

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Marshalltown Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kay Beach	President	2011
Jay Merryman	Vice President	2011
Scott Lothe	Board Member	2011
Anne Paullus	Board Member	2011
Richard Hessenius	Board Member	2013
Larry Schrum	Board Member	2013
Jennifer Wilson	Board Member	2013
School Officials		
Dr. Marvin L. Wade, Jr.	Superintendent	2011
Kevin Posekany	District Secretary/ Director of Finance	2011
Rex J. Ryden, Cartwright, Druker, & Ryden	Attorney	2011
Ahlers & Cooney, P.C.	Attorney	2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Marshalltown Community School District, Marshalltown, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Marshalltown Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2012 on our consideration of the Marshalltown Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshalltown Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshalltown Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$47,227,478 in fiscal 2010 to \$51,775,075 in fiscal 2011, while General Fund expenditures increased from \$48,956,797 in fiscal 2010 to \$51,387,100 in fiscal 2011. The overall result was an increase in the District's General Fund balance from \$3,810,033 in fiscal 2010 to \$4,198,008 in fiscal 2011, a 10.18% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant and state aid revenue in fiscal 2011. The increase in expenditures was due primarily to an increase in the instruction and support services functional area.

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 Marshalltown Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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-1
Marshalltown Community School District Annual Financial Report

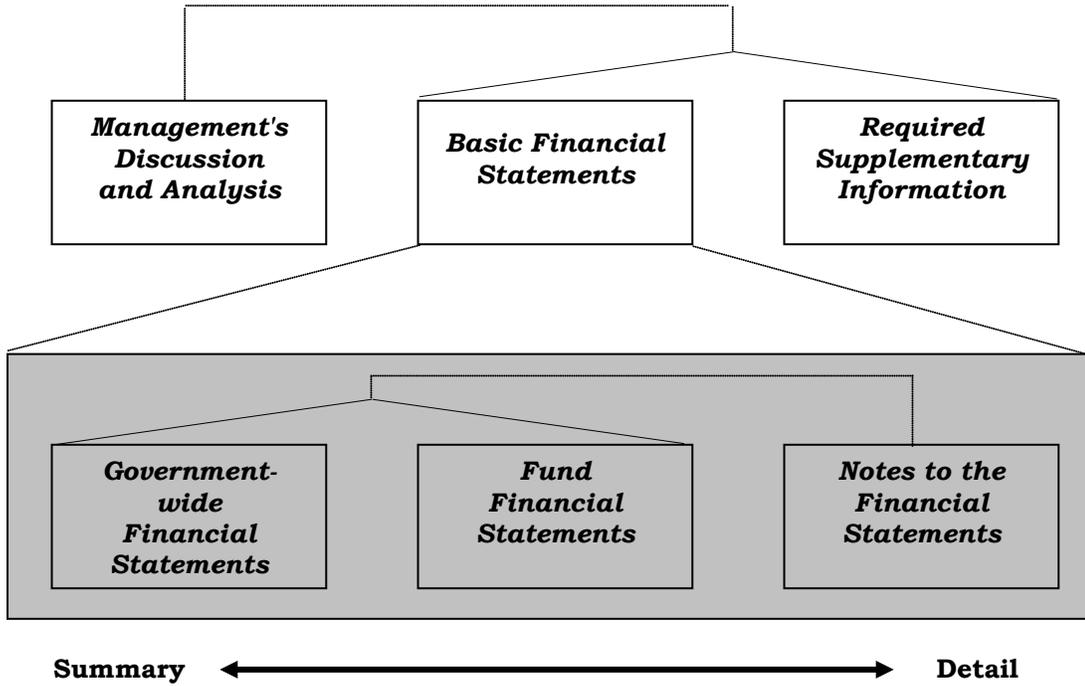


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 net assets • 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 program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 49,214,169	36,218,641	753,889	502,183	49,968,058	36,720,824	36.08%
Capital assets	42,995,844	41,488,883	293,809	342,741	43,289,653	41,831,624	3.49%
Total assets	92,210,013	77,707,524	1,047,698	844,924	93,257,711	78,552,448	18.72%
Long-term liabilities	36,605,565	27,676,784	7,318	7,457	36,612,883	27,684,241	32.25%
Other liabilities	24,864,806	22,685,451	162,535	38,000	25,027,341	22,723,451	10.14%
Total liabilities	61,470,371	50,362,235	169,853	45,457	61,640,224	50,407,692	22.28%
Net assets:							
Invested in capital assets, net of related debt	18,583,794	17,418,883	293,809	342,741	18,877,603	17,761,624	6.28%
Restricted	8,315,008	6,698,509	-	-	8,315,008	6,698,509	24.13%
Unrestricted	3,840,840	3,227,897	584,036	456,726	4,424,876	3,684,623	20.09%
Total net assets	\$ 30,739,642	27,345,289	877,845	799,467	31,617,487	28,144,756	12.34%

The District's combined net assets increased by 12.34%, or \$3,472,731, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,616,499, or 24.13% from the prior year. The increase was primarily the result of the increase in the Capital Projects Fund balance during the 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 – increased \$740,253, or 20.09%. This increase in unrestricted net assets was primarily a result of the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change 2010-11
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,749,242	1,859,451	649,883	728,833	2,399,125	2,588,284	-7.31%
Operating grants and contributions and restricted interest	7,941,117	11,287,461	1,942,126	1,815,175	9,883,243	13,102,636	-24.57%
Capital grants and contributions and restricted interest	380,250	-	-	-	380,250	-	100.00%
General revenues:							
Property tax	15,768,632	15,741,594	-	-	15,768,632	15,741,594	0.17%
Statewide sales, services and use tax	3,308,808	3,250,040	-	-	3,308,808	3,250,040	1.81%
Unrestricted state grants	29,043,568	21,609,361	-	-	29,043,568	21,609,361	34.40%
Nonspecific program federal grants	568,125	-	-	-	568,125	-	100.00%
Unrestricted investment earnings	58,971	107,502	1,669	1,898	60,640	109,400	-44.57%
Other	164,475	174,981	-	-	164,475	174,981	-6.00%
Transfers	-	(150,319)	-	150,319	-	-	0.00%
Total revenues and transfers	58,983,188	53,880,071	2,593,678	2,696,225	61,576,866	56,576,296	8.84%
Program expenses:							
Governmental activities:							
Instruction	36,440,907	35,854,360	-	-	36,440,907	35,854,360	1.64%
Support services	14,579,705	13,953,688	-	-	14,579,705	13,953,688	4.49%
Non-instructional programs	67,803	56,138	2,515,300	2,479,264	2,583,103	2,535,402	1.88%
Other expenses	4,500,420	4,369,599	-	-	4,500,420	4,369,599	2.99%
Total expenses	55,588,835	54,233,785	2,515,300	2,479,264	58,104,135	56,713,049	2.45%
Changes in net assets	3,394,353	(353,714)	78,378	216,961	3,472,731	(136,753)	2639.42%
Net assets beginning of year, as restated	27,345,289	27,699,003	799,467	582,506	28,144,756	28,281,509	-0.48%
Net assets end of year	\$ 30,739,642	27,345,289	877,845	799,467	31,617,487	28,144,756	12.34%

In fiscal 2011, property tax, statewide sales, services and use tax, and unrestricted state grants account for 81.58% of the revenue from governmental activities while charges for services and operating grants account for 99.94% of the revenue from business type activities.

The District's total revenues were approximately \$61.57 million of which approximately \$58.98 million was for governmental activities and approximately \$2.59 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced an 8.84% increase in revenues and a 2.45% increase in expenses. State sourced revenues increased \$7,434,207 to fund increases in expenses. The increase in expenses was related to increases in the instructional and support services functional area.

Governmental Activities

Revenues for governmental activities were \$58,983,188 and expenses were \$55,588,835 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 36,440,907	35,854,360	1.64%	31,034,949	25,105,626	23.62%
Support services	14,579,705	13,953,688	4.49%	12,211,172	13,748,385	-11.18%
Non-instructional programs	67,803	56,138	20.78%	67,803	56,138	20.78%
Other expenses	4,500,420	4,369,599	2.99%	2,204,302	2,176,724	1.27%
Totals	<u>\$ 55,588,835</u>	<u>54,233,785</u>	<u>2.50%</u>	<u>45,518,226</u>	<u>41,086,873</u>	<u>10.79%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,749,242.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$8,321,367.
- The net cost of governmental activities was financed with \$15,768,632 in property tax, \$3,308,808 in statewide sales, services and use tax, \$29,043,568 in unrestricted state grants, \$568,125 in nonspecific program federal grants, \$58,971 in interest income, and \$164,475 in other income.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$2,593,678 and expenses were \$2,515,300. The District's business type activities include the School Nutrition and the Caring Resale Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$21,211,144, compared to last year's ending fund balances of \$10,684,749. However, the primary reason for the increase was from the issuance of \$10,000,000 in revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase during the year in state grants resulted in an increase in revenues. The increase in revenues was greater than the District's increase in General Fund expenditures increasing the District's fund balance by 10.18%.
- The Capital Projects Accounts balance increased from a restated balance of \$5,198,353 at the beginning of the fiscal year 2011 to \$14,693,396. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The increase was the result of the District issuing \$10,000,000 in revenue bonds. These bonds will be used to fund projects at the Alternative High School, Fisher Elementary and Miller Middle School.

Proprietary Fund Highlights

The Enterprise Funds net assets increased from \$799,467 at June 30, 2010 to \$877,845 at June 30, 2011, representing an increase of 9.30%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$4,474,600 less than budgeted revenues, a variance of 6.77%. 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 the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$43.29 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.49% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,519,548.

The original cost of the District's capital assets was \$64,011,685. Governmental funds account for \$63,171,205 with the remainder of \$840,480 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 \$2,101,896 at June 30, 2011, compared to \$131,443 reported at June 30, 2010. This increase resulted from the projects at the Alternative High School, Fisher Elementary and Miller Middle School being started during the year but not completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 637,187	637,187	-	-	637,187	637,187	0.00%
Construction in progress	2,101,896	131,443	-	-	2,101,896	131,443	1499.09%
Buildings	38,901,001	39,484,265	-	-	38,901,001	39,484,265	-1.48%
Land improvements	258,218	238,787	-	-	258,218	238,787	8.14%
Machinery and equipment	1,097,542	997,201	293,809	342,741	1,391,351	1,339,942	3.84%
Total	\$ 42,995,844	41,488,883	293,809	342,741	43,289,653	41,831,624	3.49%

Long-Term Debt

At June 30, 2011, the District had \$36,612,883 in total long-term debt outstanding. This represents an increase of 32.25% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$20,705,000 at June 30, 2011.

The District had total outstanding revenue bonds payable of \$10,000,000 at June 30, 2011, which are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding capital loan notes payable and qualified zone academy bonds payable of \$500,000 and \$1,700,000 respectively at June 30, 2011. Both of these debt issuances are payable from the Capital Projects: Physical Plant and Equipment Levy.

The District also had total outstanding early retirement payable of \$3,045,404 from the Special Revenue, Management Fund at June 30, 2011.

The District had compensated absences payable of \$179,479 from the General Fund at June 30, 2011.

The District had other postemployment benefits payable of \$483,000 at June 30, 2011 from the General and School Nutrition Funds.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
General obligation bonds	\$ 20,705,000	21,770,000	-	-	20,705,000	21,770,000	-4.89%
Revenue bonds	10,000,000	-	-	-	10,000,000	-	100.00%
Capital loan notes	500,000	600,000	-	-	500,000	600,000	-16.67%
Qualified zone academy bonds	1,700,000	1,700,000	-	-	1,700,000	1,700,000	0.00%
Early retirement	3,045,404	3,302,380	-	-	3,045,404	3,302,380	-7.78%
Compensated absences	175,397	167,062	4,082	-	179,479	167,062	7.43%
Net OPEB liability	479,764	137,342	3,236	7,457	483,000	144,799	233.57%
Total	\$ 36,605,565	27,676,784	7,318	7,457	36,612,883	27,684,241	32.25%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced stable enrollment for a few years, the District expects enrollment to remain the same.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- With the District's current financial challenges, the FY 2010 state budget cut of 10% results 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 Kevin Posekany, District Board Secretary/Director of Finance, Marshalltown Community School District, 317 Columbus Dr., Marshalltown, Iowa, 50158.

Basic Financial Statements

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 30,735,148	610,279	31,345,427
Receivables:			
Property tax:			
Delinquent	283,101	-	283,101
Succeeding year	16,038,249	-	16,038,249
Accounts	7,773	13,635	21,408
Due from other governments	1,966,039	44,198	2,010,237
Due from other funds	120,813	-	120,813
Inventories	63,046	85,777	148,823
Capital assets, net of accumulated depreciation	42,995,844	293,809	43,289,653
Total Assets	92,210,013	1,047,698	93,257,711
Liabilities			
Due to other funds	-	120,813	120,813
Accounts payable	1,575,978	19,497	1,595,475
Interest payable	246,907	-	246,907
Salaries and benefits payable	5,034,361	-	5,034,361
Unearned revenue	-	22,225	22,225
Deferred revenue:			
Succeeding year property tax	16,038,249	-	16,038,249
Other	1,169,514	-	1,169,514
Incurred but not reported claims	799,797	-	799,797
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,120,000	-	1,120,000
Capital loan notes	100,000	-	100,000
Early retirement	824,279	-	824,279
Compensated absences	175,397	4,082	179,479
Portion due after one year:			
General obligation bonds	19,585,000	-	19,585,000
Revenue bonds	10,000,000	-	10,000,000
Capital loan notes	400,000	-	400,000
Qualified zone academy bonds	1,700,000	-	1,700,000
Early retirement	2,221,125	-	2,221,125
Net OPEB liability	479,764	3,236	483,000
Total Liabilities	61,470,371	169,853	61,640,224
Net Assets			
Invested in capital assets, net of related debt	18,583,794	293,809	18,877,603
Restricted for:			
Categorical funding	922,029	-	922,029
School infrastructure	4,238,237	-	4,238,237
Physical plant and equipment	962,209	-	962,209
Student activities	289,468	-	289,468
Public education and recreation levy purposes	304,664	-	304,664
Expendable trust purposes	34,605	-	34,605
Debt service	1,563,796	-	1,563,796
Unrestricted	3,840,840	584,036	4,424,876
Total Net Assets	\$ 30,739,642	877,845	31,617,487

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 20,767,126	364,478	1,284,036	-	(19,118,612)	-	(19,118,612)
Special	7,855,456	406,704	699,989	-	(6,748,763)	-	(6,748,763)
Other	7,818,325	782,307	1,868,444	-	(5,167,574)	-	(5,167,574)
	<u>36,440,907</u>	<u>1,553,489</u>	<u>3,852,469</u>	<u>-</u>	<u>(31,034,949)</u>	<u>-</u>	<u>(31,034,949)</u>
Support services:							
Student	2,787,802	-	1,532,700	-	(1,255,102)	-	(1,255,102)
Instructional staff	1,684,754	-	223,513	-	(1,461,241)	-	(1,461,241)
Administration	4,044,740	-	-	-	(4,044,740)	-	(4,044,740)
Operation and maintenance of plant	4,435,248	-	-	380,250	(4,054,998)	-	(4,054,998)
Transportation	1,627,161	195,753	36,317	-	(1,395,091)	-	(1,395,091)
	<u>14,579,705</u>	<u>195,753</u>	<u>1,792,530</u>	<u>380,250</u>	<u>(12,211,172)</u>	<u>-</u>	<u>(12,211,172)</u>
Non-instructional programs:							
Community service operations	67,803	-	-	-	(67,803)	-	(67,803)
Other expenses:							
Long-term debt interest	1,171,852	-	-	-	(1,171,852)	-	(1,171,852)
AEA flowthrough	2,296,118	-	2,296,118	-	-	-	-
Depreciation(unallocated)*	1,032,450	-	-	-	(1,032,450)	-	(1,032,450)
	<u>4,500,420</u>	<u>-</u>	<u>2,296,118</u>	<u>-</u>	<u>(2,204,302)</u>	<u>-</u>	<u>(2,204,302)</u>
Total governmental activities	<u>55,588,835</u>	<u>1,749,242</u>	<u>7,941,117</u>	<u>380,250</u>	<u>(45,518,226)</u>	<u>-</u>	<u>(45,518,226)</u>
Business Type activities:							
Non-instructional programs:							
Nutrition services	2,515,300	649,883	1,942,126	-	-	76,709	76,709
Total business type activities	<u>2,515,300</u>	<u>649,883</u>	<u>1,942,126</u>	<u>-</u>	<u>-</u>	<u>76,709</u>	<u>76,709</u>
Total	<u>\$ 58,104,135</u>	<u>2,399,125</u>	<u>9,883,243</u>	<u>380,250</u>	<u>(45,518,226)</u>	<u>76,709</u>	<u>(45,441,517)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 14,727,298	-	14,727,298	
Capital outlay				1,041,334	-	1,041,334	
Statewide sales, services and use tax				3,308,808	-	3,308,808	
Unrestricted state grants				29,043,568	-	29,043,568	
Nonspecific program federal grants				568,125	-	568,125	
Unrestricted investment earnings				58,971	1,669	60,640	
Other				164,475	-	164,475	
Total general revenues				<u>48,912,579</u>	<u>1,669</u>	<u>48,914,248</u>	
Changes in net assets				3,394,353	78,378	3,472,731	
Net assets beginning of year				<u>27,345,289</u>	<u>799,467</u>	<u>28,144,756</u>	
Net assets end of year				<u>\$ 30,739,642</u>	<u>877,845</u>	<u>31,617,487</u>	

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:	\$ 9,354,678	14,674,957	2,510,328	26,539,963
Receivables:				
Property tax				
Delinquent	236,194	16,960	29,947	283,101
Succeeding year	13,617,627	949,294	1,471,328	16,038,249
Accounts	7,773	-	-	7,773
Due from other governments	1,315,868	650,171	-	1,966,039
Due from other funds	323,442	4,294	-	327,736
Inventories	63,046	-	-	63,046
Total Assets	\$ 24,918,628	16,295,676	4,011,603	45,225,907
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 4,294	-	202,629	206,923
Accounts payable	894,824	652,986	17,906	1,565,716
Salaries and benefits payable	5,034,361	-	-	5,034,361
Deferred revenue:				
Succeeding year property tax	13,617,627	949,294	1,471,328	16,038,249
Other	1,169,514	-	-	1,169,514
Total liabilities	20,720,620	1,602,280	1,691,863	24,014,763
Fund balances:				
Nonspendable	63,046	-	-	63,046
Restricted for:				
Categorical funding	922,029	-	-	922,029
Construction	-	8,492,950	-	8,492,950
School infrastructure	-	4,238,237	-	4,238,237
Physical plant and equipment	-	962,209	-	962,209
Management levy purposes	-	-	1,127,207	1,127,207
Student activities	-	-	289,468	289,468
Public education and recreation levy purposes	-	-	304,664	304,664
Expendable trust purposes	-	-	34,605	34,605
Debt service	-	1,000,000	563,796	1,563,796
Unassigned	3,212,933	-	-	3,212,933
Total fund balances	4,198,008	14,693,396	2,319,740	21,211,144
Total Liabilities and Fund Balances	\$ 24,918,628	16,295,676	4,011,603	45,225,907

SEE NOTES TO BASIC FINANCIAL STATEMENTS .

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	21,211,144
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		42,995,844
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,385,126
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.		(246,907)
Long-term liabilities, including bonds payable, capital loan notes payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(36,605,565)</u>
Net assets of governmental activities(page 18)	\$	<u><u>30,739,642</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 13,175,699	4,231,133	1,670,608	19,077,440
Tuition	615,127	-	-	615,127
Other	489,730	398,906	807,783	1,696,419
State sources	32,448,451	597	1,132	32,450,180
Federal sources	5,044,022	100,000	-	5,144,022
Total revenues	<u>51,773,029</u>	<u>4,730,636</u>	<u>2,479,523</u>	<u>58,983,188</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	20,462,380	-	809,150	21,271,530
Special	7,793,197	-	-	7,793,197
Other	7,027,582	-	732,880	7,760,462
	<u>35,283,159</u>	<u>-</u>	<u>1,542,030</u>	<u>36,825,189</u>
Support services:				
Student	2,805,043	-	-	2,805,043
Instructional staff	1,652,462	26,197	-	1,678,659
Administration	3,592,717	20,250	271,975	3,884,942
Operation and maintenance of plant	4,319,852	-	82,182	4,402,034
Transportation	1,437,749	221,464	-	1,659,213
	<u>13,807,823</u>	<u>267,911</u>	<u>354,157</u>	<u>14,429,891</u>
Non-instructional programs:				
Community service operations	-	-	67,803	67,803
Other expenditures:				
Facilities acquisitions	-	2,440,276	59,016	2,499,292
Long-term debt:				
Principal	-	-	1,165,000	1,165,000
Interest	-	-	1,109,755	1,109,755
AEA flowthrough	2,296,118	-	-	2,296,118
	<u>2,296,118</u>	<u>2,440,276</u>	<u>2,333,771</u>	<u>7,070,165</u>
Total expenditures	<u>51,387,100</u>	<u>2,708,187</u>	<u>4,297,761</u>	<u>58,393,048</u>
Excess(deficiency)of revenues over(under)expenditures	385,929	2,022,449	(1,818,238)	590,140
Other financing sources(uses):				
Transfers in	-	1,507,050	2,461,615	3,968,665
Transfers out	-	(3,968,665)	-	(3,968,665)
Proceeds from disposal of equipment	2,046	-	-	2,046
Revenue bond issuance	-	10,000,000	-	10,000,000
Premium on bond issuance	-	49,164	-	49,164
Discount on bond issuance	-	(114,955)	-	(114,955)
Total other financing sources(uses)	<u>2,046</u>	<u>7,472,594</u>	<u>2,461,615</u>	<u>9,936,255</u>
Net change in fund balances	387,975	9,495,043	643,377	10,526,395
Fund balance beginning of year, as restated	<u>3,810,033</u>	<u>5,198,353</u>	<u>1,676,363</u>	<u>10,684,749</u>
Fund balance end of year	<u>\$ 4,198,008</u>	<u>14,693,396</u>	<u>2,319,740</u>	<u>21,211,144</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 10,526,395

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

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

Capital expenditures	\$ 2,975,060	
Depreciation expense	(1,468,099)	1,506,961

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 351,875

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

Issued	(10,000,000)	
Repaid	1,165,000	(8,835,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (62,097)

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

Early retirement	256,976	
Compensated absences	(8,335)	
Other postemployment benefits payable	(342,422)	(93,781)

Changes in net assets of governmental activities(page 19) \$ 3,394,353

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Caring Resale	Total	
Assets				
Cash and cash equivalents	\$ 567,160	43,119	610,279	4,195,185
Accounts receivable	13,635	-	13,635	-
Due from other governments	44,198	-	44,198	-
Inventories	85,777	-	85,777	-
Capital assets, net of accumulated depreciation	293,809	-	293,809	-
Total Assets	1,004,579	43,119	1,047,698	4,195,185
Liabilities				
Current liabilities:				
Due to other funds	120,813	-	120,813	-
Accounts payable	19,497	-	19,497	10,262
Unearned revenues	22,225	-	22,225	-
Incurred but not reported claims	-	-	-	799,797
Long-term liabilities:				
Net OPEB liability	3,236	-	3,236	-
Compensated absences	4,082	-	4,082	-
Total Liabilities	169,853	-	169,853	810,059
Net Assets				
Invested in capital assets	293,809	-	293,809	-
Unrestricted	540,917	43,119	584,036	3,385,126
Total Net Assets	\$ 834,726	43,119	877,845	3,385,126

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Caring Resale	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 649,883	-	649,883	5,873,274
OPERATING EXPENSES:				
Support services:				
Administration:				
Benefits	-	-	-	5,534,120
Non-instructional:				
Food service operations:				
Salaries	971,690	-	971,690	-
Benefits	183,066	-	183,066	-
Services	94,297	-	94,297	-
Supplies	1,213,557	-	1,213,557	-
Depreciation	51,449	-	51,449	-
Other	1,241	-	1,241	-
	2,515,300	-	2,515,300	-
TOTAL OPERATING EXPENSES	2,515,300	-	2,515,300	5,534,120
OPERATING INCOME(LOSS)	(1,865,417)	-	(1,865,417)	339,154
NON-OPERATING REVENUES:				
Interest income	1,579	90	1,669	12,721
State sources	20,961	-	20,961	-
Federal sources	1,921,165	-	1,921,165	-
TOTAL NON-OPERATING REVENUES	1,943,705	90	1,943,795	12,721
Changes in net assets	78,288	90	78,378	351,875
Net assets at beginning of year	756,438	43,029	799,467	3,033,251
Net assets end of year	\$ 834,726	43,119	877,845	3,385,126

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type Activities: Enterprise Fund			Governmental Activities:
	School Nutrition	Caring Resale	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 655,909	-	655,909	-
Cash received from miscellaneous operating activities	-	-	-	5,873,274
Cash payments to employees for services	(1,154,895)	-	(1,154,895)	(5,451,414)
Cash payments to suppliers for goods or services	(1,143,933)	-	(1,143,933)	(25,199)
Net cash provided by(used in) operating activities	(1,642,919)	-	(1,642,919)	396,661
Cash flows from non-capital financing activities:				
Borrowings from the General Fund	(36,178)	-	(36,178)	-
State grants received	20,961	-	20,961	-
Federal grants received	1,695,983	-	1,695,983	-
Net cash provided by non-capital financing activities	1,680,766	-	1,680,766	-
Cash flows from investing activities:				
Interest on investments	1,579	90	1,669	12,721
Cash flows from capital financing activities:				
Purchase of assets	(2,517)	-	(2,517)	-
Net increase in cash and cash equivalents	36,909	90	36,999	409,382
Cash and cash equivalents at beginning of year	530,251	43,029	573,280	3,785,803
Cash and cash equivalents at end of year	\$ 567,160	43,119	610,279	4,195,185
Reconciliation of operating income(loss)to net cash provided by(used in)operating activities:				
Operating income(loss)	\$ (1,865,417)	-	(1,865,417)	339,154
Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities:				
Commodities consumed	180,984	-	180,984	-
Depreciation	51,449	-	51,449	-
Increase in inventories	(18,150)	-	(18,150)	-
Decrease in accounts receivable	4,632	-	4,632	-
Increase(Decrease)in accounts payable	2,328	-	2,328	(17,477)
Decrease in other postemployment benefits	(4,221)	-	(4,221)	-
Increase in compensated absences.	4,082	-	4,082	-
Increase in incurred but not reported	-	-	-	74,984
Increase in unearned revenue	1,394	-	1,394	-
Net cash provided by(used in) operating activities	\$ (1,642,919)	-	(1,642,919)	396,661

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$180,984.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 52,007
Liabilities	-
Net Assets	
Reserved for scholarships	<u>\$ 52,007</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

		Private Purpose Trust	Scholarship
Additions:			
Local sources:			
Gifts and contributions	\$	1,000	
Interest income		499	
Total additions		1,499	
Deductions:			
Instruction:			
Regular:			
Scholarships awarded			1,500
Change in net assets			(1)
Net assets beginning of year			52,008
Net assets end of year	\$		52,007

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal

year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010

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.

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net 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 student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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. During the year ended June 30, 2011 expenditures in the instructional function exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$153,835 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,461,615
Capital Projects: \$10 Million Bond	Capital Projects: Statewide Sales, Services and Use Tax	1,507,050
Total		<u>\$ 3,968,665</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for debt relief.

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Capital Projects: \$10 Million Bond Fund was for costs associated with the Fisher Elementary renovation.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 120,813
General	Special Revenue: Management Levy	202,629
Capital Projects: Physical Plant and Equipment Levy	General	4,294
Total		<u>\$ 327,736</u>

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

The Special Revenue: Management Levy Fund is repaying the General Fund for early retiree benefits paid from the General Fund.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Fund for receipts recorded into the General Fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 637,187	-	-	637,187
Construction in progress	131,443	1,970,453	-	2,101,896
Total capital assets not being depreciated	<u>768,630</u>	<u>1,970,453</u>	<u>-</u>	<u>2,739,083</u>
Capital assets being depreciated:				
Buildings	53,140,008	432,217	-	53,572,225
Land improvements	441,415	36,400	-	477,815
Machinery and equipment	6,041,064	535,990	194,972	6,382,082
Total capital assets being depreciated	<u>59,622,487</u>	<u>1,004,607</u>	<u>194,972</u>	<u>60,432,122</u>
Less accumulated depreciation for:				
Buildings	13,655,743	1,015,481	-	14,671,224
Land improvements	202,628	16,969	-	219,597
Machinery and equipment	5,043,863	435,649	194,972	5,284,540
Total accumulated depreciation	<u>18,902,234</u>	<u>1,468,099</u>	<u>194,972</u>	<u>20,175,361</u>
Total capital assets being depreciated, net	<u>40,720,253</u>	<u>(463,492)</u>	<u>-</u>	<u>40,256,761</u>
Governmental activities capital assets, net	<u>\$ 41,488,883</u>	<u>1,506,961</u>	<u>-</u>	<u>42,995,844</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 837,963	2,517	0	840,480
Less accumulated depreciation	495,222	51,449	0	546,671
Business-type activities capital assets, net	<u>\$ 342,741</u>	<u>(48,932)</u>	<u>0</u>	<u>293,809</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	139,318
Support services:		
Operation and maintenance of plant		21,194
Transportation		<u>275,137</u>
		435,649
Unallocated depreciation		<u>1,032,450</u>
Total governmental activities depreciation expense	\$	<u>1,468,099</u>
Business type activities:		
Food services	\$	<u>51,449</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation	\$ 21,770,000	-	1,065,000	20,705,000	1,120,000
Revenue bonds	-	10,000,000	-	10,000,000	-
Qualified zone academy bonds	1,700,000	-	-	1,700,000	-
Capital loan notes	600,000	-	100,000	500,000	100,000
Early retirement	3,302,380	623,545	880,521	3,045,404	824,279
Compensated absences	167,062	175,397	167,062	175,397	175,397
Net OPEB liability	137,342	342,422	-	479,764	-
Total	\$ 27,676,784	11,141,364	2,212,583	36,605,565	2,219,676
Business type activities:					
Compensated absences	\$ -	4,082	-	4,082	4,082
Net OPEB liability	7,457	-	4,221	3,236	-
Total	\$ 7,457	4,082	4,221	7,318	4,082

General Obligation

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 1, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	5.00 %	\$ 1,120,000	991,750	4.65 %	-	40,455	1,120,000	1,032,205	2,152,205
2013	5.00	1,175,000	935,750	4.65	-	40,455	1,175,000	976,205	2,151,205
2014	5.00	1,235,000	877,000	4.65	-	40,455	1,235,000	917,455	2,152,455
2015	5.00	1,295,000	815,250	4.65	-	40,455	1,295,000	855,705	2,150,705
2016	5.00	1,365,000	750,500	4.65	-	40,455	1,365,000	790,955	2,155,955
2017-2021	5.00	7,890,000	2,660,500	4.65	570,000	145,778	8,460,000	2,806,278	11,266,278
2022-2024	5.00	5,755,000	585,250	4.65	300,000	27,900	6,055,000	613,150	6,668,150
Total		\$ 19,835,000	7,616,000		\$ 870,000	375,953	\$ 20,705,000	7,991,953	28,696,953

Revenue Bonds

On April 1, 2011, the District issued statewide sales, services and use tax revenue bonds of \$10,000,000 to finance school infrastructure. The revenue bonds will be paid with statewide sales, services and use tax collected in the Capital Projects Fund. Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2011				
	Interest Rates		Principal	Interest	Total
2012	2.00	% \$	0	215,451	215,451
2013	2.00		480,000	282,467	762,467
2014	2.00		750,000	270,168	1,020,168
2015	2.00		820,000	254,467	1,074,467
2016	2.15		855,000	237,076	1,092,076
2017-2021	2.40-3.40		4,855,000	816,255	5,671,255
2022-2023	3.50-4.00		2,240,000	87,863	2,327,863
Total			<u>\$ 10,000,000</u>	<u>2,163,747</u>	<u>12,163,747</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000. 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 2023. 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 paid remaining to be paid is \$12,163,747. For the current year principal of \$0 and interest of \$0 was paid on the bonds and total statewide sales, services and use tax revenues were \$3,308,808.

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

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

Qualified Zone Academy Bonds

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

Capital Loan Note Payable

Details of the District's June 30, 2011 capital loan note indebtedness paid from the Capital Projects: Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Note Issue of May 30, 2008		
	Interest Rates	Principal	Interest
2012	3.70	% \$ 100,000	23,400
2013	3.90	100,000	19,900
2014	4.00	100,000	16,200
2015	4.10	100,000	8,300
2016	4.20	100,000	4,200
Total		\$ 500,000	72,000

Early Retirement

The District has in place a retirement incentive plan, that provides a monthly stipend based in a percentage of the employee's last full time contract. This stipend continues until the retiree reaches the age of 65. Early retirement benefits paid during the year ended June 30, 2011, totaled \$880,521. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$2,182,769, \$2,030,362, and \$1,884,835, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription, dental, vision, and life benefits for retirees and their spouses. There are 681 active and 91 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 1,462,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	(9,799)
Annual OPEB cost	<u>1,459,201</u>
Contributions made	<u>(1,121,000)</u>
Increase in net OPEB obligation	338,201
Net OPEB obligation beginning of year	<u>144,799</u>
Net OPEB obligation end of year	<u><u>\$ 483,000</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, 2011.

For the year ended June 30, 2011, the District contributed \$1,121,000 to the medical/prescription, dental, vision, and life plans. Plan members eligible for benefits contributed \$1,017,000, or 47.57% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,126,000	93.34%	\$ 75,000
2010	1,123,799	84.27%	144,799
2011	1,459,201	76.82%	483,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$11,564,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,564,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$25,754,952 and the ratio of the UAAL to covered payroll was 44.90%. As of June 30, 2011, 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, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11% and the projected dental and vision trend rate is 5%. The medical, dental, and vision trend rates are reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$652.75 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 15 years.

(9) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,385,126 June 30, 2011. The incurred but not recorded and unpaid claims liability of \$799,797 reported in the plan at June 30, 2011 based on the requirements of GASB Statement Number 10 is set up as a liability on the statement of net assets.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$2,296,118 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District has entered into various contracts totaling \$5,427,796 for the Alternative High School, Fisher Elementary and Miller Middle School Projects. As of June 30, 2011, costs of \$2,101,896 had been incurred against the contracts. The balance of \$3,325,900 remaining at June 30, 2011 will be paid as work on the projects progresses.

(12) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the instruction functional area exceeded the certified budget.

(13) Categorical Funding

The District's restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Four Year Old Preschool State Aid	\$ 328,862
Educator Quality, Basic Salary	19,096
Textbook Aid for Nonpublic Students	3,384
Market Factor Incentives	11,729
Professional Development	310,216
Model Core Curriculum	248,742
Total	<u>\$ 922,029</u>

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 4,868,596	329,757
Change in fund type classification per implementation of GASB Statement No. 54	329,757	(329,757)
Balance July 1, 2010 as restated	<u>\$ 5,198,353</u>	<u>\$ -</u>

Marshalltown Community School District

Required Supplementary Information

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 21,388,986	651,552	22,040,538	22,535,251	22,535,251	(494,713)
State sources	32,450,180	20,961	32,471,141	38,140,339	38,140,339	(5,669,198)
Federal sources	5,144,022	1,921,165	7,065,187	5,375,876	5,375,876	1,689,311
Total revenues	58,983,188	2,593,678	61,576,866	66,051,466	66,051,466	(4,474,600)
Expenditures/Expenses:						
Instruction	36,825,189	-	36,825,189	36,387,701	36,387,701	(437,488)
Support services	14,429,891	-	14,429,891	16,185,969	16,185,969	1,756,078
Non-instructional programs	67,803	2,515,300	2,583,103	2,901,480	2,901,480	318,377
Other expenditures	7,070,165	-	7,070,165	9,848,190	9,848,190	2,778,025
Total expenditures/expenses	58,393,048	2,515,300	60,908,348	65,323,340	65,323,340	4,414,992
Excess(Deficiency) of revenues over(under) expenditures/expenses	590,140	78,378	668,518	728,126	728,126	(59,608)
Other financing sources, net	9,936,255	-	9,936,255	-	-	9,970,255
Excess of revenues and other financing sources over expenditures/expenses	10,526,395	78,378	10,604,773	728,126	728,126	9,910,647
Balance beginning of year	10,684,749	799,467	11,484,216	14,947,086	14,947,086	(3,462,870)
Balance end of year	\$ 21,211,144	877,845	22,088,989	15,675,212	15,675,212	6,447,777

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

During the year ended June 30, 2011, the expenditures in the instruction functional area exceeded the certified budget.

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

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

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

Other Supplementary Information

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue					Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	Expendable Trust	Total Special Revenue		
Assets							
Cash and pooled investments	\$ 1,302,022	307,374	302,531	34,605	1,946,532	563,796	2,510,328
Receivables:							
Property tax:							
Delinquent	27,814	-	2,133	-	29,947	-	29,947
Succeeding year	1,349,000	-	122,328	-	1,471,328	-	1,471,328
Total Assets	\$ 2,678,836	307,374	426,992	34,605	3,447,807	563,796	4,011,603
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	\$ 202,629	-	-	-	202,629	-	202,629
Accounts payable	-	17,906	-	-	17,906	-	17,906
Deferred revenue:							
Succeeding year property tax	1,349,000	-	122,328	-	1,471,328	-	1,471,328
	1,551,629	17,906	122,328	-	1,691,863	-	1,691,863
Fund balances:							
Restricted for:							
Management levy purposes	1,127,207	-	-	-	1,127,207	-	1,127,207
Student activities	-	289,468	-	-	289,468	-	289,468
Public education and recreation levy purposes	-	-	304,664	-	304,664	-	304,664
Expendable trust purposes	-	-	-	34,605	34,605	-	34,605
Debt service	-	-	-	-	-	563,796	563,796
Total fund balances	1,127,207	289,468	304,664	34,605	1,755,944	563,796	2,319,740
Total Liabilities and Fund Balances	\$ 2,678,836	307,374	426,992	34,605	3,447,807	563,796	4,011,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Public Education and Recreation Levy	Expendable Trust	Total Special Revenue		
REVENUES:							
Local sources:							
Local tax	\$ 1,551,599	-	119,009	-	1,670,608	-	1,670,608
Other	39,142	733,884	31,023	518	804,567	3,216	807,783
State sources	1,051	-	81	-	1,132	-	1,132
Total revenues	1,591,792	733,884	150,113	518	2,476,307	3,216	2,479,523
EXPENDITURES:							
Current:							
Instruction:							
Regular	807,650	-	-	1,500	809,150	-	809,150
Other	-	732,880	-	-	732,880	-	732,880
Support services:							
Administration	271,975	-	-	-	271,975	-	271,975
Operation and maintenance of plant	82,182	-	-	-	82,182	-	82,182
Non-instructional:							
Community service operations	-	-	67,803	-	67,803	-	67,803
Other expenditures:							
Facilities acquisition	-	-	59,016	-	59,016	-	59,016
Long-term debt:							
Principal	-	-	-	-	-	1,165,000	1,165,000
Interest and fiscal charges	-	-	-	-	-	1,109,755	1,109,755
Total expenditures	1,161,807	732,880	126,819	1,500	2,023,006	2,274,755	4,297,761
Excess(Deficiency) of revenue over(under) expenditures	429,985	1,004	23,294	(982)	453,301	(2,271,539)	(1,818,238)
Other financing sources:							
Transfers in	-	-	-	-	-	2,461,615	2,461,615
Excess(Deficiency) of revenue and other financing sources over(under) expenditures	429,985	1,004	23,294	(982)	453,301	190,076	643,377
Fund balance beginning of year, as restated	697,222	288,464	281,370	35,587	1,302,643	373,720	1,676,363
Fund balance end of year	\$ 1,127,207	289,468	304,664	34,605	1,755,944	563,796	2,319,740

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	\$10 Million Bond	
Assets				
Cash and pooled investments	\$ 13,117,416	977,395	580,146	14,674,957
Receivables:				
Delinquent	-	16,960	-	16,960
Succeeding year	-	949,294	-	949,294
Due from other governments	650,171	-	-	650,171
Due from other funds	-	4,294	-	4,294
Total assets	\$ 13,767,587	1,947,943	580,146	16,295,676
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 36,400	36,440	580,146	652,986
Deferred revenue				
Succeeding year property tax	-	949,294	-	949,294
Total liabilities	36,400	985,734	580,146	1,602,280
Fund balances:				
Restricted for:				
Construction	8,492,950	-	-	8,492,950
School infrastructure	4,238,237	-	-	4,238,237
Physical plant and equipment	-	962,209	-	962,209
Debt service	1,000,000	-	-	1,000,000
Total fund balances	13,731,187	962,209	-	14,693,396
Total liabilities and fund balances	\$ 13,767,587	1,947,943	580,146	16,295,676

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	\$10 Million Bond	
REVENUES:				
Local sources:				
Local tax	\$ 3,308,808	922,325	-	4,231,133
Other	26,548	372,358	-	398,906
State sources	-	597	-	597
Federal sources	100,000	-	-	100,000
Total revenues	<u>3,435,356</u>	<u>1,295,280</u>	<u>-</u>	<u>4,730,636</u>
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	13,817	12,380	-	26,197
Administration	-	-	20,250	20,250
Transportation	-	221,464	-	221,464
	<u>13,817</u>	<u>233,844</u>	<u>20,250</u>	<u>267,911</u>
Other expenditures:				
Facilities acquisitions	524,492	428,984	1,486,800	2,440,276
Total expenditures	<u>538,309</u>	<u>662,828</u>	<u>1,507,050</u>	<u>2,708,187</u>
Excess(deficiency)of revenues over(under)expenditures	2,897,047	632,452	(1,507,050)	2,022,449
Other financing sources(uses):				
Transfer in	-	-	1,507,050	1,507,050
Transfer out	(3,968,665)	-	-	(3,968,665)
Revenue bond issuance	10,000,000	-	-	10,000,000
Premium on bond issuance	49,164	-	-	49,164
Discount on bond issuance	(114,955)	-	-	(114,955)
Total other financing sources(uses):	<u>5,965,544</u>	<u>-</u>	<u>1,507,050</u>	<u>7,472,594</u>
Net change in fund balances	8,862,591	632,452	-	9,495,043
Fund balance beginning of year, as restated	<u>4,868,596</u>	<u>329,757</u>	<u>-</u>	<u>5,198,353</u>
Fund balance end of year	<u>\$ 13,731,187</u>	<u>962,209</u>	<u>-</u>	<u>14,693,396</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Senior High School	\$ 206,936	598,434	611,270	194,100
Miller Middle School	12,565	73,141	61,875	23,831
Anson Elementary School	3,323	1,137	2,195	2,265
Fisher Elementary School	9,547	3,577	1,537	11,587
Franklin Elementary School	1,770	454	1,299	925
Hoglan Elementary School	16,164	4,827	3,232	17,759
Rogers Elementary School	88	642	293	437
Woodbury Elementary School	33,319	5,717	6,473	32,563
Lenihan School	4,752	45,955	44,706	6,001
Total	\$ 288,464	733,884	732,880	289,468

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Claude Wilkins Memorial	\$ 2,381	2	-	2,383
Warrington Memorial	2,787	3	-	2,790
Flora Davis Forman Scholarship	21,749	21	1,000	20,770
Mark Mann Scholarship	8,670	492	500	8,662
Total	<u>\$ 35,587</u>	<u>518</u>	<u>1,500</u>	<u>34,605</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2011

	Kiser Memorial	Supinger Memorial	White Memorial	Total
Assets				
Cash and pooled investments	\$ 6,280	33,142	12,585	52,007
Liabilities				
Liabilities:	-	-	-	-
Net Assets				
Reserved for scholarships	\$ 6,280	33,142	12,585	52,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Kiser Memorial	Supinger Memorial	White Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 60	327	112	499
Gifts and contributions	-	-	1,000	1,000
	<u>60</u>	<u>327</u>	<u>1,112</u>	<u>1,499</u>
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	-	500	1,000	1,500
	<u>-</u>	<u>500</u>	<u>1,000</u>	<u>1,500</u>
Changes in net assets	60	(173)	112	(1)
Net assets beginning of year	<u>6,220</u>	<u>33,315</u>	<u>12,473</u>	<u>52,008</u>
Net assets end of year	<u>\$ 6,280</u>	<u>33,142</u>	<u>12,585</u>	<u>52,007</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 11	<u>43,505</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	306,783
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	1,468,073 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 11	<u>111,226</u>
			<u>1,886,082</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 11	<u>35,083</u>
FEDERAL HIGHWAY ADMINISTRATION IOWA DEPARTMENT OF TRANSPORTATION:			
ARRA - HIGHWAY PLANNING AND CONSTRUCTION (SAFE ROUTES TO SCHOOLS PROGRAM)	20.205	FY 11	<u>85,871</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION IOWA STATE UNIVERSITY:			
AEROSPACE EDUCATION SERVICES PROGRAM	43.001	FY 10	2,015
AEROSPACE EDUCATION SERVICES PROGRAM	43.001	FY 11	<u>15,337</u>
			<u>17,352</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	23,000
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 11	22,100
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	193,756
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	<u>821,266</u>
			<u>1,060,122 **</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	239,264
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	<u>265,675</u>
			<u>504,939 **</u>
MIGRANT EDUCATION - BASIC STATE GRANTS PROGRAM	84.011	FY 11	<u>213,800</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 11	<u>769,110</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 11	<u>15,726</u>
FUND FOR THE IMPROVEMENT OF EDUCATION - (FIRE SAFETY GRANT)	84.215	FY 10	<u>100,000</u>
PARENTAL INFORMATION AND RESOURCES CENTERS	84.310	FY 11	<u>2,937</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>396</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 11	<u>90,735</u>

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
DEPARTMENT OF EDUCATION(CONTINUED):			
IOWA DEPARTMENT OF EDUCATION(CONTINUED):			
IMPROVING TEACHER QUALITY STATE GRANTS -			
TITLE IIA (EVERY STUDENT COUNTS)	84.367	FY 11	<u>237,278</u>
GRANTS FOR STATE ASSESSMENTS AND			
RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	<u>31,564</u>
STATE FISCAL STABILIZATION FUND CLUSTER:			
STATE FISCAL STABILIZATION FUND -			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	287,409
STATE FISCAL STABILIZATION FUND -			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>256,355</u>
			<u>543,764</u>
EDUCATION JOBS FUND			
	84.410	FY 11	<u>24,361</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO			
STATES(PART B)	84.027	FY 11	309,782
SPECIAL EDUCATION GRANTS TO STATES,			
RECOVERY ACT	84.391	FY 10	<u>391,665</u>
			<u>701,447</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 11	<u>59,740</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE			
SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD			
OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 11	<u>750</u>
TOTAL			<u>\$ 6,424,562</u>

* - Includes \$180,984 of non-cash awards

** - The Title I Cluster total is \$1,565,061

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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
Marshalltown Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2012. 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 Marshalltown Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Marshalltown Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshalltown Community 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 we consider to be material weaknesses and other deficiencies 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 their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshalltown Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Marshalltown Community School District

Compliance

We have audited the compliance of Marshalltown Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Marshalltown Community School District's major federal programs for the year ended June 30, 2011. Marshalltown Community 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 Marshalltown Community School District's management. Our responsibility is to express an opinion on Marshalltown Community 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 Marshalltown Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshalltown Community School District's compliance with those requirements.

In our opinion, Marshalltown Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Marshalltown Community 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 Marshalltown Community 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 Marshalltown Community School District's internal control over compliance.

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

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 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-11 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program
 - Title I Cluster
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Special Education Cluster
 - CFDA Number 84.027 - Special Education – Grants to States (Part B)
 - CFDA Number 84.391 - Special Education – Grants to States, Recovery Act
 - State Fiscal Stabilization Fund Cluster
 - CFDA Number 84.394 - State Fiscal Stabilization Fund - Education State Grants
 - CFDA Number 84.397 - State Fiscal Stabilization Fund - Government Services
 - Individual Programs:
 - CFDA Number 84.184 - Safe and Drug-Free Schools and Communities - National Programs
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshalltown Community School District did not qualify as a low-risk auditee.

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity and the School Nutrition Funds, 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 investigate alternatives and implement changes when able and as soon as possible.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-11 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The Board will approve all fundraisers in the future.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund, that 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 investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the certified budget amounts in the instruction functional area.

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

Response - We will continue to try and improve our estimation of expenditures and amend as necessary in the future.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements

Gift Card Purchases - We noted during our audit that the District purchased gift cards for individual students from the Student Activity Fund. These gift cards were given to students as incentive prizes for a fundraiser. These disbursements do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The Administration will continue to advise staff to cease these activities and refer them to the District's board policy which forbids the purchase of gift cards.

Conclusion - Response accepted.

Meal Reimbursements - We noted disbursements from the activity fund for student meals at state tournaments where students received a specified amount of cash without any documentation as to the amount. In addition the students were not required to submit any documentation subsequently to support the amount.

Recommendation - Disbursements to students should include a sign-off sheet as a practice for internal control measures. It allows the reconciliation of how many students received the money to the amount being disbursed, as well as provides documentation of who received how much.

Response - A sign-off sheet has been established and the District will advise the High School on an ongoing basis.

Conclusion - Response accepted.

IV-C-11 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-11 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Adland, Bus Driver Owner of Adland Engraving Co.	Supplies	\$15,040
Carol Webb, Teacher Owner of Webb Picture Framing	Supplies	\$209

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

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning balance		\$ 4,868,596
Revenues:		
Sales tax revenues	\$ 3,308,808	
Other local revenues	26,548	
Federal revenues	100,000	
Sale of long-term debt	10,000,000	
Other	49,164	
		<u>13,484,520</u>
		18,353,116
Expenditures/transfers out:		
School infrastructure construction	\$ 459,549	
Equipment	13,817	
Other	179,898	
Transfers to other funds:		
Debt service fund	2,461,615	
Other funds	1,507,050	
		<u>4,621,929</u>
Ending balance		<u><u>\$13,731,187</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Administratively Maintained Accounts - 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).

Recommendation -The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District is in the process of closing and/or reassigning activity account. The process will eliminate all accounts which are more appropriately handled in a different fund.

Conclusion - Response accepted.

Student Activity Fund Receipts - We noted during our audit that donations from Target are recorded in the High School Special Needs account in the Student Activity Fund.

Recommendation -Target donations are an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - We will advise the High School to deposit the funds as a donation in the General Fund.

Conclusion - Response accepted.

IV-N-11 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 - We will advise the High School to submit the funds to the Central Office.

Conclusion - Response accepted.

IV-O-11 Officiating Contracts - We noted during our audit that the District has entered into a contract to have officials assigned by a conference. This contract is currently being signed by the Athletic Director. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - We will direct the Athletic Director to submit all contracts to the board office to be signed by the Board president.

Conclusion - Response accepted.