Co.	Supplies	\$963
Sherm Welker, Board President Owner of Welker Construction	Services, per bid	\$9,626
Kay Beach, Board Member Music accompanist	Services	\$565

According to Attorney General's Opinion dated July 2, 1990 the above transactions with the bus driver do not appear to represent a conflict of interest.

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

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report - Chart of Accounts was filed timely with the Department of Education and we noted no significant deficiencies in the amounts reported. However, we noted the Annual Transportation Report (ATR) portion of the CAR was not filed timely.

Recommendation - The District should file all portions of the Certified Annual Report, including the Annual Transportation Report, in a timely manner in the future.

Response - The District has implemented procedures for certifying all parts of the CAR, including the Chart of Accounts, Special Education Supplement, Annual Transportation Report and the Vehicle Information System on time in the future.

Conclusion - Response accepted.

- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance		\$ 9,047,069
Revenues:		
Sales tax revenues	\$ 4,490,366	
Other local revenues	12,283	4,502,649
		<u>13,549,718</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 97,782	
Equipment	17,385	
Other	407,706	
Transfers to other funds:		
Debt service fund	3,458,386	
Other funds	3,045,922	7,027,181
		<u>7,027,181</u>
Ending balance		<u>\$ 6,522,537</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$ 2.18825</u>	<u>\$ 2,128,257</u>

IV-M-13 Student Activity Fund - During our audit issues arose about the properness of certain revenues and expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). We noted scholarships being paid to students from accounts within the Student Activity Fund.

Recommendation - Scholarships are more appropriately paid from the Private Purpose Trust Fund; therefore, funds intended for scholarships should be receipted into and expended from the Private Purpose Trust Fund.

Response - The District will review with High School Administrators on proper use of activity funds.

Conclusion - Response accepted.

IV-N-13 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events and those rental revenues were recorded in the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District has implemented a practice to deposit funds into the general fund for district and regional events.

Conclusion - Response accepted.

IV-O-13 District Contracts - We noted during our audit that the District has entered into a contract to have officials assigned by a conference. The District then enters into a contract with the officials assigned to officiate at the school. These contracts are currently being signed by the Athletic Director. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The District will review procedures between the High School Administration and Board President for proper signatures of officiating contracts.

Conclusion - Response accepted.

IV-P-13 Financial Condition - We noted 23 individual accounts within the Student Activity Fund with deficit balances totaling \$67,629.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit fund balances.

Response - The District will continue to work with building administrators to correct deficit funds in the activity fund.

Conclusion - Response accepted.