

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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East Marshall Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Mike Strawn	President	2009
Robert Thomas	Vice-President	2008
Dave Scott	Board Member	2010
Connie Allen	Board Member	2008
Steve Edwards	Board Member	2009
Board of Education (After September 2008 Election)		
Steve Edwards	President	2009
Dave Scott	Vice-President	2011*
Mike Strawn	Board Member	2009
Deanna Berkey	Board Member	2011
David Stineman	Board Member	2011
School Officials		
Dr. Alan Meyer	Superintendent	2009
Nancy Burchland	Business Manager	2009
Cartwright, Druker And Ryden	Attorney	2009

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 the East Marshall Community School District, Gilman, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2010 on our consideration of East Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2010

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

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East Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,663,367 in fiscal 2008 to \$7,849,906 in fiscal 2009, while General Fund expenditures decreased from \$8,027,328 in fiscal 2008 to \$7,934,785 in fiscal 2009. Overall, the District's General Fund balance decreased from \$635,320 in fiscal 2008 to \$541,441 in fiscal 2009, a 14.78% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and federal sources of revenue in fiscal 2009. The decrease in expenditures was due primarily to decreased expenditures for regular instruction.
- As of June 30, 2009, the District's solvency ratio is 6.38% as compared to 7.85% for the previous year.
- The State of Iowa reduced state payments in fiscal 2009 by a 1.5% across-the-board cut.

### **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 Assets and a Statement of Activities. These provide information about the activities of East Marshall Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

**Figure A-1**  
**East Marshall Community School District Annual Financial Report**

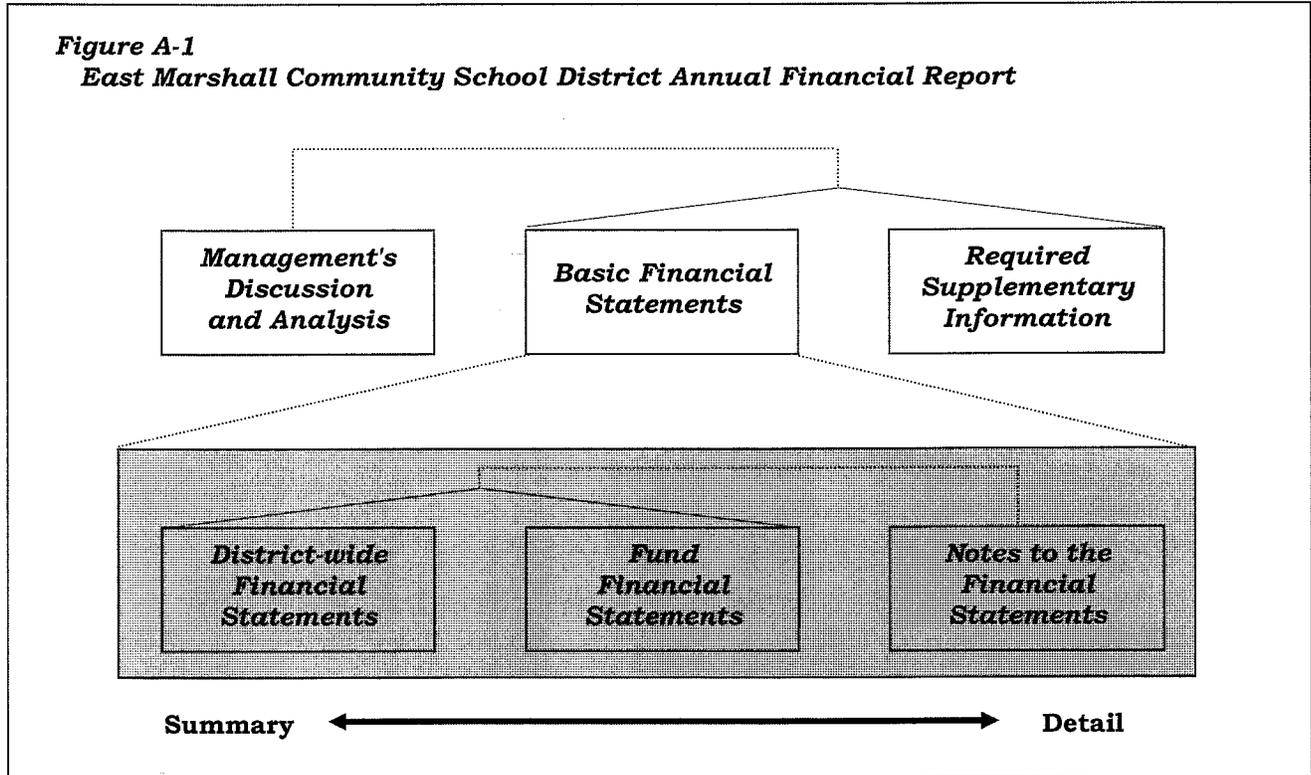


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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, e.g., food service	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's Enterprise 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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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 assets for the year ended June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 5,726,979	5,522,985	102,281	83,478	5,829,260	5,606,463	3.97%
Capital assets	8,986,589	8,356,197	130,551	145,417	9,117,140	8,501,614	7.24%
Total assets	<u>14,713,568</u>	<u>13,879,182</u>	<u>232,832</u>	<u>228,895</u>	<u>14,946,400</u>	<u>14,108,077</u>	<u>5.94%</u>
Long-term obligations	6,352,458	6,143,917	0	0	6,352,458	6,143,917	3.39%
Other liabilities	3,804,878	3,448,136	38,659	36,167	3,843,537	3,484,303	10.31%
Total liabilities	<u>10,157,336</u>	<u>9,592,053</u>	<u>38,659</u>	<u>36,167</u>	<u>10,195,995</u>	<u>9,628,220</u>	<u>5.90%</u>
Net assets:							
Invested in capital assets, net of related debt	3,831,223	3,210,940	130,551	145,417	3,961,774	3,356,357	18.04%
Restricted	599,539	1,005,236	0	0	599,539	1,005,236	-40.36%
Unrestricted	125,470	70,953	63,622	47,311	189,092	118,264	59.89%
Total net assets	<u>\$ 4,556,232</u>	<u>4,287,129</u>	<u>194,173</u>	<u>192,728</u>	<u>4,750,405</u>	<u>4,479,857</u>	<u>6.04%</u>

The District's combined net assets increased by 6.04%, or \$270,548, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$405,697, or 40.36% from the prior year. This decrease is due in part to the decrease in the Capital Projects Undesignated Fund Balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$70,828, or 59.89%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,419,689	1,475,308	193,308	178,653	1,612,997	1,653,961	-2.48%
Operating grants, contributions and restricted interest	1,098,994	978,117	190,631	168,439	1,289,625	1,146,556	12.48%
Capital grants, contributions and restricted interest	0	59,232	0	0	0	59,232	-100.00%
General revenues:							
Local tax	2,830,956	2,653,604	0	0	2,830,956	2,653,604	6.68%
Statewide sales and services tax	418,762	418,411	0	0	418,762	418,411	0.08%
Unrestricted state grants	2,997,345	3,061,299	0	0	2,997,345	3,061,299	-2.09%
Other	192,751	288,458	537	1,695	193,288	290,153	-33.38%
Transfers	0	(144,162)	0	144,162	0	0	100.00%
Total revenues and transfers	<u>8,958,497</u>	<u>8,790,267</u>	<u>384,476</u>	<u>492,949</u>	<u>9,342,973</u>	<u>9,283,216</u>	<u>0.64%</u>
Program expenses:							
Governmental activities:							
Instruction	4,845,021	5,317,096	0	0	4,845,021	5,317,096	-8.88%
Support services	2,934,864	2,905,040	21,764	15,247	2,956,628	2,920,287	1.24%
Non-instructional programs	5,131	5,729	361,267	355,799	366,398	361,528	1.35%
Other expenses	904,378	1,306,710	0	0	904,378	1,306,710	-30.79%
Total expenses	<u>8,689,394</u>	<u>9,534,575</u>	<u>383,031</u>	<u>371,046</u>	<u>9,072,425</u>	<u>9,905,621</u>	<u>-8.41%</u>
Change in net assets	269,103	(744,308)	1,445	121,903	270,548	(622,405)	-143.47%
Beginning net assets	<u>4,287,129</u>	<u>5,031,437</u>	<u>192,728</u>	<u>70,825</u>	<u>4,479,857</u>	<u>5,102,262</u>	<u>-12.20%</u>
Ending net assets	<u>\$ 4,556,232</u>	<u>4,287,129</u>	<u>194,173</u>	<u>192,728</u>	<u>4,750,405</u>	<u>4,479,857</u>	<u>6.04%</u>

In fiscal 2009, local tax and unrestricted state grants account for 65.06% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.86% of the revenue from business type activities.

The District's total revenues were approximately \$9.34 million of which \$8.96 million was for governmental activities and \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.64% in revenues and an 8.41% decrease in expenses. The decrease in expenses was related to a decrease in instructional costs.

## Governmental Activities

Revenues for governmental activities were \$8,958,497 and expenses were \$8,689,394. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,845,021	5,317,096	-8.88%	2,590,266	3,115,006	-16.85%
Support services	2,934,864	2,905,040	1.03%	2,922,314	2,842,964	2.79%
Non-instructional	5,131	5,729	-10.44%	5,131	5,729	-10.44%
Other expenses	904,378	1,306,710	-30.79%	653,000	1,058,219	-38.29%
Totals	<u>\$ 8,689,394</u>	<u>9,534,575</u>	<u>-8.86%</u>	<u>6,170,711</u>	<u>7,021,918</u>	<u>-12.12%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,419,689.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,098,994.
- The net cost of governmental activities was financed with \$2,830,956 in property tax, \$418,762 in statewide sales and services tax, \$2,997,345 in unrestricted state grants, \$25,157 in interest income and \$167,594 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$384,476 and expenses were \$383,031. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,681,731, below last year's ending fund balances of a \$1,848,579.

## Governmental Fund Highlights

The District's deteriorating General Fund financial position is the product of many factors:

- An increase in local tax and federal sources of revenue helped contribute to the increase in revenues for the District, which mitigated the decline in fund balance.

- 
- Interest revenue decreased due to deteriorating interest rates and decreased cash balance.

Other Governmental Funds:

- The bond issue approved on April 26, 2005, for the construction of an addition to the existing high school also included the renovation of the existing high school. The District will use any excess funds in the Capital Projects Fund to complete this renovation.
- The fund balance in the Statewide Sales and Services Tax Capital Projects Fund decreased in 2008-09 due to significant expenditures for buildings improvement and reduction of long-term debt. The District is using the sales tax revenue to abate property taxes in the Debt Service Levy. Property tax levied for debt service was \$1.98985 per \$1,000 of taxable value lower due to statewide sales and services tax revenue received.

### **Proprietary Fund Highlights**

The Proprietary Funds net assets increased from \$192,728 at June 30, 2008 to \$194,173 at June 30, 2009, representing a minimal increase of 0.75%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, East Marshall Community School District amended its budget one time to reflect additional expenditures in the instruction and other expenditures functional areas.

The District's revenues were \$211,264 more than budgeted revenues, a variance of 2.32%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2009, the District had invested \$9,117,140, 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 7.24% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$453,977.

The original cost of the District's capital assets was \$13,632,479. Governmental funds account for \$13,384,072 with the remainder of \$248,407 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30,

2008, compared to \$411,740 at June 30, 2009. The rise in construction in progress is due to the Gilman Middle School remodeling project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 120,725	128,425	0	0	120,725	128,425	-6.00%
Construction in progress	411,740	0	0	0	411,740	0	100.00%
Buildings	7,727,059	7,428,052	0	0	7,727,059	7,428,052	4.03%
Land improvements	216,713	226,551	0	0	216,713	226,551	-4.34%
Machinery and equipment	510,352	573,169	130,551	145,417	640,903	718,586	-10.81%
Total	\$ 8,986,589	8,356,197	130,551	145,417	9,117,140	8,501,614	7.24%

### Long-Term Debt

At June 30, 2009, the District had \$6,352,458 in long-term debt outstanding. This represents an increase of 3.39% 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 general obligation bonds payable of \$4,610,000 at June 30, 2009.

The District had energy loan notes payable of \$411,000 at June 30, 2009.

The District had capital loan notes payable of \$590,000 at June 30, 2009.

The District had early retirement payable of \$687,014 at June 30, 2009.

The District had compensated absences payable of \$54,444 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 4,610,000	4,810,000	-4.16%
Energy loan notes	411,000	455,000	-9.67%
Capital loan notes	590,000	0	100.00%
Early retirement	687,014	832,132	-17.44%
Compensated absences	54,444	46,785	16.37%
Totals	\$ 6,352,458	6,143,917	3.39%

### 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 instructional support program allows the district to generate 10% of the total regular program district cost for the budget year for additional or enhanced current educational programs. The District can participate in the instructional support program by either holding an election, which allows participation for ten years, or by board resolution, which

allows participation for five years. The East Marshall School Board implemented the program by resolution for a period of five years starting with 2002-03. The program is funded with a combination of state aid, property tax and income surtax. Income surtax is paid in the year following the year it is levied. On July 10, 2006, the board adopted a resolution to continue participation in the instructional support program for an additional five-year period through June 30, 2012.

Fiscal Year	Instructional Support Levy	ISL State Aid	Income Surtax	Property Tax
2008-09	\$ 324,570	\$ 23,987	\$ 277,317	\$ 23,266
2007-08	\$ 317,699	\$ 26,690	\$ 260,620	\$ 30,389
2006-07	\$ 316,157	\$ 27,797	\$ 273,019	\$ 15,341
2005-06	\$ 318,391	\$ 29,809	\$ 278,567	\$ 10,015
2004-05	\$ 322,049	\$ 31,372	\$ 282,711	\$ 7,606
2003-04	\$ 329,366	\$ 34,096	\$ 263,457	\$ 31,813

- The District's certified enrollment decreased by almost 16 students in 2009. This decrease means the District will fall under the budget guarantee of 101% in 2010-2011. The District enrollment trend over the past several years is downward by an average of 15 students per year.
- The District continues to have increasing open enrolled students. In 2008-09, open enrollment revenues were \$1,243,777, an increase of \$85,377 over 2007-08.

Fiscal Year	Enrolled In	Enrolled Out
2009-2010	220	41.7
2008-2009	209	46.6
2007-2008	202	45.6
2006-2007	193	49.7
2005-2006	181	50.8
2004-2005	140	43.5
2003-2004	120	43.7

- Property tax values continue to increase slightly. The PPEL and PERL levies, fixed dollar levies, will generate more dollars because of the increased valuation. Increasing valuations allow the District to lower the property tax rate for the General Fund, Management Fund, and Debt Service Fund.
- Starting July 1, 2007, the Iowa Public Employees' Retirement System (IPERS) increased the IPERS contribution rate for both employees and employers. The employer rate increased 0.3% in 2008-09 and will continue to increase 0.3% each year through 2010-11. This will be an increasing cost for employee benefits.
- On April 1, 2009, the District issued \$590,000 of General Obligation PPEL Capital Loan Notes. The financing was used to complete a remodeling project at the middle school to address fire code citations and accessibility issues. The notes will be repaid over the next six years using the voter approved Physical Plant and Equipment Levy (PPEL).

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## **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 Nancy Burchland, District Business Manager, East Marshall Community School District, 225 South Elm Street, Gilman, Iowa, 50106.

BASIC FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,567,238	82,055	2,649,293
Receivables:			
Property tax:			
Delinquent	33,657	0	33,657
Succeeding year	2,599,891	0	2,599,891
Income surtax	277,317	0	277,317
Interfund	13,029	0	13,029
Accounts	2,954	0	2,954
Due from other governments	232,893	0	232,893
Inventories	0	20,226	20,226
Capital assets, net of accumulated depreciation	8,986,589	130,551	9,117,140
<b>Total assets</b>	<b>14,713,568</b>	<b>232,832</b>	<b>14,946,400</b>
<b>Liabilities</b>			
Accounts payable	278,028	3,453	281,481
Salaries and benefits payable	852,740	30,222	882,962
Interfund payable	13,029	0	13,029
Accrued interest payable	36,947	0	36,947
Deferred revenue:			
Succeeding year property tax	2,599,891	0	2,599,891
Other	24,243	0	24,243
Unearned revenue	0	4,984	4,984
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	210,000	0	210,000
Energy loan notes	45,000	0	45,000
Capital loan notes	90,000	0	90,000
Early retirement	164,519	0	164,519
Compensated absences	54,444	0	54,444
Portion due after one year:			
General obligation bonds	4,400,000	0	4,400,000
Energy loan notes	366,000	0	366,000
Capital loan notes	500,000	0	500,000
Early retirement	522,495	0	522,495
<b>Total liabilities</b>	<b>10,157,336</b>	<b>38,659</b>	<b>10,195,995</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,831,223	130,551	3,961,774
Restricted for:			
Categorical funding	40,681	0	40,681
Physical plant and equipment levy	134,985	0	134,985
Public education and recreation levy	22,334	0	22,334
Capital projects	292,177	0	292,177
Debt service	4,991	0	4,991
Other special revenue purposes	104,371	0	104,371
Unrestricted	125,470	63,622	189,092
<b>Total net assets</b>	<b>\$ 4,556,232</b>	<b>194,173</b>	<b>4,750,405</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,714,513	948,949	749,691	(1,015,873)	0	(1,015,873)
Special	1,246,523	372,448	97,341	(776,734)	0	(776,734)
Other	883,985	86,326	0	(797,659)	0	(797,659)
	<u>4,845,021</u>	<u>1,407,723</u>	<u>847,032</u>	<u>(2,590,266)</u>	<u>0</u>	<u>(2,590,266)</u>
Support services:						
Student	283,357	0	0	(283,357)	0	(283,357)
Instructional staff	392,755	0	0	(392,755)	0	(392,755)
Administration	832,664	0	0	(832,664)	0	(832,664)
Operation and maintenance of plant	867,426	0	0	(867,426)	0	(867,426)
Transportation services	558,662	11,966	584	(546,112)	0	(546,112)
	<u>2,934,864</u>	<u>11,966</u>	<u>584</u>	<u>(2,922,314)</u>	<u>0</u>	<u>(2,922,314)</u>
Non-instructional programs:						
Community service operations	5,131	0	0	(5,131)	0	(5,131)
	<u>5,131</u>	<u>0</u>	<u>0</u>	<u>(5,131)</u>	<u>0</u>	<u>(5,131)</u>
Other expenditures:						
Facilities acquisitions	177,818	0	0	(177,818)	0	(177,818)
Long-term debt interest	231,458	0	0	(231,458)	0	(231,458)
AEA flowthrough	251,378	0	251,378	0	0	0
Depreciation(unallocated)*	243,724	0	0	(243,724)	0	(243,724)
	<u>904,378</u>	<u>0</u>	<u>251,378</u>	<u>(653,000)</u>	<u>0</u>	<u>(653,000)</u>
Total governmental activities	8,689,394	1,419,689	1,098,994	(6,170,711)	0	(6,170,711)
Business Type activities:						
Support services:						
Administration	18,224	0	0	0	(18,224)	(18,224)
Operation and maintenance of plant	3,540	0	0	0	(3,540)	(3,540)
Non-instructional programs:						
Nutrition services	361,267	193,308	190,631	0	22,672	22,672
Total business type activities	<u>383,031</u>	<u>193,308</u>	<u>190,631</u>	<u>0</u>	<u>908</u>	<u>908</u>
Total	\$ 9,072,425	1,612,997	1,289,625	(6,170,711)	908	(6,169,803)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes			\$ 2,606,990	0	2,606,990	
Capital outlay			165,901	0	165,901	
Debt service			58,065	0	58,065	
Statewide sales and services tax			418,762	0	418,762	
Unrestricted state grants			2,997,345	0	2,997,345	
Unrestricted investment earnings			25,157	537	25,694	
Other			167,594	0	167,594	
Total general revenues & transfers			<u>6,439,814</u>	<u>537</u>	<u>6,440,351</u>	
Changes in net assets			269,103	1,445	270,548	
Net assets beginning of year			4,287,129	192,728	4,479,857	
Net assets end of year			<u>\$ 4,556,232</u>	<u>194,173</u>	<u>4,750,405</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,371,442	811,884	383,912	2,567,238
Receivables:				
Property tax				
Delinquent	27,194	0	6,463	33,657
Succeeding year	2,144,427	0	455,464	2,599,891
Income surtax	277,317	0	0	277,317
Interfund	2,163	0	10,866	13,029
Accounts	12	2,942	0	2,954
Due from other governments	162,295	70,558	40	232,893
<b>Total assets</b>	<b>\$ 3,984,850</b>	<b>885,384</b>	<b>856,745</b>	<b>5,726,979</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 133,956	137,573	6,499	278,028
Salaries and benefits payable	852,600	0	140	852,740
Interfund payable	10,866	0	2,163	13,029
Deferred revenue:				
Succeeding year property tax	2,144,427	0	455,464	2,599,891
Income surtax	277,317	0	0	277,317
Other	24,243	0	0	24,243
<b>Total liabilities</b>	<b>3,443,409</b>	<b>137,573</b>	<b>464,266</b>	<b>4,045,248</b>
Fund balances:				
Reserved for:				
Categorical funding	40,681	0	0	40,681
Construction	0	455,634	0	455,634
Debt service	0	0	4,991	4,991
Unreserved:				
Undesignated	500,760	292,177	387,488	1,180,425
<b>Total fund balances</b>	<b>541,441</b>	<b>747,811</b>	<b>392,479</b>	<b>1,681,731</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,984,850</b>	<b>885,384</b>	<b>856,745</b>	<b>5,726,979</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

Total fund balances of governmental funds (page 17)	\$	1,681,731
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,986,589
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		277,317
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(36,947)
Long-term liabilities, including compensated absences, general obligation bonds, early retirement, energy loan notes and capital loan notes, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(6,352,458)
		<hr style="width: 100%;"/>
Net assets of governmental activities (page 15)	\$	<u><u>4,556,232</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,332,678	418,762	481,581	3,233,021
Tuition	1,287,996	0	0	1,287,996
Other	127,155	9,314	187,975	324,444
State sources	3,821,238	0	327	3,821,565
Federal sources	274,774	0	0	274,774
Total revenues	<u>7,843,841</u>	<u>428,076</u>	<u>669,883</u>	<u>8,941,800</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,990,874	0	163,325	3,154,199
Special	1,246,523	0	0	1,246,523
Other	735,084	0	148,901	883,985
	<u>4,972,481</u>	<u>0</u>	<u>312,226</u>	<u>5,284,707</u>
Support services:				
Student	282,692	0	665	283,357
Instructional staff	312,029	0	80,726	392,755
Administration	819,326	0	9,567	828,893
Operation and maintenance of plant	786,816	0	66,815	853,631
Transportation	456,651	0	18,473	475,124
	<u>2,657,514</u>	<u>0</u>	<u>176,246</u>	<u>2,833,760</u>
Non-instructional programs				
Food service operations	0	0	2,527	2,527
Community service operations	0	0	5,131	5,131
	<u>0</u>	<u>0</u>	<u>7,658</u>	<u>7,658</u>
Other expenditures:				
Facilities acquisitions	0	663,213	185,071	848,284
Long-term debt:				
Principal	0	0	244,000	244,000
Interest and fiscal charges	0	0	228,861	228,861
AEA flowthrough	251,378	0	0	251,378
	<u>251,378</u>	<u>663,213</u>	<u>657,932</u>	<u>1,572,523</u>
Total expenditures	<u>7,881,373</u>	<u>663,213</u>	<u>1,154,062</u>	<u>9,698,648</u>
Deficiency of revenues under expenditures	(37,532)	(235,137)	(484,179)	(756,848)
Other financing sources(uses):				
Capital loan note issuance	0	0	590,000	590,000
Transfer in	6,065	864,431	405,066	1,275,562
Transfer out	(62,412)	(581,654)	(631,496)	(1,275,562)
Total other financing sources(uses)	<u>(56,347)</u>	<u>282,777</u>	<u>363,570</u>	<u>590,000</u>
Net change in fund balances	(93,879)	47,640	(120,609)	(166,848)
Fund balance beginning of year	635,320	700,171	513,088	1,848,579
Fund balance end of year	<u>\$ 541,441</u>	<u>747,811</u>	<u>392,479</u>	<u>1,681,731</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 19) \$ (166,848)

*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 reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense, and loss on disposal in the year are as follows:

Capital outlays	\$ 1,096,917	
Depreciation expense	(437,844)	
Loss on asset disposal	(28,681)	630,392

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

Issued	(590,000)	
Repaid	244,000	(346,000)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 16,697

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. (2,597)

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

Early retirement	\$ 145,118	
Compensated absences	(7,659)	137,459

Changes in net assets of governmental activities (page 16) \$ 269,103

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 82,055
Inventories	20,226
Capital assets, net of accumulated depreciation	130,551
<b>Total assets</b>	<u>232,832</u>
<b>Liabilities</b>	
Accounts payable	3,453
Salaries and benefits payable	30,222
Unearned revenue	4,984
<b>Total liabilities</b>	<u>38,659</u>
<b>Net Assets</b>	
Invested in capital assets	130,551
Unrestricted	63,622
<b>Total net assets</b>	<u>\$ 194,173</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 193,308
OPERATING EXPENSES:	
Support services:	
Administration services:	
Salaries	15,312
Benefits	1,983
Services	929
	18,224
Operation and maintenance of plant services:	
Services	3,540
Total support services	21,764
Non-instructional programs:	
Food service operations:	
Salaries	145,729
Benefits	33,457
Services	266
Supplies	165,682
Depreciation	16,133
Total non-instructional programs	361,267
TOTAL OPERATING EXPENSES	383,031
OPERATING LOSS	(189,723)
NON-OPERATING REVENUES:	
State sources	5,195
Federal sources	185,436
Interest income	537
TOTAL NON-OPERATING REVENUES	191,168
Change in net assets	1,445
Net assets beginning of year	192,728
Net assets end of year	\$ 194,173

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 193,708
Cash received from miscellaneous	325
Cash payments to employees for services	(196,378)
Cash payments to suppliers for goods or services	(144,150)
Net cash used in operating activities	(146,495)
Cash flows from non-capital financing activities:	
State grants received	5,195
Federal grants received	159,851
Net cash provided by non-capital financing activities	165,046
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,267)
Cash flows from investing activities:	
Interest on investments	537
Net increase in cash and cash equivalents	17,821
Cash and cash equivalents at beginning of year	64,234
Cash and cash equivalents at end of year	\$ 82,055
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (189,723)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,585
Depreciation	16,133
Increase in inventories	(1,338)
Decrease in accounts receivable	356
Increase in accounts payable	2,020
Increase in salaries and benefits payable	103
Increase in unearned revenue	369
Net cash used in operating activities	\$ (146,495)

During the year ended June 30, 2009, the District received Federal commodities valued at \$25,585.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 36,614
<b>Liabilities</b>	<u>0</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 36,614</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,331
Deductions:	
Support services:	
Scholarships awarded	1,660
Change in net assets	(329)
Net assets beginning of year	36,943
Net assets end of year	\$ 36,614

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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.

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require

income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Asset Class	Amount
Land	\$ 1
Buildings	1,000
Land improvements	1,000
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	20-50 years
Land improvements	20 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 in the Statement of Net Assets 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 in the School Nutrition Fund are monies collected for lunches that have not been served. Lunch account balances will be reimbursed or served lunches. Revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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 and the Treasurer of the State of Iowa; 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 1,465,369</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

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

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Physical Plant and Equipment Levy	\$ 10,866
Special Revenue: Student Acitivity	General	<u>2,163</u>
Total		<u>\$ 13,029</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Management Levy	General	\$ 745
Special Revenue: Student Activity	General	5,320
Special Revenue: Physical Plant and Equipment Levy	GO Bond Construction	625,431
General	Debt Service	62,412
Capital Projects	Debt Service	343
Statewide Sales and Services Tax	Debt Service	342,311
Statewide Sales and Services Tax	GO Bond Construction	<u>239,000</u>
Total		<u>\$ 1,275,562</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,425	0	7,700	120,725
Construction in progress	0	411,740	0	411,740
Total capital assets not being depreciated	<u>128,425</u>	<u>411,740</u>	<u>7,700</u>	<u>532,465</u>
Capital assets being depreciated:				
Buildings	9,726,780	522,486	79,000	10,170,266
Land improvements	426,116	30,077	51,281	404,912
Machinery and equipment	2,288,917	132,614	145,102	2,276,429
Total capital assets being depreciated	<u>12,441,813</u>	<u>685,177</u>	<u>275,383</u>	<u>12,851,607</u>
Less accumulated depreciation for:				
Buildings	2,298,728	223,479	79,000	2,443,207
Land improvements	199,565	20,245	31,611	188,199
Machinery and equipment	1,715,748	194,120	143,791	1,766,077
Total accumulated depreciation	<u>4,214,041</u>	<u>437,844</u>	<u>254,402</u>	<u>4,397,483</u>
Total capital assets being depreciated, net	<u>8,227,772</u>	<u>247,333</u>	<u>20,981</u>	<u>8,454,124</u>
Governmental activities capital assets, net	<u>\$ 8,356,197</u>	<u>659,073</u>	<u>28,681</u>	<u>8,986,589</u>
Business type activities:				
Machinery and equipment	\$ 254,159	1,267	7,019	248,407
Less accumulated depreciation	108,742	15,041	5,927	117,856
Business type activities capital assets, net	<u>\$ 145,417</u>	<u>(13,774)</u>	<u>1,092</u>	<u>130,551</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 93,093
Support services:	
Operation and maintenance of plant	19,389
Transportation	81,638
	<u>194,120</u>
Unallocated depreciation	<u>243,724</u>
Total governmental activities depreciation expense	<u>\$ 437,844</u>
Business type activities:	
Food service operations	<u>\$ 16,133 *</u>

\* Depreciation expense for business type activities includes loss on disposal of \$1,092.

(6) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,810,000	0	200,000	4,610,000	210,000
Energy loan notes	455,000	0	44,000	411,000	45,000
Capital loan notes	0	590,000	0	590,000	90,000
Compensated absences	46,785	54,444	46,785	54,444	54,444
Early retirement	832,132	8,500	153,618	687,014	164,519
Total	\$ 6,143,917	652,944	444,403	6,352,458	563,963

#### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue July 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	4.50 %	\$ 210,000	187,883	397,883
2011	4.38	220,000	178,433	398,433
2012	4.38	230,000	168,808	398,808
2013	4.38	235,000	158,745	393,745
2014	4.38	245,000	148,464	393,464
2015-2019	3.60-3.95	1,390,000	590,073	1,980,073
2020-2024	4.00-4.15	1,700,000	293,668	1,993,668
2025	4.20	380,000	15,960	395,960
Total		\$ 4,610,000	1,742,034	6,352,034

#### Energy Loan Notes

During the year ended June 30, 2007 the District issued capital loan notes for energy improvement projects. Details of the District's June 30, 2009 energy loan notes indebtedness, which will be paid from the General Fund, is as follows:

Year Ending June 30,	Energy loan notes dated February 1, 2007			
	Interest Rates	Principal	Interest	Total
2010	4.05 %	\$ 45,000	16,646	61,646
2011	4.05	47,000	14,823	61,823
2012	4.05	49,000	12,920	61,920
2013	4.05	50,000	10,935	60,935
2014	4.05	52,000	8,910	60,910
2015	4.05	54,000	6,804	60,804
2016	4.05	56,000	4,617	60,617
2017	4.05	58,000	2,349	60,349
Total		\$ 411,000	78,004	489,004

#### Capital Loan Notes

During the year ended June 30, 2009 the District issued capital loan notes for equipment purchases. Details of the District's June 30, 2009 capital loan notes indebtedness, which will be paid from the Special Revenue, Physical Plant and Equipment Levy, is as follows:

Year Ending June 30,	Capital loan notes dated April 1, 2009				
	Interest Rates	Principal	Interest	Total	
2010	2.50	% \$ 90,000	21,030	111,030	
2011	2.75	90,000	17,163	107,163	
2012	3.00	95,000	14,687	109,687	
2013	3.50	100,000	11,838	111,838	
2014	3.75	105,000	8,337	113,337	
2015	4.00	110,000	4,400	114,400	
Total		\$ 590,000	77,455	667,455	

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The retiree may maintain their membership in the group health insurance. The District will pay the retiree a monthly payment beginning in September following retirement through the month when the retiree reaches 65 years of age of .01 times the salary(excluding Phase I, II and III money or extra curricular salary) received during the year prior to retirement. Should the retiree die before reaching age 65, the monthly payment will be continued to the retiree's surviving spouse until the retiree would have reached 65 years of age, or such payments may be computed to an agreed lump sum payable to the spouse or the retiree's estate. The employee shall not be on disability leave at the time of retirement. Early retirement benefits paid during the year ended June 30, 2009, totaled \$153,618. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Statement of Net Assets 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$318,238, \$299,132, and \$260,593 respectively, equal to the required contributions for each year.

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

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

**(9) Risk Management**

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

**(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 \$251,378 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Additional teacher contract day	\$ 548
Market factor	4,965
Market factor incentives	5,800
Limited English proficient	2,071
Home school assistance program	4,596
Professional development	12,625
Salary improvement program	20
Professional development for model core curriculum	10,056
Total	<u>\$ 40,681</u>

REQUIRED SUPPLEMENTARY INFORMATION

EAST MARSHALL 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, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
<b>Revenues:</b>						
Local sources	\$ 4,845,461	193,845	5,039,306	4,787,867	4,787,867	251,439
State sources	3,821,565	5,195	3,826,760	3,996,145	3,996,145	(169,385)
Federal sources	274,774	185,436	460,210	331,000	331,000	129,210
Total revenues	<u>8,941,800</u>	<u>384,476</u>	<u>9,326,276</u>	<u>9,115,012</u>	<u>9,115,012</u>	<u>211,264</u>
<b>Expenditures/Expenses:</b>						
Instruction	5,284,707	0	5,284,707	5,189,867	5,300,000	15,293
Support services	2,833,760	21,764	2,855,524	3,157,764	3,157,764	302,240
Non-instructional programs	7,658	361,267	368,925	369,840	369,840	915
Other expenditures	1,572,523	0	1,572,523	1,351,128	1,600,000	27,477
Total expenditures/expenses	<u>9,698,648</u>	<u>383,031</u>	<u>10,081,679</u>	<u>10,068,599</u>	<u>10,427,604</u>	<u>345,925</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(756,848)	1,445	(755,403)	(953,587)	(1,312,592)	557,189
Other financing sources, net	590,000	0	590,000	0	0	590,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(166,848)	1,445	(165,403)	(953,587)	(1,312,592)	1,147,189
Balance beginning of year	1,848,579	192,728	2,112,132	1,850,440	1,850,440	261,692
Balance end of year	<u>\$ 1,681,731</u>	<u>194,173</u>	<u>1,946,729</u>	<u>896,853</u>	<u>537,848</u>	<u>1,408,881</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$359,005.

OTHER SUPPLEMENTARY INFORMATION

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue		
<b>Assets</b>							
Cash and pooled investments	\$ 123,053	109,478	121,879	25,295	379,705	4,207	383,912
Receivables:							
Property tax:							
Current year delinquent	3,157	0	2,226	301	5,684	779	6,463
Succeeding year	200,001	0	172,029	23,224	395,254	60,210	455,464
Interfund	0	0	10,866	0	10,866	0	10,866
Due from other governments	19	0	14	2	35	5	40
<b>Total assets</b>	<b>\$ 326,230</b>	<b>109,478</b>	<b>307,014</b>	<b>48,822</b>	<b>791,544</b>	<b>65,201</b>	<b>856,745</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 431	2,804	0	3,264	6,499	0	6,499
Salaries and benefits payable	0	140	0	0	140	0	140
Interfund payable	0	2,163	0	0	2,163	0	2,163
Deferred revenue:							
Succeeding year property tax	200,001	0	172,029	23,224	395,254	60,210	455,464
Total liabilities	200,432	5,107	172,029	26,488	404,056	60,210	464,266
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	4,991	4,991
Unreserved fund balances	125,798	104,371	134,985	22,334	387,488	0	387,488
Total fund balances	125,798	104,371	134,985	22,334	387,488	4,991	392,479
<b>Total liabilities and fund balances</b>	<b>\$ 326,230</b>	<b>109,478</b>	<b>307,014</b>	<b>48,822</b>	<b>791,544</b>	<b>65,201</b>	<b>856,745</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 235,218	0	165,901	22,397	423,516	58,065	481,581
Other	1,335	158,620	27,325	546	187,826	149	187,975
State sources	160	0	113	15	288	39	327
TOTAL REVENUES	236,713	158,620	193,339	22,958	611,630	58,253	669,863
EXPENDITURES:							
Current:							
Instruction:							
Regular	161,556	0	1,769	0	163,325	0	163,325
Other	0	148,901	0	0	148,901	0	148,901
Support services:							
Student	665	0	0	0	665	0	665
Instructional staff	121	1,800	78,805	0	80,726	0	80,726
Administration	7,461	2,106	0	0	9,567	0	9,567
Operation and maintenance of plant	40,122	11,496	14,777	420	66,815	0	66,815
Transportation	18,473	0	0	0	18,473	0	18,473
Non-instructional programs							
Food service operation	2,527	0	0	0	2,527	0	2,527
Community service operations	0	0	0	5,131	5,131	0	5,131
Other expenditures:							
Facilities acquisitions	0	0	137,753	47,318	185,071	0	185,071
Long-term debt:							
Principal	0	0	0	0	0	244,000	244,000
Interest and fiscal charges	0	0	13,167	0	13,167	215,694	228,861
TOTAL EXPENDITURES	230,925	164,303	246,271	52,869	694,368	459,694	1,154,062
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,788	(5,683)	(52,932)	(29,911)	(82,738)	(401,441)	(484,179)
OTHER FINANCING SOURCES (USES):							
Capital loan note issuance	0	0	590,000	0	590,000	0	590,000
Transfer in	0	0	0	0	0	405,066	405,066
Transfer out	(745)	(5,320)	(625,431)	0	(631,496)	0	(631,496)
Total other financing sources (uses)	(745)	(5,320)	(35,431)	0	(41,496)	405,066	363,570
NET CHANGE IN FUND BALANCES	5,043	(11,003)	(88,363)	(29,911)	(124,234)	3,625	(120,609)
FUND BALANCE BEGINNING OF YEAR	120,755	115,374	223,348	52,245	511,722	1,366	513,088
FUND BALANCE END OF YEAR	\$ 125,798	104,371	134,985	22,334	387,488	4,991	392,479

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures and Interfund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 4,976	3,233	1,116	57	7,150
HS Vocal	3,836	5,430	5,753	35	3,548
Spec MS Vocal	1,026	359	1,411	1,726	1,700
HS Band	4,850	2,455	4,277	31	3,059
Band Fundraising	0	7,870	4,645	(1,541)	1,684
Spec MS Band	3,612	1,211	5,411	4,860	4,272
MS Band Resale	0	941	1,196	255	0
Athletics	26,459	5,719	16,420	1,573	17,331
Athletic Uniforms	10,825	8,400	5,509	130	13,846
Spec MS Athletics	16,933	5,620	5,265	171	17,459
Cross Country	0	0	854	854	0
Golf	0	504	2,144	1,640	0
Boys Basketball	0	4,312	3,019	(1,293)	0
Football	0	9,686	4,807	(4,879)	0
Baseball	280	2,445	4,422	1,697	0
Boys Track	0	65	1,193	1,128	0
Wrestling	0	8,607	7,713	(894)	0
Alumni Basketball Uniforms	1,092	609	999	8	710
Girls BB	0	4,144	2,323	(1,821)	0
Volleyball	0	4,824	3,290	(1,534)	0
Softball	160	2,136	4,710	2,414	0
Girls Track	0	939	2,326	1,387	0
Kids Benefit	382	1,933	2,315	0	0
Student Pop	0	16,814	16,814	0	0
Interest	0	1,203	0	(1,203)	0
Middle School Fine Arts	11,153	5,600	0	(5,106)	11,647
MS Yearbook	173	2,185	1,996	0	362
Spec MS Art	1,155	0	0	16	1,171
MS Student Council	1,877	3,028	2,536	12	2,381
MS Student Council-Saved for Sign	0	0	0	23	23
MS Activities	278	161	161	3	281
High School Fine Arts	735	0	40	8	703
Class of 2009	3,687	0	0	(3,687)	0
Class of 2010	38	12,840	9,271	47	3,654
Class of 2011	0	0	0	0	0
Class of 2012	0	0	0	0	0
Class of 2013	0	0	2,757	2,757	0
HS Yearbook	4,938	10,360	11,339	69	4,028
Spec HS Art	1,112	2,125	1,616	3	1,624
Silk Screening	0	2,004	1,637	0	367
Cheerleaders	0	130	581	451	0
FFA	3,299	9,416	8,385	54	4,384
National Honor Society	10,326	0	1,397	(6,966)	1,963
HS Student Council	2,172	1,803	3,457	506	1,024
HS Activities	0	286	286	0	0
Vending Machine	0	9,223	16,232	7,009	0
<b>Total</b>	<b>\$ 115,374</b>	<b>158,620</b>	<b>169,623</b>	<b>0</b>	<b>104,371</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2009

	GO Bond Construction	Statewide Sales and Services Tax	Total Capital Projects
<b>Assets</b>			
Cash and pooled investments	\$ 590,265	221,619	811,884
Accounts receivable	2,942	0	2,942
Due from other governments	0	70,558	70,558
<b>Total assets</b>	<b>\$ 593,207</b>	<b>292,177</b>	<b>885,384</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 137,573	0	137,573
Fund balances:			
Reserved:			
Capital facility construction	455,634	0	455,634
Unreserved	0	292,177	292,177
Total fund balances	455,634	292,177	747,811
<b>Total liabilities and fund balances</b>	<b>\$ 593,207</b>	<b>292,177</b>	<b>885,384</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2009

	GO Bond Construction	Statewide Sales and Services Tax	Total
<b>REVENUES:</b>			
Local sources			
Local tax	\$ 0	418,762	418,762
Other	3,767	5,547	9,314
Total revenues	<u>3,767</u>	<u>424,309</u>	<u>428,076</u>
<b>EXPENDITURES:</b>			
Other expenditures:			
Facilities acquisitions	531,964	131,249	663,213
Excess(deficiency) of revenues over(under) expenditures	(528,197)	293,060	(235,137)
<b>OTHER FINANCING SOURCES(USES):</b>			
Transfer in	864,431	0	864,431
Transfer out	(343)	(581,311)	(581,654)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<u>864,088</u>	<u>(581,311)</u>	<u>282,777</u>
Net change in fund balances	335,891	(288,251)	47,640
Fund balance beginning of year	119,743	580,428	700,171
Fund balance end of year	<u>\$ 455,634</u>	<u>292,177</u>	<u>747,811</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,233,021	3,084,414	3,146,783	3,159,955	3,202,645	2,778,213
Tuition	1,287,996	1,276,568	1,249,157	1,084,449	815,148	655,870
Other	324,444	487,198	492,617	524,229	279,311	295,208
State sources	3,821,565	3,846,326	3,448,468	3,581,775	3,159,379	3,052,978
Federal sources	274,774	252,322	400,479	228,858	272,939	190,579
Total	<u>\$ 8,941,800</u>	<u>8,946,828</u>	<u>8,737,504</u>	<u>8,579,266</u>	<u>7,729,422</u>	<u>6,972,848</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,154,199	3,263,097	3,070,843	2,738,703	2,575,286	2,704,570
Special	1,246,523	1,106,333	1,034,926	889,705	821,571	946,698
Other	883,985	756,644	789,754	722,381	677,104	608,756
Support services:						
Student	283,357	280,838	278,505	253,518	250,249	239,395
Instructional staff	392,755	289,776	269,037	328,213	296,343	256,506
Administration	828,893	826,278	800,010	800,782	779,341	674,193
Operation and maintenance of plant	853,631	943,058	805,329	944,385	664,386	664,676
Transportation	475,124	724,232	468,739	468,872	503,504	470,553
Central	0	0	0	0	0	1,396
Non-instructional programs						
Food service	2,527	3,892	3,635	2,354	2,354	3,364
Community service	5,131	5,473	5,738	3,470	10,904	20,289
Other expenditures:						
Facilities acquisitions	848,284	1,094,240	4,656,475	1,289,281	86,941	156,383
Long-term debt:						
Principal	244,000	230,000	185,000	190,000	0	0
Interest and fiscal charges	228,861	232,517	213,226	182,405	0	0
AEA flow-through	251,378	248,491	231,586	218,952	217,704	221,438
Total	<u>\$ 9,698,648</u>	<u>10,004,869</u>	<u>12,812,803</u>	<u>9,033,021</u>	<u>6,885,687</u>	<u>6,968,217</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2010. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Marshall Community School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Marshall Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of East Marshall Community School District's financial statements that is more than inconsequential will not be prevented or detected by East Marshall Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by East Marshall Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Marshall Community School District and other parties to whom East Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2010

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 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 that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will continue to investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-09 Student Activity Fund - Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. However, all fundraisers are not being approved by the board and do not always have specific stated purpose.

We noted that when sponsors are collecting money from students for fundraisers, they are not always providing the students with receipts for the money collected.

Recommendation - The District should review the procedures in place. The Board should approve all fundraisers and all fundraisers should have a specific stated purpose. The District should cease the practice of fundraising without Board approval and stated purposes.

Sponsors should be issuing pre-numbered receipts to students for fundraising revenues and providing the receipts for supporting documentation that could later be used for reconciliation purposes when the money is subsequently turned into the main office.

Response - The Board will approve all student fundraisers and all student fundraisers will have a stated purpose.

The District has reviewed fundraising procedures in the Activity Fund and has implemented the necessary changes.

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	0
Statewide sales and services tax revenue			418,762
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	76,451	
Debt service for school infrastructure:			
General obligation debt		342,311	418,762
			<u>418,762</u>
Ending balance		\$	<u>0</u>
Levies reduced as a result of statewide sales and services tax received:			
		Per \$1,000 of Taxable Valuation	Property Tax Dollars
		<u>1.98985</u>	<u>342,311</u>
Debt service levy	\$		