

MARION INDEPENDENT SCHOOL DISTRICT
MARION, IOWA

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

JUNE 30, 2010

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Marion Independent School District

Officials

Year ended June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Dan Barkley	President	2011
Alan Tribble	Vice President	2009
Diane Bys	Board Member	2009
Bill Huntoon	Board Member	2009
Mary Ames	Board Member	2011
Tamara Koppedryer	Board Member	2011
Dennis Trout	Board Member	2011
Board of Education		
(After September 2009 Election)		
Dan Barkley	President	2011
Alan Tribble	Vice President	2013
Mary Ames	Board Member	2011
Tamara Koppedryer	Board Member	2011
Dennis Trout	Board Member	2011
Diane Bys	Board Member	2013
Bill Huntoon	Board Member	2013
School Officials		
Sarah Pinion	Superintendent	2010
Brian Bartz	District Secretary/Treasurer	2010
Matthew Novak	Attorney	2010
Brian Gruhn	Attorney	2010

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Marion Independent School District:

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Marion Independent School District, Marion, Iowa, as of and for the year ended June 30, 2010, 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 an 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 basic 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Marion Independent School District at June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2010 on our consideration of the Marion Independent 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 provided 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 45 are not required parts of the basic financial statements, but are supplementary 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 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 Marion Independent School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed

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unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed qualified opinions on those financial statements due to the inability to observe inventory recorded in the Enterprise, School Nutrition Fund. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marion Independent 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$19,629,613 in fiscal 2009 to \$20,196,453 in fiscal 2010, while General Fund expenditures increased from \$20,234,053 in fiscal 2009 to \$20,731,742 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$1,283,037 in fiscal 2009 to a balance of \$747,748 in fiscal 2010, a 41.72% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal sources due to ARRA stimulus funding. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The reason the General Fund balance decreased is because the increase in revenues was less than the increase in expenditures. As a result, the District's fund balance decreased \$535,289.

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 Marion Independent 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 Marion Independent 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 Marion Independent School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

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

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

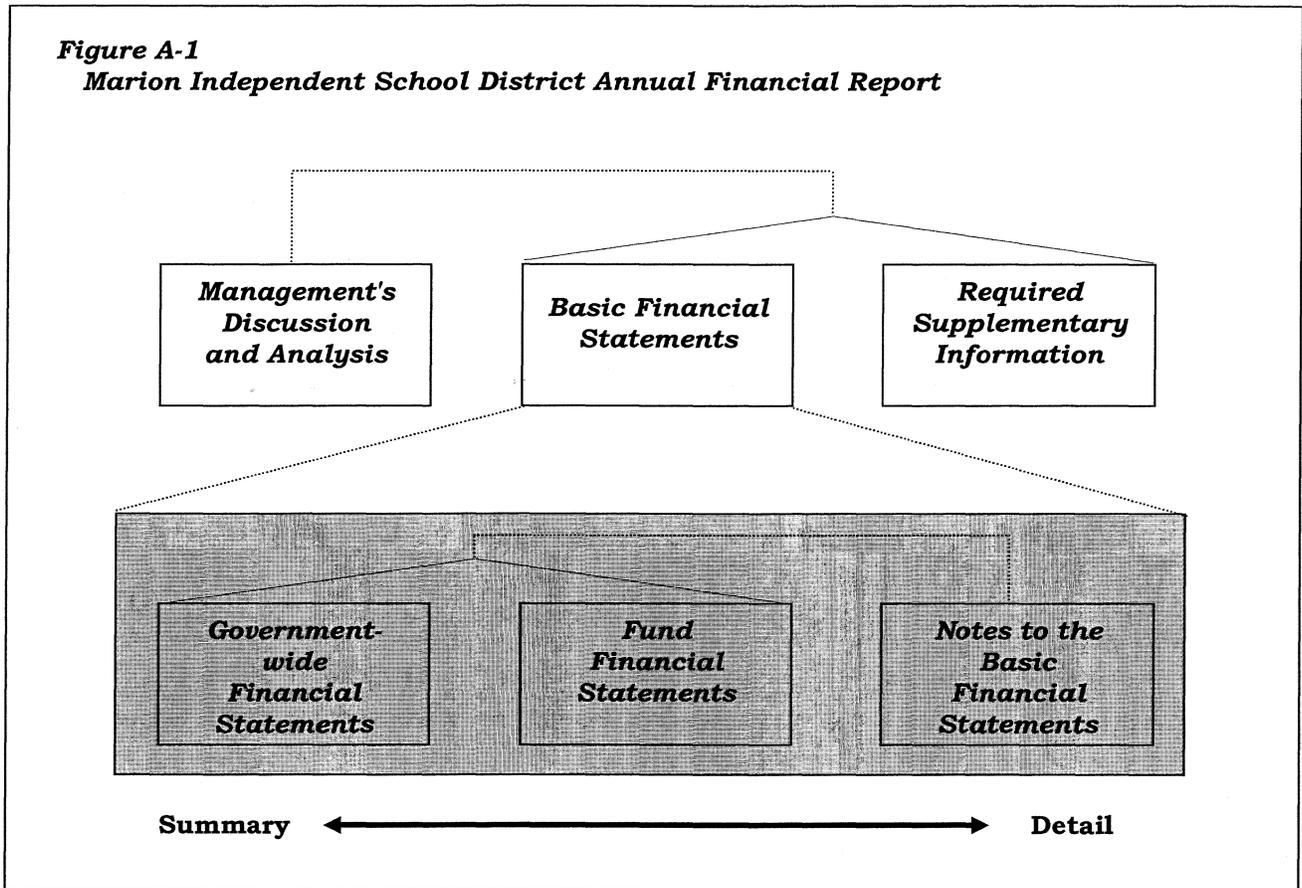


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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, MDE school store and student built house programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide 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 three enterprise fund, the School Nutrition Fund, MDE School Store Fund and Student Built House Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, Flexible Benefits Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for the assets that belong to others. These funds include the Agency Fund.

- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for District employee purchased of pop and related expenditures.

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 proprietary funds include a statement of 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 at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 23,357,837	27,505,893	143,225	374,068	23,501,062	27,879,961	-15.71%
Capital assets	16,661,189	11,140,445	59,112	67,901	16,720,301	11,208,346	49.18%
Total assets	40,019,026	38,646,338	202,337	441,969	40,221,363	39,088,307	2.90%
Long-term obligations	18,989,371	19,087,272	-	-	18,989,371	19,087,272	-0.51%
Other liabilities	9,890,472	8,789,978	33,002	55,934	9,923,474	8,845,912	12.18%
Total liabilities	28,879,843	27,877,250	33,002	55,934	28,912,845	27,933,184	3.51%
Net assets:							
Invested in capital assets, net of related debt	5,420,750	5,216,844	59,112	67,901	5,479,862	5,284,745	3.69%
Restricted	6,226,944	4,072,910	-	-	6,226,944	4,072,910	52.89%
Unrestricted	(508,511)	1,479,334	110,223	318,134	(398,288)	1,797,468	-122.16%
Total net assets	\$ 11,139,183	10,769,088	169,335	386,035	11,308,518	11,155,123	1.38%

The District's combined net assets increased by 1.38%, or \$153,395 from 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$2,154,034, or 52.89% over the prior year.

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 – decreased \$2,195,756, or 122.16%. This reduction in unrestricted net assets was primarily a result of the District's decrease in the General Fund balance in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 4,463,302	4,534,276	470,912	740,986	4,934,214	5,275,262	-6.47%
Operating grants and contributions and restricted interest	4,215,606	2,688,025	323,232	295,089	4,538,838	2,983,114	52.15%
General revenues:							
Property tax	5,465,544	5,326,286	-	-	5,465,544	5,326,286	2.61%
Income surtax	460,929	432,661	-	-	460,929	432,661	6.53%
Statewide sales, services and use tax	1,914,809	1,628,625	-	-	1,914,809	1,628,625	17.57%
Unrestricted state grants	6,977,219	8,207,786	-	-	6,977,219	8,207,786	-14.99%
Other	204,578	239,041	567	3,526	205,145	242,567	-15.43%
Total revenues	23,701,987	23,056,700	794,711	1,039,601	24,496,698	24,096,301	1.66%
Program expenses:							
Governmental activities:							
Instructional	15,547,591	14,721,969	-	-	15,547,591	14,721,969	5.61%
Support services	5,828,095	5,969,983	13,313	10,980	5,841,408	5,980,963	-2.33%
Non-instructional programs	260	220	870,306	922,560	870,566	922,780	-5.66%
Other expenses	1,955,946	1,520,708	127,792	131,401	2,083,738	1,652,109	26.13%
Total expenses	23,331,892	22,212,880	1,011,411	1,064,941	24,343,303	23,277,821	4.58%
Changes in net assets	370,095	843,820	(216,700)	(25,340)	153,395	818,480	-81.26%
Beginning net assets	10,769,088	9,925,268	386,035	411,375	11,155,123	10,336,643	7.92%
Ending net assets	\$ 11,139,183	10,769,088	169,335	386,035	11,308,518	11,155,123	1.38%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 62.52% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.93% of the revenue from business type activities.

The District's total revenues were \$24,496,698 of which \$23,701,987 was for governmental activities and \$794,711 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.66% increase in revenues and 4.58% increase in expenses. Unrestricted state grants decreased by \$1,230,567 due to the 10% state across the board cut in funding. Operating grants and contributions and restricted interest increased by \$1,555,724 due to the increase in ARRA stimulus grant monies received. The increases in expenses were related to increases in negotiated salaries and benefits primarily in the instruction function.

Governmental Activities

Revenues for governmental activities were \$23,701,987 and expenses were \$23,331,892 for the year ended June 30, 2010.

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, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 15,547,591	14,721,969	5.61%	7,653,725	8,275,621	-7.51%
Support services	5,828,095	5,969,983	-2.38%	5,787,934	5,861,114	-1.25%
Non-instructional programs	260	220	18.18%	260	220	18.18%
Other expenses	1,955,946	1,520,708	28.62%	1,211,065	853,624	41.87%
Totals	\$ 23,331,892	22,212,880	5.04%	14,652,984	14,990,579	-2.25%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$4,463,302.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,215,606.
- The net cost of governmental activities was financed with \$5,465,544 in property tax, \$1,914,809 in statewide sales, services and uses tax, \$460,929 in income surtax, \$6,977,219 in unrestricted state grants, \$134,233 in interest income and \$70,345 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$794,711 and expenses were \$1,011,411. The District's business type activities include the School Nutrition Fund, MDE School Store Fund and Student Built House 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 Marion Independent 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 \$13,274,166, below last year's ending fund balances of \$18,474,570. The primary reason for the decrease in combined fund balance in fiscal 2010 is due to the increase in capital facilities construction expenditures in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,283,037 on June 30, 2009 to \$747,748 on June 30, 2010. The fluctuation in the District's General Fund financial position is the product of many factors. A reduction in state sources was offset by increases in local tax and federal grant revenue. The increase in expenditures was due to the increase in negotiated salaries and benefits expenditures. Expenditures exceeded revenues ensuring the decrease in the District's financial position requiring the District to use carry fund balance to meet its financial obligations during the year.

- The Capital Projects fund balance decreased from \$15,889,994 in 2009 to \$10,275,796 in 2010. This resulted from the increase in capital facility construction expenditures during the year for the new Middle School and science wing addition at the High School.
- The Debt Service Fund balance increased from \$25,349 in 2009 to \$916,407 in 2010. The increase was due in part to the revenue bond debt covenants requiring monthly transfers of statewide sales, services and use tax to finance a debt sinking account.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$197,672 at June 30, 2009 to \$179,420 at June 30, 2010, representing a decrease of 9.23%.

MDE School Store Fund net assets increased from \$1,291 at June 30, 2009 to \$1,632 at June 30, 2010, representing an increase of 26.41%.

Student Built House Fund net assets decreased from \$187,072 at June 30, 2009 to a deficit \$11,717 at June 30, 2010, representing a decrease of 106.26%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Marion Independent School District amended its budget one time to reflect additional expenditures.

The District's total revenues were \$772,723 less than total budgeted revenues, a variance of 3.06%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. 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, 2010, the District had invested \$16,720,301, 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 49.18% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$511,321.

The original cost of the District's capital assets was \$28,981,178. Governmental funds account for \$28,667,344 with the remainder of \$313,834 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,700,961 at June 30, 2010 compared to \$1,162,857 reported at June 30, 2009. The increase in construction in progress was due to capital facility building improvements that were started and not completed by the end of the year on the new Junior High School and science wing addition at the High School.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 1,336,709	985,427	-	-	1,336,709	985,427	35.65%
Construction in progress	6,700,961	1,162,857	-	-	6,700,961	1,162,857	476.25%
Buildings	7,767,488	8,114,528	-	-	7,767,488	8,114,528	-4.28%
Land improvements	405,456	455,239	-	-	405,456	455,239	-10.94%
Machinery and equipment	450,575	422,394	59,112	67,901	509,687	490,295	3.96%
Total	\$ 16,661,189	11,140,445	59,112	67,901	16,720,301	11,208,346	49.18%

Long-Term Debt

At June 30, 2010, the District had \$18,989,371 in total long-term debt outstanding. This represents a decrease of .51% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2010	2009	
General obligation bonds	\$ 2,855,000	3,230,000	-11.61%
Revenue bonds	15,450,000	15,450,000	0.00%
Capital loan notes	-	180,000	-100.00%
Capital lease purchase agreement	-	64,343	-100.00%
Early retirement	243,546	-	100.00%
Compensated absences	115,256	64,647	78.29%
Net OPEB liability	325,569	98,282	231.26%
Totals	\$ 18,989,371	19,087,272	-0.51%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the District's current financial challenges, the FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

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 Brian Bartz, District Secretary/Treasurer, Marion Independent School District, 777 South 15th Street, Marion, Iowa, 52302.



BASIC FINANCIAL STATEMENTS

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,950,400	118,504	16,068,904
Receivables:			
Property tax:			
Delinquent	54,686	-	54,686
Succeeding year	5,989,781	-	5,989,781
Income surtax	431,760	-	431,760
Accounts	16,104	308	16,412
Due from other governments	910,622	-	910,622
Inventories	-	24,413	24,413
Prepaid expenses	4,484	-	4,484
Capital assets, net of accumulated depreciation	16,661,189	59,112	16,720,301
TOTAL ASSETS	40,019,026	202,337	40,221,363
LIABILITIES			
Accounts payable	1,334,428	1,155	1,335,583
Salaries and benefits payable	2,138,633	9,631	2,148,264
Accrued interest payable	275,382	-	275,382
Bank loan payable	-	11,000	11,000
Deferred revenue:			
Succeeding year property tax	5,989,781	-	5,989,781
Other	152,248	-	152,248
Unearned revenue	-	11,216	11,216
Long-term liabilities:			
Portion due within one year:			
Bonds payable	875,000	-	875,000
Early retirement payable	243,546	-	243,546
Compensated absences payable	115,256	-	115,256
Portion due after one year:			
Bonds payable	17,430,000	-	17,430,000
Net OPEB liability	325,569	-	325,569
TOTAL LIABILITIES	28,879,843	33,002	28,912,845
NET ASSETS			
Invested in capital assets, net of related debt	5,420,750	59,112	5,479,862
Restricted for:			
Debt service	2,352,016	-	2,352,016
Categorical funding	531,082	-	531,082
Capital projects	1,775,626	-	1,775,626
Public education and recreation levy	32,619	-	32,619
Physical plant and equipment levy	807,307	-	807,307
Other special revenue purposes	728,294	-	728,294
Unrestricted	(508,511)	110,223	(398,288)
TOTAL NET ASSETS	\$ 11,139,183	169,335	11,308,518

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 10,728,654	3,776,405	2,690,193	(4,262,056)	-	(4,262,056)
Special	3,118,894	237,728	490,999	(2,390,167)	-	(2,390,167)
Other	1,700,043	417,009	281,532	(1,001,502)	-	(1,001,502)
	<u>15,547,591</u>	<u>4,431,142</u>	<u>3,462,724</u>	<u>(7,653,725)</u>	<u>-</u>	<u>(7,653,725)</u>
Support services:						
Student	745,648	-	-	(745,648)	-	(745,648)
Instructional staff	788,169	-	-	(788,169)	-	(788,169)
Administration	2,218,202	-	-	(2,218,202)	-	(2,218,202)
Operation and maintenance of plant	1,645,150	-	-	(1,645,150)	-	(1,645,150)
Transportation	430,926	32,160	8,001	(390,765)	-	(390,765)
	<u>5,828,095</u>	<u>32,160</u>	<u>8,001</u>	<u>(5,787,934)</u>	<u>-</u>	<u>(5,787,934)</u>
Non-instructional programs:						
Community service and education operations	260	-	-	(260)	-	(260)
Other expenditures:						
Facilities acquisitions	82,338	-	-	(82,338)	-	(82,338)
Long-term debt interest	725,522	-	-	(725,522)	-	(725,522)
AEA flowthrough	744,881	-	744,881	-	-	-
Depreciation(unallocated)*	403,205	-	-	(403,205)	-	(403,205)
	<u>1,955,946</u>	<u>-</u>	<u>744,881</u>	<u>(1,211,065)</u>	<u>-</u>	<u>(1,211,065)</u>
Total governmental activities	<u>23,331,892</u>	<u>4,463,302</u>	<u>4,215,606</u>	<u>(14,652,984)</u>	<u>-</u>	<u>(14,652,984)</u>
Business Type activities:						
Support services:						
Administration	10,152	-	-	-	(10,152)	(10,152)
Operation and maintenance of plant	3,161	-	-	-	(3,161)	(3,161)
	<u>13,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,313)</u>	<u>(13,313)</u>
Non-instructional programs:						
Food service operations	790,907	460,901	323,232	-	(6,774)	(6,774)
School store operations	9,011	9,348	-	-	337	337
Student build house	70,388	663	-	-	(69,725)	(69,725)
	<u>870,306</u>	<u>470,912</u>	<u>323,232</u>	<u>-</u>	<u>(76,162)</u>	<u>(76,162)</u>
Other expenditures:						
Facilities acquisitions	127,792	-	-	-	(127,792)	(127,792)
Total business type activities	<u>1,011,411</u>	<u>470,912</u>	<u>323,232</u>	<u>-</u>	<u>(217,267)</u>	<u>(217,267)</u>
Total	<u>\$ 24,343,303</u>	<u>4,934,214</u>	<u>4,538,838</u>	<u>(14,652,984)</u>	<u>(217,267)</u>	<u>(14,870,251)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,130,977	-	5,130,977
Capital projects				166,423	-	166,423
Debt service				168,144	-	168,144
Income surtax				460,929	-	460,929
Statewide sales, services and use tax				1,914,809	-	1,914,809
Unrestricted state grants				6,977,219	-	6,977,219
Unrestricted investment earnings				134,233	567	134,800
Other				70,345	-	70,345
Total general revenues				<u>15,023,079</u>	<u>567</u>	<u>15,023,646</u>
Changes in net assets				370,095	(216,700)	153,395
Net assets beginning of year				10,769,088	386,035	11,155,123
Net assets end of year				<u>\$ 11,139,183</u>	<u>169,335</u>	<u>11,308,518</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 3,013,015	10,581,395	914,720	1,404,449	15,913,579
Receivables:					
Property tax					
Delinquent	49,135	-	1,687	3,864	54,686
Succeeding year	5,218,555	-	239,500	531,726	5,989,781
Income surtax	-	-	-	431,760	431,760
Interfund	63,452	-	-	-	63,452
Accounts	15,535	-	-	569	16,104
Due from other governments	599,446	311,176	-	-	910,622
Prepaid expenses	4,484	-	-	-	4,484
TOTAL ASSETS	\$ 8,963,622	10,892,571	1,155,907	2,372,368	23,384,468
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ -	-	-	63,452	63,452
Accounts payable	706,438	616,775	-	11,215	1,334,428
Salaries and benefits payable	2,138,633	-	-	-	2,138,633
Deferred revenue:					
Succeeding year property tax	5,218,555	-	239,500	531,726	5,989,781
Income surtax	-	-	-	431,760	431,760
Other	152,248	-	-	-	152,248
Total liabilities	8,215,874	616,775	239,500	1,038,153	10,110,302
Fund balances:					
Reserved for:					
Debt service	-	1,435,609	916,407	-	2,352,016
Categorical funding	531,082	-	-	-	531,082
Unreserved:					
Designated for capital facility construction	-	7,064,561	-	-	7,064,561
Undesignated	216,666	1,775,626	-	1,334,215	3,326,507
Total fund balances	747,748	10,275,796	916,407	1,334,215	13,274,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,963,622	10,892,571	1,155,907	2,372,368	23,384,468

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances of governmental funds(page 20)	\$	13,274,166
<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 report as assets in in the governmental funds.		16,661,189
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(275,382)
The Internal Service Fund is used to charge the costs of the District's flexible benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.		36,821
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		431,760
Long-term liabilities, including bonds payable, early retirement payable, compensated absences payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(18,989,371)</u>
Net assets of governmental activities(page 18)	\$	<u>11,139,183</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,912,126	1,914,809	168,144	821,076	7,816,155
Tuition	3,912,745	-	-	-	3,912,745
Other	213,976	117,274	32	465,405	796,687
State sources	9,299,692	-	-	-	9,299,692
Federal sources	1,841,651	-	-	-	1,841,651
Total revenues	20,180,190	2,032,083	168,176	1,286,481	23,666,930
EXPENDITURES:					
Current:					
Instruction:					
Regular	10,185,525	-	-	234,149	10,419,674
Special	3,086,897	-	-	-	3,086,897
Other	1,297,152	-	-	387,727	1,684,879
	14,569,574	-	-	621,876	15,191,450
Support services:					
Student	735,693	-	-	-	735,693
Instructional staff	762,839	-	-	-	762,839
Administration	2,080,207	8,871	-	28,781	2,117,859
Operation and maintenance of plant	1,469,486	-	-	138,025	1,607,511
Transportation	368,802	-	-	97,851	466,653
	5,417,027	8,871	-	264,657	5,690,555
Non-instructional programs:					
Community service and education operations	260	-	-	-	260
Other expenditures:					
Facilities acquisitions	-	5,901,800	-	76,306	5,978,106
Long-term debt:					
Principal	-	-	594,343	-	594,343
Interest and fiscal charges	-	-	693,030	-	693,030
AEA flowthrough	744,881	-	-	-	744,881
	744,881	5,901,800	1,287,373	76,306	8,010,360
Total expenditures	20,731,742	5,910,671	1,287,373	962,839	28,892,625
Excess(deficiency) of revenues over(under) expenditures	(551,552)	(3,878,588)	(1,119,197)	323,642	(5,225,695)
Other financing sources(uses):					
Gain on sale of equipment	7,361	-	-	-	7,361
Issuance of refunding bonds	-	-	3,205,000	-	3,205,000
Premium on bonds	-	-	72,843	-	72,843
Accrued interest	-	-	2,137	-	2,137
Payment of refunding bond escrow agent	-	-	(3,230,000)	-	(3,230,000)
Discount on bonds	-	-	(32,050)	-	(32,050)
Transfers in	8,902	-	1,992,325	-	2,001,227
Transfers out	-	(1,735,610)	-	(265,617)	(2,001,227)
	16,263	(1,735,610)	2,010,255	(265,617)	25,291
Net change in fund balances	(535,289)	(5,614,198)	891,058	58,025	(5,200,404)
Fund balance beginning of year	1,283,037	15,889,994	25,349	1,276,190	18,474,570
Fund balance end of year	\$ 747,748	10,275,796	916,407	1,334,215	13,274,166

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds(page 22) \$ (5,200,404)

*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 Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 6,018,730	
Depreciation expense	<u>(497,986)</u>	5,520,744

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year repayments exceeded issues, as follows:

Issued	\$ (3,205,000)	
Repaid	<u>3,824,343</u>	619,343

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. (75,422)

The change in net assets of the Internal Service Fund is reported with governmental activities in the Statement of Net Assets 2,149

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 25,127

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.

Early retirement	\$ (243,546)	
Compensated absences	(50,609)	
Other post employment benefits	<u>(227,287)</u>	(521,442)

Changes in net assets of governmental activities(page 19) \$ 370,095

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Nonmajor Enterprise Funds	Internal Service Fund - Flexible Benefits
ASSETS		
Cash and pooled investments	\$ 118,504	\$ 36,821
Accounts receivable	308	-
Inventories	24,413	-
Capital assets, net of accumulated depreciation	59,112	-
Total assets	<u>202,337</u>	<u>36,821</u>
LIABILITIES		
Accounts payable	1,155	-
Salaries and benefits payable	9,631	-
Bank loan payable	11,000	-
Unearned revenue	11,216	-
Total liabilities	<u>33,002</u>	<u>-</u>
NET ASSETS		
Invested in capital assets	59,112	-
Unrestricted	110,223	36,821
Total net assets	<u>\$ 169,335</u>	<u>\$ 36,821</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Nonmajor Enterprise Funds	Internal Service Fund - Flexible Benefits
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 470,912	\$ 277,820
OPERATING EXPENSES:		
Support services:		
Administration	10,152	-
Operation and maintenance of plant	3,161	-
Non-instructional programs	870,306	275,714
Other expenditures:		
Facilities acquisitions	127,792	-
TOTAL OPERATING EXPENSES	<u>1,011,411</u>	<u>275,714</u>
OPERATING LOSS	<u>(540,499)</u>	<u>2,106</u>
NON-OPERATING REVENUES:		
Interest on investments	567	43
State sources	7,431	-
Federal sources	315,801	-
TOTAL NON-OPERATING REVENUES	<u>323,799</u>	<u>43</u>
Change in net assets	(216,700)	2,149
Net assets beginning of year	<u>386,035</u>	<u>34,672</u>
Net assets end of year	<u>\$ 169,335</u>	<u>\$ 36,821</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Nonmajor Enterprise Fund	Internal Service Fund - Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 460,806	\$ -
Cash received from miscellaneous sources	223,660	277,820
Cash payments to employees for services	(387,379)	-
Cash payments to suppliers for goods or services	(580,567)	(275,714)
Net cash provided by(used in) operating activities	<u>(283,480)</u>	<u>2,106</u>
Cash flows from non-capital financing activities:		
Operating loan proceeds	11,000	-
Operating loan payments	(25,500)	-
State grants received	7,431	-
Federal grants received	265,997	-
Net cash provided by non-capital financing activities	<u>258,928</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,546)	-
Net cash used in capital and related financing activities	<u>(4,546)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	567	43
Net cash provided by investing activities	<u>567</u>	<u>43</u>
Net increase(decrease) in cash and cash equivalents	(28,531)	2,149
Cash and cash equivalents at beginning of year	147,035	34,672
Cash and cash equivalents at end of year	<u>\$ 118,504</u>	<u>\$ 36,821</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating loss	\$ (540,499)	\$ 2,149
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	49,804	-
Depreciation	13,335	-
Increase in inventories	(11,340)	-
Decrease in accounts receivable	213,607	-
Decrease in prepaid expenses	45	-
Decrease in accounts payable	(2,470)	-
Decrease in salaries and benefits payable	(5,909)	-
Decrease in unearned revenue	(53)	-
Net cash provided by(used in) operating activities	<u>\$ (283,480)</u>	<u>\$ 2,149</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 118,504</u>	<u>\$ 36,821</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2010, the District received Federal commodities valued at \$49,804.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 797
Total assets	<u>\$ 797</u>
LIABILITIES	
Accounts payable	\$ 100
Due to other groups	697
Total liabilities	<u>\$ 797</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

The Marion Independent School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, a preschool program, an early childhood special education program for four and five year olds, and a junior kindergarten for five year olds who are not ready for kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marion, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Marion Independent School District has included all funds, organizations, account groups, 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 Marion Independent 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 Linn County Assessor's 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 support.

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 asset 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 that 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The District's enterprise funds are the School Nutrition Fund, MDE School Store Fund and the Student Built House Fund. These funds are used to account for the food service, student-run store, and building and trades program operations of the District.

The Internal Service, Flexible Benefits Fund is used to account for the flexible benefits program offered by 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balance 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 purpose 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 Taxes

Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, machinery, and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2010, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2010.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, 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 are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently are recorded as a liability of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010.

Long-term Obligations

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.

Designated Fund Balances

In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balance is set aside for capital facility construction projects.

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.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,970,703 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 256,715
Debt Service	Capital Projects	1,735,610
General	Special Revenue: Management Levy	8,902
Total		<u>\$ 2,001,227</u>

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

Note 4. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Physical Plant and Equipment Levy	\$ 63,110
General	Special Revenue: Management Levy	342
Total		<u>\$ 63,452</u>

The interfund balances are due to timing differences involved in various reimbursements. These balances are not included on the Government-wide Statement of Net Assets.

Note 5. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 985,427	351,282	-	1,336,709
Construction in progress	1,162,857	5,538,104	-	6,700,961
Total capital assets not being depreciated	<u>2,148,284</u>	<u>5,889,386</u>	-	<u>8,037,670</u>
Capital assets being depreciated:				
Buildings	16,720,838	6,382	-	16,727,220
Land improvements	1,060,856	-	-	1,060,856
Machinery and equipment	2,785,605	122,962	66,969	2,841,598
Total capital assets being depreciated	<u>20,567,299</u>	<u>129,344</u>	<u>66,969</u>	<u>20,629,674</u>
Less accumulated depreciation for:				
Buildings	8,606,310	353,422	-	8,959,732
Land improvements	605,617	49,783	-	655,400
Machinery and equipment	2,363,211	94,781	66,969	2,391,023
Total accumulated depreciation	<u>11,575,138</u>	<u>497,986</u>	<u>66,969</u>	<u>12,006,155</u>
Total capital assets being depreciated, net	<u>8,992,161</u>	<u>(368,642)</u>	-	<u>8,623,519</u>
Governmental activities capital assets, net	<u>\$ 11,140,445</u>	<u>5,520,744</u>	-	<u>16,661,189</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 324,951	4,546	15,663	313,834
Less accumulated depreciation	257,050	13,335	15,663	254,722
Business type activities capital assets, net	<u>\$ 67,901</u>	<u>(8,789)</u>	<u>-</u>	<u>59,112</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 32,681
Other		177
Support services:		
Operation and maintenance of plant		5,523
Transportation		56,400
		<u>94,781</u>
Unallocated depreciation		<u>403,205</u>
Total governmental activities depreciation expense		<u>\$ 497,986</u>
Business type activities:		
Food services		<u>\$ 13,335</u>

Note 6. Short-Term Loans Payable

During the year ended June 30, 2010, the District entered into a short-term bank loan for the Enterprise, Student Built House Fund. The loan was necessary to provide temporary financing during periods of low cash flows. The loan is a line of credit with a maximum possible principal of \$190,000 and is available until December 2010. The Student Built House Fund short-term loan includes interest at 6%.

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Bank Loan	<u>\$ 25,500</u>	<u>\$ 11,000</u>	<u>\$ 25,500</u>	<u>\$ 11,000</u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,230,000	\$ 3,205,000	\$ 3,580,000	\$ 2,855,000	\$ 360,000
Revenue Bonds	15,450,000	-	-	15,450,000	515,000
Capital Loan Notes	180,000	-	180,000	-	-
Capital Lease Purchase Agreement	64,343	-	64,343	-	-
Early Retirement	-	243,546	-	243,546	243,546
Compensated Absences	64,647	115,256	64,647	115,256	115,256
Net OPEB liability	98,282	260,046	32,759	325,569	-
Total	<u>\$ 19,087,272</u>	<u>\$ 3,823,848</u>	<u>\$ 3,921,749</u>	<u>\$ 18,989,371</u>	<u>\$ 1,233,802</u>

General Obligation Bonds

Details of the District June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2009				
	Interest Rate		Principal	Interest	Total
2011	3.00	% \$	360,000	85,650	445,650
2012	3.00		365,000	74,850	439,850
2013	3.00		390,000	63,900	453,900
2014	3.00		410,000	52,200	462,200
2015	3.00		430,000	39,900	469,900
2016-17	3.00		900,000	40,500	940,500
Total			<u>\$ 2,855,000</u>	<u>357,000</u>	<u>3,212,000</u>

Revenue Bonds

On April 1, 2009, the District issued revenue bonds of \$15,450,000 for capital facility construction. The Revenue Bonds will be paid with statewide sales, services and use taxes collected in the Capital Projects Fund. Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009				
	Interest Rate		Principal	Interest	Total
2011	4.25	% \$	515,000	725,544	1,240,544
2012	4.25		680,000	700,150	1,380,150
2013	4.25		710,000	670,613	1,380,613
2014	4.25		565,000	643,519	1,208,519
2015	4.25		545,000	619,931	1,164,931
2016-20	4.00-4.375		3,085,000	2,728,500	5,813,500
2021-25	4.60-5.00		3,835,000	1,950,792	5,785,792
2026-30	5.125-5.375		5,515,000	925,777	6,440,777
Total			<u>\$ 15,450,000</u>	<u>8,964,826</u>	<u>24,414,826</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$15,450,000 bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of the Middle School classroom addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the notes is \$24,414,826. For the current year, principal of \$0 and interest of \$552,366 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,914,809.

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

- a) \$1,435,609 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.

- c) Beginning July 1, 2009, monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Early Retirement

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

Early retirement benefits equal 60% of the employee's regular contractual salary in effect during the employee's last year of employment. The policy requires early retirement benefits be paid once in July 2010 to a 403B plan.

At June 30, 2010, the District has obligations to eight participants with a total liability of \$243,546. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Note 8. Other Postemployment Benefits(OPEB)

Plan Description - The District participates in an agent multiple-employer health care plan called the Metro Interagency Insurance Plan (MIIP). This plan provides medical and prescription drug benefits for eligible employees and retirees and their spouses. There are 214 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-funded plan with MIIP. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 98,448
Interest on net OPEB obligation	6,339
Adjustment to annual required contribution	<u>155,259</u>
Annual OPEB cost	260,046
Contributions made	(32,759)
Increase in net OPEB obligation	227,287
Net OPEB obligation beginning of year	98,282
Net OPEB obligation end of year	<u><u>\$ 325,569</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 260,046	79.9%	\$ 325,569

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$830,169, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$830,169. The covered payroll (annual payroll of active employees covered by the plan) was \$15,025,791, and the ratio of the UAAL to covered payroll was 5.5%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 and applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

The UAAL is being amortized as a level dollar amount on an closed basis over 30 years.

Note 9. Advance Refunding

On November 1, 2009 the District issued \$3,205,000 in general obligation bonds, with an interest rate of 3.00%, to advance refund \$3,230,000 of outstanding general obligation bonds dated February 1, 1998. The proceeds of the refunding issue were used to call the bonds on November 10, 2009. The amount of principal and interest paid were \$3,230,000 and \$65,754.25 respectively. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from the long-term debt. The new refunding bonds have been added to the appropriate financial statement and schedules. This advance refunding was undertaken to reduce total debt service payments over the next seven years by \$337,543 and resulted in a net present value savings of \$249,496.

Note 10. 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$926,950, \$848,195, and \$764,636 respectively, equal to the required contributions for each year.

Note 11. Risk Management

Marion Independent 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Marion Independent School District is a member of the Metro Interagency Insurance Program(MIIP), an Iowa Code Chapter 28E organization. MIIP is a local government risk-sharing pool whose members include six public educational entities in central Iowa. MIIP was formed in 1990 for the purpose of establishing, operating and maintaining an insurance program for employee health and medical claims. MIIP provides coverage and protection in the following categories: medical, dental and vision.

Each members' contributions to the MIIP funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, MIIP's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year. The fund re-insures for stop-loss insurance for claims in excess of \$200,000 per year per individual. An insurance carrier is paid an administrative fee to process the claims.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to MIIP for the year ended June 30, 2010 were \$1,473,636.

Note 12. 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 \$744,881 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13. Categorical Funding

The District's reserved fund balance for categorical funding as of June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 86,153
Tobacco settlement	707
Nonpublic textbook services	425
Salary improvement program	258,271
Educator quality, professional development	115,779
Beginning teacher mentoring and induction program	5,437
Market factor	3,083
Educator quality, market factor	10,089
Educator quality, model core curriculum	51,138
Total reserved for categorical funding	<u>\$ 531,082</u>

Note 14. Construction Commitments

The District has active construction projects as of June 30, 2010. The projects include construction on the new Middle School and science wing addition at the High School. At the end of the year, the District paid \$6,700,961 with \$12,695,329 of outstanding contract agreements to be paid upon completion of the capital projects.

Note 15. Deficit Unrestricted Net Assets

The District had deficit unrestricted net assets in the Governmental Activities of \$508,511 at June 30, 2010. The District also had deficit unrestricted net assets in the Nonmajor Enterprise, Student Built House Fund of \$11,717 at June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

MARION INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 ACTUAL TO BUDGET - ALL GOVERNMENTAL FUND TYPES
 AND PROPRIETARY FUND TYPE

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual
Revenues:			
Local sources	\$ 12,525,587	\$ 471,479	\$ 12,997,066
State appropriations	9,299,692	7,431	9,307,123
Federal appropriations	1,841,651	315,801	2,157,452
Total revenues	<u>23,666,930</u>	<u>794,711</u>	<u>24,461,641</u>
Expenditures/Expenses:			
Instruction	15,191,450	-	15,191,450
Support services	5,690,555	13,313	5,703,868
Non-instructional programs	260	870,306	870,566
Other expenditures	8,010,360	127,792	8,138,152
Total expenditures/expenses	<u>28,892,625</u>	<u>1,011,411</u>	<u>29,904,036</u>
Deficiency of revenues under expenditures/expenses	(5,225,695)	(216,700)	(5,442,395)
Other financing sources(uses), net	<u>25,291</u>	<u>-</u>	<u>25,291</u>
Deficiency of revenues and other other financing sources under expenditures/expenses	(5,200,404)	(216,700)	(5,417,104)
Balance beginning of year	<u>18,474,570</u>	<u>386,035</u>	<u>18,860,605</u>
Balance end of year	<u>\$ 13,274,166</u>	<u>\$ 169,335</u>	<u>\$ 13,443,501</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
\$ 13,076,428	\$ 13,076,428	\$ (79,362)
11,327,936	11,327,936	(2,020,813)
830,000	830,000	1,327,452
<u>25,234,364</u>	<u>25,234,364</u>	<u>(772,723)</u>
15,160,000	16,000,000	808,550
7,209,500	7,209,500	1,505,632
975,500	1,150,000	279,434
<u>13,241,113</u>	<u>13,241,113</u>	<u>5,102,961</u>
<u>36,586,113</u>	<u>37,600,613</u>	<u>7,696,577</u>
(11,351,749)	(12,366,249)	6,923,854
<u>210,000</u>	<u>210,000</u>	<u>(184,709)</u>
(11,141,749)	(12,156,249)	6,739,145
<u>13,973,660</u>	<u>13,973,660</u>	<u>4,886,945</u>
<u>\$ 2,831,911</u>	<u>\$ 1,817,411</u>	<u>\$ 11,626,090</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,014,500.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2007	\$ -	\$ 1,069,868	\$ 1,069,868	0.0%	\$ 14,732,170	7.3%
2010	July 1, 2009	\$ -	\$ 830,169	\$ 830,169	0.0%	\$ 15,025,791	5.5%

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



OTHER SUPPLEMENTARY INFORMATION

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Management Levy	Student Activity	Public Education and Recreation Levy
ASSETS			
Cash and pooled investments	\$ 201,451	\$ 243,924	\$ 32,940
Receivables:			
Property tax:			
Current year delinquent	2,198	-	-
Succeeding year	341,207	-	-
Income surtax	-	-	-
Accounts	-	569	-
TOTAL ASSETS	\$ 544,856	\$ 244,493	\$ 32,940
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 342	\$ -	\$ -
Accounts payable	5,552	2,227	321
Deferred revenue:			
Succeeding year property tax	341,207	-	-
Income surtax	-	-	-
Total liabilities	<u>347,101</u>	<u>2,227</u>	<u>321</u>
Fund balances:			
Unreserved, undesignated	<u>197,755</u>	<u>242,266</u>	<u>32,619</u>
	<u>197,755</u>	<u>242,266</u>	<u>32,619</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 544,856	\$ 244,493	\$ 32,940

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Physical Plant and Equipment Levy	District Support Trust	Total
\$ 440,106	\$ 486,028	\$ 1,404,449
1,666	-	3,864
190,519	-	531,726
431,760	-	431,760
-	-	569
<u>\$ 1,064,051</u>	<u>\$ 486,028</u>	<u>\$ 2,372,368</u>
\$ 63,110	\$ -	\$ 63,452
3,115	-	11,215
190,519	-	531,726
431,760	-	431,760
<u>688,504</u>	<u>-</u>	<u>1,038,153</u>
<u>375,547</u>	<u>486,028</u>	<u>1,334,215</u>
<u>375,547</u>	<u>486,028</u>	<u>1,334,215</u>
<u>\$ 1,064,051</u>	<u>\$ 486,028</u>	<u>\$ 2,372,368</u>

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Management Levy	Student Activity	Public Education and Recreation Levy
REVENUES:			
Local sources:			
Local tax	\$ 218,851	\$ -	\$ -
Other	31,052	422,118	-
TOTAL REVENUES	249,903	422,118	-
EXPENDITURES:			
Current:			
Instruction:			
Regular	104,790	-	-
Other	-	387,727	-
Support services:			
Administration	2,168	-	-
Operation and maintenance of plant	99,220	-	5,466
Transportation	15,363	-	-
Other expenditures:			
Facilities acquisition	-	-	-
TOTAL EXPENDITURES	221,541	387,727	5,466
Excess(deficiency) of revenues over(under) expenditures	28,362	34,391	(5,466)
OTHER FINANCING USES:			
Transfers out	(8,902)	-	-
	(8,902)	-	-
Net change in fund balances	19,460	34,391	(5,466)
FUND BALANCE BEGINNING OF YEAR	178,295	207,875	38,085
FUND BALANCE END OF YEAR	\$ 197,755	\$ 242,266	\$ 32,619

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Physical Plant and Equipment Levy	District Support Trust	Total
\$ 602,225	\$ -	\$ 821,076
3,095	9,140	465,405
<u>605,320</u>	<u>9,140</u>	<u>1,286,481</u>
129,359	-	234,149
-	-	387,727
26,613	-	28,781
33,339	-	138,025
82,488	-	97,851
<u>76,306</u>	<u>-</u>	<u>76,306</u>
<u>348,105</u>	<u>-</u>	<u>962,839</u>
257,215	9,140	323,642
<u>(256,715)</u>	<u>-</u>	<u>(265,617)</u>
<u>(256,715)</u>	<u>-</u>	<u>(265,617)</u>
500	9,140	58,025
<u>375,047</u>	<u>476,888</u>	<u>1,276,190</u>
<u>\$ 375,547</u>	<u>\$ 486,028</u>	<u>\$ 1,334,215</u>

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	School Nutrition	MDE School Store	Student Built House	Total
ASSETS				
Cash and pooled investments	\$ 116,509	\$ 1,632	\$ 363	\$ 118,504
Accounts receivables	308	-	-	308
Inventories	24,413	-	-	24,413
Capital assets, net of accumulated depreciation	59,112	-	-	59,112
Total assets	<u>200,342</u>	<u>1,632</u>	<u>363</u>	<u>202,337</u>
LIABILITIES				
Accounts payable	75	-	1,080	1,155
Salaries and benefits payable	9,631	-	-	9,631
Bank loan payable	-	-	11,000	11,000
Unearned revenues	11,216	-	-	11,216
Total liabilities	<u>20,922</u>	<u>-</u>	<u>12,080</u>	<u>33,002</u>
NET ASSETS:				
Invested in capital assets	59,112	-	-	59,112
Unrestricted	120,308	1,632	(11,717)	110,223
Total net assets	<u>\$ 179,420</u>	<u>\$ 1,632</u>	<u>\$ (11,717)</u>	<u>\$ 169,335</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	MDE School Store	Student Built House	Total
OPERATING REVENUES:				
Local sources:				
Charges for services	\$ 460,901	\$ 9,348	\$ 663	\$ 470,912
OPERATING EXPENSES:				
Support services:				
Administration	10,152	-	-	10,152
Operation and maintenance of plant	1,615	-	1,546	3,161
Non-instructional programs	790,907	9,011	70,388	870,306
Other expenditures:				
Facilities acquisition	-	-	127,792	127,792
TOTAL OPERATION EXPENSES	<u>802,674</u>	<u>9,011</u>	<u>199,726</u>	<u>1,011,411</u>
OPERATING INCOME(LOSS)	(341,773)	337	(199,063)	(540,499)
NON-OPERATING REVENUES:				
Interest on investments	289	4	274	567
State sources	7,431	-	-	7,431
Federal sources	315,801	-	-	315,801
TOTAL NON-OPERATING REVENUES	<u>323,521</u>	<u>4</u>	<u>274</u>	<u>323,799</u>
Change in net assets	(18,252)	341	(198,789)	(216,700)
Net assets beginning of year	<u>197,672</u>	<u>1,291</u>	<u>187,072</u>	<u>386,035</u>
Net assets end of year	<u>\$ 179,420</u>	<u>\$ 1,632</u>	<u>\$ (11,717)</u>	<u>\$ 169,335</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	MDE School Store	Student Built House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 460,806	\$ -	\$ -	\$ 460,806
Cash received from miscellaneous sources	-	9,348	214,312	223,660
Cash payments to employees for services	(387,379)	-	-	(387,379)
Cash payments to suppliers for goods or services	(370,870)	(9,044)	(200,653)	(580,567)
Net cash provided by(used in) operating activities	<u>(297,443)</u>	<u>304</u>	<u>13,659</u>	<u>(283,480)</u>
Cash flows from non-capital financing activities:				
Operating loan proceeds	-	-	11,000	11,000
Operating loan payments	-	-	(25,500)	(25,500)
State grants received	7,431	-	-	7,431
Federal grants received	265,997	-	-	265,997
Net cash provided by(used in) non-capital financing activities	<u>273,428</u>	<u>-</u>	<u>(14,500)</u>	<u>258,928</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,546)	-	-	(4,546)
Net cash used in capital and related financing activities	<u>(4,546)</u>	<u>-</u>	<u>-</u>	<u>(4,546)</u>
Cash flows from investing activities:				
Interest on investments	289	4	274	567
Net cash provided by investing activities	<u>289</u>	<u>4</u>	<u>274</u>	<u>567</u>
Net increase(decrease) in cash and cash equivalents	(28,272)	308	(567)	(28,531)
Cash and cash equivalents at beginning of year	144,781	1,324	930	147,035
Cash and cash equivalents at end of year	<u>\$ 116,509</u>	<u>\$ 1,632</u>	<u>\$ 363</u>	<u>\$ 118,504</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating loss	\$ (341,773)	\$ 337	\$ (199,063)	\$ (540,499)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities used	49,804	-	-	49,804
Depreciation	13,335	-	-	13,335
Increase in inventories	(11,340)	-	-	(11,340)
(Increase)Decrease in accounts receivable	(42)	-	213,649	213,607
Decrease in prepaid expenses	45	-	-	45
Decrease in accounts payable	(1,510)	(33)	(927)	(2,470)
Decrease in salaries and benefits payable	(5,909)	-	-	(5,909)
Decrease in unearned revenue	(53)	-	-	(53)
Net cash provided by(used in) operating activities	<u>\$ (297,443)</u>	<u>\$ 304</u>	<u>\$ 13,659</u>	<u>\$ (283,480)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	<u>\$ 116,509</u>	<u>\$ 1,632</u>	<u>\$ 363</u>	<u>\$ 118,504</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2010, the District received Federal commodities valued at \$49,804.				
SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.				

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
DISTRICT-WIDE:				
HOME SCHOOL PROGRAM	\$ 11,593	\$ 15,681	\$ 13,403	\$ 13,871
MISCELLANEOUS	13,117	7,257	-	20,374
INTEREST	22,840	737	23,576	1
TOTAL DISTRICT-WIDE	<u>47,550</u>	<u>23,675</u>	<u>36,979</u>	<u>34,246</u>
EMERSON ELEMENTARY:				
LIBRARY ACTIVITIES	39	-	-	39
MISCELLANEOUS	2,873	1,004	209	3,668
FOUNDATION DONATIONS	72	-	-	72
QUILL/YEARBOOK	310	400	699	11
TOTAL EMERSON ELEMENTARY	<u>3,294</u>	<u>1,404</u>	<u>908</u>	<u>3,790</u>
STARRY ELEMENTARY:				
MISCELLANEOUS	277	-	(4,927)	5,204
RESALE	4,180	699	4,179	700
QUILL/YEARBOOK	-	1,680	629	1,051
WELLS FARGO	576	-	319	257
TOTAL STARRY ELEMENTARY	<u>5,033</u>	<u>2,379</u>	<u>200</u>	<u>7,212</u>
FRANCIS MARION ELEMENTARY:				
INSTRUMENTAL	1,831	468	926	1,373
MISCELLANEOUS	3,607	4,473	2,913	5,167
STUDENT MAGAZINES	2,003	-	-	2,003
TOTAL FRANCIS MARION ELEMENTARY	<u>7,441</u>	<u>4,941</u>	<u>3,839</u>	<u>8,543</u>
VERNON MIDDLE SCHOOL:				
VOCAL	72	7,712	5,842	1,942
INSTRUMENTAL	309	11,081	10,546	844
HONOR BAND	1,985	9,229	7,424	3,790
CHEERLEADERS	516	634	585	565
GENERAL ACTIVITIES	990	1,698	509	2,179
LIBRARY ACTIVITIES	1,318	-	-	1,318
MISCELLANEOUS	352	-	-	352
PE/HEALTH	(164)	-	(164)	-
SCIENCE CLUB	1,490	-	-	1,490
STUDENT NEWSPAPER	505	-	505	-
WASHINGTON DC TRIP	352	-	-	352
SODA - STUDENTS	1,247	498	497	1,248
STUDENT SENATE	569	745	-	1,314
QUILL/YEARBOOK	1,494	5,996	5,735	1,755
PEER HELPERS	51	-	51	-
STUDENT MAGAZINES	8,520	12,522	2,463	18,579
ATHLETICS	9,568	6,145	9,882	5,831
ATHLETIC BEVERAGES	1,278	-	1,278	-
TOTAL VERNON MIDDLE SCHOOL	<u>30,452</u>	<u>56,260</u>	<u>45,153</u>	<u>41,559</u>

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HIGH SCHOOL:				
DRAMA	\$ 1,981	\$ 895	\$ 730	\$ 2,146
SPEECH	-	879	879	-
VOCAL	13,751	7,310	11,888	9,173
INSTRUMENTAL	4,591	14,573	11,636	7,528
CROSS-COUNTRY	509	1,451	1,139	821
BOWLING	(204)	2,368	1,863	301
CHEERLEADERS	5,185	34,827	35,060	4,952
BOYS' BASKETBALL	4,496	11,735	9,414	6,817
FOOTBALL	(1,367)	46,090	36,265	8,458
BOYS' SOCCER	3,041	-	(1,097)	4,138
BASEBALL	(1,228)	23,632	20,220	2,184
BOYS' TRACK	2,241	2,767	2,142	2,866
BOYS' TENNIS	522	-	(122)	644
BOYS' GOLF	892	1,590	2,236	246
WRESTLING	2,762	3,395	2,587	3,570
GIRLS' BASKETBALL	1,338	13,922	13,239	2,021
VOLLEYBALL	2,381	19,119	13,960	7,540
GIRLS' SOCCER	2,272	3,534	1,278	4,528
SOFTBALL	189	7,181	5,089	2,281
GIRLS' TRACK	(272)	478	245	(39)
GIRLS' TENNIS	178	746	742	182
GIRLS' GOLF	17	847	843	21
ARCHERY	-	357	262	95
MISCELLANEOUS	5,922	2,487	(22)	8,431
SCIENCE CLUB	1,087	-	700	387
CREATIVE, INC.	234	-	-	234
STUDENT NEWSPAPER	298	1,564	1,829	33
MUSICAL	4,110	4,694	2,826	5,978
NATIONAL HONOR SOCIETY	218	830	891	157
ACADEMIC COMPETITION	701	-	-	701
THESPIANS	1,841	948	340	2,449
TOM BEGLEY MEMORIAL	94	-	8	86
FRENCH	176	1,800	1,976	-
TRENDS IN FASHION	6	-	-	6
FBLA	2,430	285	2,682	33
VTR TECHNICIAN	7	-	-	7
SODA - STUDENTS	421	1,224	1,574	71
SPANISH	710	2,068	2,066	712
STUDENT SENATE	4,285	1,920	3,566	2,639
QUILL/YEARBOOK	(22)	7,267	7,224	21
ATHLETIC FACILITIES	367	-	(1,779)	2,146
ARTS & CRAFTS	1,215	3,327	2,492	2,050
ATHLETICS	20,864	37,158	48,799	9,223
ATHLETIC OFFICIALS	(1,607)	-	(719)	(888)
GATE RECEIPTS	4,773	53,831	40,500	18,104

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HIGH SCHOOL(CONTINUED):				
CLASS OF 2008	\$ 652	\$ -	\$ 652	\$ -
CLASS OF 2009	1,421	-	1,421	-
CLASS OF 2010	2,170	-	181	1,989
CLASS OF 2011	3,545	4,576	6,545	1,576
CLASS OF 2012	(19)	6,383	2,714	3,650
CLASS OF 2013	-	-	100	(100)
BOWLING	450	-	450	-
ACTIVITY TICKETS	11,949	3,800	-	15,749
PROJECT GRADUATION	1,258	-	1,258	-
WELLNESS	855	880	769	966
ROBOTICS	-	721	688	33
MISD FOUNDATION	419	-	419	-
TOTAL HIGH SCHOOL	114,105	333,459	300,648	146,916
GRAND TOTAL	\$ 207,875	\$ 422,118	\$ 387,727	\$ 242,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 529	2,478	2,210	797
Accounts receivable	110	-	110	-
Total assets	<u>\$ 639</u>	<u>2,478</u>	<u>2,320</u>	<u>797</u>
LIABILITIES				
Accounts payable	\$ -	100	-	100
Due to other groups	639	2,378	2,320	697
Total liabilities	<u>\$ 639</u>	<u>2,478</u>	<u>2,320</u>	<u>797</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 7,816,155	\$ 7,383,182	\$ 7,518,496	\$ 5,813,388
Tuition	3,912,745	3,723,146	4,717,347	4,245,422
Other	796,687	873,374	820,513	966,980
Intermediate sources	-	-	-	-
State sources	9,299,692	10,021,182	9,469,509	8,390,311
Federal sources	1,841,651	975,253	466,853	435,553
Total	<u>\$ 23,666,930</u>	<u>\$ 22,976,137</u>	<u>\$ 22,992,718</u>	<u>\$ 19,851,654</u>
Expenditures:				
Current:				
Instruction				
Instruction	\$ 15,191,450	\$ 14,660,244	\$ 13,487,534	\$ 12,340,648
Support services:				
Student	735,693	748,079	691,993	652,306
Instructional staff	762,839	878,369	986,728	844,966
Administration	2,117,859	2,123,467	2,133,151	1,913,007
Operation and maintenance of plant	1,607,511	1,750,650	1,752,569	1,681,926
Transportation	466,653	368,713	337,961	462,305
Other support services	-	-	-	-
Non-instructional programs	260	220	450	9,974
Other expenditures:				
Facilities acquisitions	5,978,106	1,473,679	793,613	105,682
Long-term debt:				
Principal	594,343	540,621	1,033,717	714,583
Interest	693,030	363,790	217,193	241,024
AEA flowthrough	744,881	667,084	616,027	577,950
Total	<u>\$ 28,892,625</u>	<u>\$ 23,574,916</u>	<u>\$ 22,050,936</u>	<u>\$ 19,544,371</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
\$ 5,265,851	\$ 5,259,733	\$ 5,452,049	\$ 5,388,765	\$ 5,019,524	\$ 4,989,560
3,673,297	3,158,067	3,078,582	2,733,819	2,478,469	2,107,788
854,494	634,143	544,676	679,824	934,541	786,443
-	-	3,623	7,011	7,833	11,359
8,706,248	7,789,648	7,405,475	7,162,859	7,113,970	6,909,556
398,266	310,228	385,529	331,221	286,256	257,035
<u>\$ 18,898,156</u>	<u>\$ 17,151,819</u>	<u>\$ 16,869,934</u>	<u>\$ 16,303,499</u>	<u>\$ 15,840,593</u>	<u>\$ 15,061,741</u>
\$ 11,563,732	\$ 10,943,342	\$ 10,742,516	\$ 9,709,927	\$ 9,381,907	\$ 8,664,302
648,527	637,042	647,126	613,608	602,489	562,579
720,864	607,026	716,121	661,889	710,187	629,834
1,798,324	1,737,393	1,594,679	1,507,089	1,184,029	1,158,954
1,728,086	1,670,449	1,573,423	1,521,039	1,470,025	1,428,064
343,540	381,364	383,700	365,960	350,043	255,877
-	-	20,332	16,716	17,407	50,926
-	-	6,252	9,204	-	-
471,857	377,251	457,804	457,577	429,534	300,598
546,719	574,965	514,905	498,265	470,035	444,346
265,558	281,517	296,247	312,601	332,440	354,676
562,508	508,720	498,185	511,333	513,782	503,200
<u>\$ 18,649,715</u>	<u>\$ 17,719,069</u>	<u>\$ 17,451,290</u>	<u>\$ 16,185,208</u>	<u>\$ 15,461,878</u>	<u>\$ 14,353,356</u>

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)			
	84.215	FY 10	\$ <u>122,774</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	283,518 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	<u>32,283</u>
			<u>315,801</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	272
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4086-G	167,059
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	15,500
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	18,468
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>58,841</u>
			<u>260,140</u>
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - PRESCHOOL GRANTS (PART B)	84.173	FY 10	<u>3,299</u> +
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS			
	84.186	FY 10	<u>8,291</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>67,394</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 10	<u>12,987</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 10	<u>864,112</u>
GRANTWOOD AREA EDUCATION AGENCY: CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 10	<u>14,955</u>

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF EDUCATION (CONTINUED):			
GRANTWOOD AREA EDUCATION AGENCY (CONTINUED):			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	99,959
ARRA - SPECIAL EDUCATION GRANTS TO STATES, (PART B), RECOVERY ACT	84.391	FY 10	100,049
			<u>200,008</u> +
TOTAL			<u>\$ 1,869,761</u>

* Includes \$49,804 of non-cash awards.

+ Total for Special Education Cluster (IDEA) is \$203,307.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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
Marion Independent 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 Marion Independent School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 3, 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 Marion Independent 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 Marion Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion Independent School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompany Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10, II-C-10, II-D-10 and II-E-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Independent 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

Marion Independent School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Marion Independent 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 Marion Independent School District and other parties to whom Marion Independent School District may report, including federal awarding agencies and pass-through entities, and 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 Marion Independent 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.

December 3, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Marion Independent School District

Compliance

We have audited the compliance of Marion Independent School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Marion Independent School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marion Independent School District's management. Our responsibility is to express an opinion on Marion Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion Independent School District's compliance with those requirements.

In our opinion, Marion Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Marion Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marion Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion Independent School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Marion Independent School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Marion Independent 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 Marion Independent School District and other parties to whom Marion Independent 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.


NOLTE, CORNMAN & JOHNSON, P.C.

December 3, 2010

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion Independent School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 review our procedures and make changes as we deem necessary to improve internal control.

Conclusion - Response accepted.

II-B-10 Gate Admissions - We noted during our audit that ticket takers were not reconciling the gate admissions after the event.

Recommendation - The District should review internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will have ticket takers reconcile the gate admissions after the event.

Conclusion - Response accepted.

II-C-10 Purchase Orders - We noted during our audit that some disbursements did not have a purchase order.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-

numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - The District will review the purchase order system.

Conclusion - Response accepted.

II-D-10 Vending Sales in the Agency Fund - We noted during our audit that the Agency Fund was recording the profits on vending sales and then subsequently remitting part of the funds to an outside organization.

Recommendation -The Agency Fund is by definition the recording of transactions of a legally separate entity. Vending sales on school property are District controlled and should be deposited in District accounts. The resale revenue should be expended in accordance with public funds requirements. The vending profits should be recorded in the District records.

Response - The District will deposit the vending profits into a District account.

Conclusion - Response accepted.

II-E-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches.

Response - The District will keep track of hours worked for coaches who are non-certified staff.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2010

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-10 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 review procedures and make changes as we deem necessary to improve internal control.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased gift cards out of the Special Revenue, Student Activity Fund. We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. The gift cards and clothing for coaches do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. We also noted during our audit that there was a hotel bill paid from reservation only and no subsequent receipt from the hotel was retained by the District to support the payment.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

The District should review the procedures in place. The District should not purchase gift cards. The District should require sufficient documentation as support for payment and retain documentation to support payments.

Response - The District will refrain from purchasing gift cards and purchasing clothing for coaches. The District will also require sufficient documentation to support payments.

Conclusion - Response accepted.

- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - No transactions requiring Board approval which have not been approved by the Board were noted.
- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding - No instances of categorical funding used to supplant rather than supplement other funds were noted.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	1,464,795
Statewide sales and services tax revenue	\$	1,914,809	
Interest on investments		<u>78,441</u>	1,993,250
Expenditures/transfers out:			
School infrastructure:			
Debt service for school infrastructure:			
Revenue debt	\$	<u>1,682,419</u>	<u>1,682,419</u>
Ending balance		\$	<u><u>1,775,626</u></u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.20361	\$ 431,760

IV-M-10 Financial Condition - The District had negative accounts in the Special Revenue, Student Activity Fund totaling \$1,027. The District had deficit unrestricted net assets in the Governmental Activities of \$508,511 at June 30, 2010. The District had deficit unrestricted net assets in the Nonmajor Enterprise, Student Built House Fund of \$11,717 at June 30, 2010.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor these funds/activities and investigate alternatives to eliminate the deficits.

Response - The District will review the purchase approval procedures and monitor funds and investigate deficits.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

We noted band rentals and repairs on instruments being recorded in the Student Activity Fund. Per Chapter 279.9 of the Code of Iowa rental proceeds should be placed in the General Fund. Rental and repairs should be paid from the General Fund and revenues received should be recorded in the General Fund.

We also noted scholarships being paid from the Student Activity Fund. The revenues received for scholarships and scholarship payments should be record in a Trust Fund.

Response - We will work on reviewing these accounts and transferring items to a more appropriate fund.

Conclusion - Response accepted.

IV-O-10 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The District will deposit the rent received for district and regional events into the general fund.

Conclusion - Response accepted.

IV-P-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will obtain and retain an image of both the front and back of each cancelled check.

Conclusion - Response accepted.

IV-Q-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - We will have the Board President sign officiating contracts.

Conclusion - Response accepted.

IV-R-10 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of October 1, 2010, the Physical Plant and Equipment Levy owes the General Fund \$63,110 and the Management Levy owes the General Fund \$342.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1 of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District does not have a plan in place for repayment of interfund loans. To comply with the declaratory ruling the District should issue an anticipatory warrant to repay the interfund loans with outside financing or repay the loans.

Response - The District will pay back the interfund loans.

Conclusion - Response accepted.

IV-S-09 Physical Plant and Equipment Levy Fund Expenditures - We noted during our audit that the District paid for snow removal services from the Physical Plant and Equipment Levy Fund. According to Chapter 298.3 of the Code of Iowa, the Physical Plant and Equipment Levy Fund monies cannot be used for snow removal.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer for \$6,280 from the General Fund to the Physical Plant and Equipment Levy Fund.

Response - The District will pay for snow removal out of the general fund and make the corrective transfer from general fund to the physical plant and equipment levy fund.

Conclusion - Response accepted.

