

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of
MFL MarMac Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above presents 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 MFL MarMac Community School District as of June 30,

2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014 on our consideration of MFL MarMac Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MFL MarMac Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 Financial Highlights

General Fund revenues increased slightly at \$7,928,771 in fiscal 2012 to \$7,941,950 in fiscal 2013, while General Fund expenditures decreased slightly from \$8,181,012 in fiscal 2012 to \$8,144,501 in fiscal 2013. The District's General Fund balance decreased from \$715,226 in fiscal 2012 to \$515,137 in fiscal 2013.

The district's Solvency Ratio is approximately +4. It has dropped in recent years, however much of this drop was deliberate, as the district decided to carry significantly less cash in the general fund, and was preparing for spending in other funds. The district now intends to put more cash into the general fund to increase solvency.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MFL MarMac 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 MFL MarMac 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 MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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 non-major Funds.

Figure A-1 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-1 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: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental

fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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 Preschool Fund.

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

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

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012

Figure A-2

	Condensed Statement of Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Current and other assets	9,826,688	11,001,951	36,296	83,733	9,862,984	11,085,684	-11%
Capital assets	5,452,870	3,593,884	40,137	15,545	5,493,007	3,609,429	52%
Total assets	15,279,558	14,595,835	76,433	99,278	15,355,991	14,695,113	4%
Long-term liabilities	4,480,821	4,273,644	82,886	65,714	4,563,707	4,339,358	5%
Other liabilities	4,948,159	4,627,383	8,758	6,609	4,956,917	4,633,992	7%
Total liabilities	9,428,980	8,901,027	91,644	72,323	9,520,624	8,973,350	6%
Net Position:							
Net investment in capital assets,	2,411,038	3,490,682	40,137	15,545	2,451,175	3,506,227	-30%
Restricted	4,125,719	2,470,843	-	-	4,125,719	2,470,843	67%
Unrestricted	(686,179)	(266,717)	(55,348)	11,410	(741,527)	(255,307)	-190%
TOTAL NET POSITION	5,850,578	5,694,808	(15,211)	26,955	5,835,367	5,721,763	2%

The District's combined net position increased by nearly 2%, or approximately \$113,604, over the prior year. The second largest portion of the District's net position is the 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 sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,654,876 or 67% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$486,220, or 190%. This decrease in unrestricted net assets is a beginning result of decreased revenues for the future. This problem will continue until enrollment trends balance. A deliberate and specific maximization of restricted net assets will also contribute to long-term financial solvency.

Figure A-3 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-3

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	616,925	604,705	203,089	204,455	820,014	809,160	1%
Operating grants & contributions	1,308,004	1,297,734	248,312	229,996	1,556,316	1,527,730	2%
Capital grants & contributions	-	24,675	-	-	-	24,675	-100%
General Revenues:							
Property taxes	3,194,951	3,303,395	-	-	3,194,951	3,303,395	-3%
Income Surtax	298,779	272,316	-	-	298,779	272,316	10%
Statewide sales service & use tax	684,891	603,022	-	-	684,891	603,022	14%
Unrestricted state grants	3,565,423	3,288,810	-	-	3,565,423	3,288,810	8%
Unrestricted investment earnings	17,594	26,904	28	55	17,622	26,959	-35%
Other revenues	2,604	136,536	-	-	2,604	136,536	-98%
Total Revenues	9,689,171	9,558,097	451,429	434,506	10,140,600	9,992,603	1%
Expenses:							
Instruction	6,179,141	6,508,903	-	-	6,179,141	6,508,903	-5%
Support services	2,738,807	2,471,846	-	-	2,738,807	2,471,846	11%
Non-instructional programs	-	-	522,520	495,564	522,520	495,564	5%
Other expenditures	522,291	453,546	-	-	522,291	453,546	15%
Total expenses	9,440,239	9,434,295	522,520	495,564	9,962,759	9,929,859	>1%
Contributed capital	-	-	28,925	*	28,925	-	100%
CHANGE IN NET ASSETS	248,932	123,802	(42,166)	(61,058)	206,766	62,744	230%
Net position beginning of year – restated	5,601,646	5,571,006	26,955	88,013	5,628,601	5,659,019	-1%
Net position end of year	5,850,578	5,694,808	(15,211)	26,955	5,835,367	5,721,763	2%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,689,171 and expenses were \$9,440,239.

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.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost Of Services 2012
	\$	\$	\$	\$
Instruction	6,179,141	6,508,903	4,579,813	4,928,171
Support Services	2,738,807	2,471,846	2,731,647	2,465,957
Non-instructional	-	-	-	-
Other Expenses	522,291	453,546	203,850	113,053
TOTAL	<u>9,440,239</u>	<u>9,434,295</u>	<u>7,515,310</u>	<u>7,507,181</u>

The cost financed by users of the District’s programs was \$616,925.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,308,004.

The net cost of governmental activities was financed with \$4,178,621 in property and other taxes and \$3,565,423 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$451,429 and expenses were \$522,520. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, MFL MarMac 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 a combined fund balance of \$4,589,743, below last year’s ending fund balances of \$6,080,367.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance decreased from \$715,226 to \$515,137, due in part to a gradual decline in enrollment.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$644,014 at June 30, 2012 to \$705,792 at June 30, 2013.
 - The Statewide Sales Tax account balance decreased from \$3,468,146 at June 30, 2012 to \$1,857,474 at June 30, 2013.
- The Management Fund balance increased from \$1,117,668 to \$1,191,442. The purpose of this increase is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$2,974 at June 30, 2012 to \$(16,262) at June 30, 2013, representing a decrease of approximately 447%. The Preschool Fund net position decreased from \$23,981 at June 30, 2012 to \$1,051 at June 30, 2013 representing a decrease of approximately 96%. The district has continued to utilize the food cooperative offered by AEA 1.

BUDGETARY HIGHLIGHTS

The District's receipts were \$382,515 less than budgeted receipts.

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 at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year the District amended their budget in the instruction and other expenditures functions. Expenditures exceeded the amended budget in the other expenditures function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5.5 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-5 More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$284,361.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2012-2013
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	1,861,978	88,831	-	-	1,861,978	88,831	1,996%
Buildings	2,365,738	2,465,612	-	-	2,365,738	2,465,612	-4%
Improvements	334,346	513,581	-	-	334,346	513,581	-35%
Equipment & Furniture	880,808	515,860	40,137	15,545	920,945	531,405	73%
TOTAL	5,452,870	3,593,884	40,137	15,545	5,493,007	3,609,429	52%

Long-Term Debt

At June 30, 2013, the District had \$4,561,285 in total long-term debt outstanding. This represents an increase of approximately 5% from last year. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-6

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2012-2113
	2013 \$	2012 \$	
Governmental activities:			
Revenue bonds	2,990,000	2,990,000	0%
Capital leases	51,832	103,202	-50%
Termination benefits	265,177	232,293	14%
Net OPEB liability	1,171,390	948,149	24%
	<u>4,478,399</u>	<u>4,273,644</u>	<u>5%</u>
Business type activities:			
Net OPEB liability	<u>82,886</u>	<u>65,714</u>	<u>26%</u>

ECONOMIC FACTORS BERING ON THE DISTRICTS 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:

School financing is highly dependent upon student enrollment. The District's September 2013 enrollment has decreased slightly over 2012, however it has decreased over 25% since 2001. The district can anticipate this trend to continue. Currently enrollment has been hovering around 790; however it is expected to decline over the next three years to about 750 students. This additional decline will cause the district to lose extensive additional funding. The district must continue to reduce staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be purchased in 2014 at a cost of \$90,000.00, one bus was purchased in 2013 at the same cost, and two busses were leased in 2013 at a cost of \$22,000 per year. To pay for these busses the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2013 was the first year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). Settlements shall be based on a 3.5% total package average.

The districts infrastructure needs are repaired and sound. This should help the economy of the district. The district used the sale of SILO sales tax revenue bonds to engage in an overall school and grounds improvement project. This includes a 330-seat auditorium, a replacement of the electrical system, parking lot and grounds improvements, and other improvements voted by the public in the revenue purpose statement. The aim of this project is to create long-term economic impact, and future stability for the district and its educational opportunity. The project was well under completion at the close of FY 13, and is projected to be completed by the fall of FY 14.

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 Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159. 563-539-4795

BASIC FINANCIAL STATEMENTS

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	5,682,219	10,603	5,692,822
Cash with fiscal agent	217,475	-	217,475
Receivables:			
Property tax:			
Delinquent	51,745	-	51,745
Succeeding year	3,209,218	-	3,209,218
Accounts	20,734	21,170	41,904
Due from other governments	615,651	359	616,010
Inventories	-	4,164	4,164
Unamortized bond issue costs	29,646	-	29,646
Capital assets, net of accumulated depreciation	5,452,870	40,137	5,493,007
	<u>15,279,558</u>	<u>76,433</u>	<u>15,355,991</u>
Liabilities			
Bank overdrafts	1,152,631	-	1,152,631
Accounts payable	188,882	484	189,366
Salaries and benefits payable	364,644	-	364,644
Accrued interest payable	32,784	-	32,784
Deferred revenue:			
Succeeding year property tax	3,209,218	-	3,209,218
Other	-	8,274	8,274
Long-term liabilities:			
Unamortized bond premium	2,422	-	2,422
Portion due within one year:			
Revenue bonds payable	150,000	-	150,000
Capital leases	51,832	-	51,832
Termination benefits	189,392	-	189,392
Portion due after one year:			
Revenue bonds payable	2,840,000	-	2,840,000
Termination benefits	75,785	-	75,785
Net OPEB liability	1,171,390	82,886	1,254,276
	<u>9,428,980</u>	<u>91,644</u>	<u>9,520,624</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	2,411,038	40,137	2,451,175
Restricted for:			
Categorical funding	203,112	-	203,112
Management levy	926,265	-	926,265
Physical plant and equipment levy	851,754	-	851,754
Student activities	136,402	-	136,402
School infrastructure	1,857,474	-	1,857,474
Debt service	150,712	-	150,712
Unrestricted	<u>(686,179)</u>	<u>(55,348)</u>	<u>(741,527)</u>
Total net position	<u><u>5,850,578</u></u>	<u><u>(15,211)</u></u>	<u><u>5,835,367</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,661,989	220,664	585,938	-
Special	967,741	22,477	115,243	-
Other	1,549,411	366,624	288,382	-
	<u>6,179,141</u>	<u>609,765</u>	<u>989,563</u>	<u>-</u>
Support services:				
Student	142,949	-	-	-
Instructional staff	84,974	-	-	-
Administration	1,107,529	-	-	-
Operation and maintenance of plant	799,028	5,658	-	-
Transportation	604,327	1,502	-	-
	<u>2,738,807</u>	<u>7,160</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	-
Long-term debt interest	68,049	-	-	-
AEA flowthrough	318,441	-	318,441	-
Depreciation (unallocated)*	135,801	-	-	-
	<u>522,291</u>	<u>-</u>	<u>318,441</u>	<u>-</u>
Total governmental activities	<u>9,440,239</u>	<u>616,925</u>	<u>1,308,004</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	476,763	180,262	248,312	-
Preschool	45,757	22,827	-	-
Total business type activities	<u>522,520</u>	<u>203,089</u>	<u>248,312</u>	<u>-</u>
Total	<u>9,962,759</u>	<u>820,014</u>	<u>1,556,316</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other revenues

Total general revenues

Contributed Capital

Total general revenues and contributed capital

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,855,387)	-	(2,855,387)
(830,021)	-	(830,021)
(894,405)	-	(894,405)
<u>(4,579,813)</u>	<u>-</u>	<u>(4,579,813)</u>
(142,949)	-	(142,949)
(84,974)	-	(84,974)
(1,107,529)	-	(1,107,529)
(793,370)	-	(793,370)
(602,825)	-	(602,825)
<u>(2,731,647)</u>	<u>-</u>	<u>(2,731,647)</u>
-	-	-
(68,049)	-	(68,049)
-	-	-
(135,801)	-	(135,801)
(203,850)	-	(203,850)
<u>(7,515,310)</u>	<u>-</u>	<u>(7,515,310)</u>
-	(48,189)	(48,189)
-	(22,930)	(22,930)
-	(71,119)	(71,119)
<u>(7,515,310)</u>	<u>(71,119)</u>	<u>(7,586,429)</u>
2,933,806	-	2,933,806
261,145	-	261,145
298,779	-	298,779
684,891	-	684,891
3,565,423	-	3,565,423
17,594	28	17,622
2,604	-	2,604
7,764,242	28	7,764,270
-	28,925	28,925
<u>7,764,242</u>	<u>28,953</u>	<u>7,793,195</u>
248,932	(42,166)	206,766
<u>5,601,646</u>	<u>26,955</u>	<u>5,628,601</u>
<u><u>5,850,578</u></u>	<u><u>(15,211)</u></u>	<u><u>5,835,367</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Management	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,952,683	1,189,200	2,224,471	315,846	5,682,200
Cash with fiscal agent	-	-	217,494	-	217,494
Receivables:					
Property tax:					
Delinquent	43,626	4,289	3,830	-	51,745
Succeeding year	2,875,815	52,499	280,904	-	3,209,218
Accounts	15,184	200	-	5,350	20,734
Due from other governments	257,786	-	357,865	-	615,651
Total assets	5,145,094	1,246,188	3,084,564	321,196	9,797,042
Liabilities and Fund Balances					
Liabilities:					
Bank overdrafts	1,152,631	-	-	-	1,152,631
Accounts payable	90,905	2,247	94,432	1,298	188,882
Salaries and benefits payable	364,644	-	-	-	364,644
Deferred revenue:					
Succeeding year property tax	2,875,815	52,499	280,904	-	3,209,218
Income surtax	145,962	-	145,962	-	291,924
Total liabilities	4,629,957	54,746	521,298	1,298	5,207,299
Fund balances:					
Restricted for:					
Categorical funding	203,112	-	-	-	203,112
Debt service	-	-	-	183,496	183,496
Management levy	-	1,191,442	-	-	1,191,442
Student activities	-	-	-	136,402	136,402
School infrastructure	-	-	1,857,474	-	1,857,474
Physical plant and equipment	-	-	705,792	-	705,792
Unassigned	312,025	-	-	-	312,025
Total fund balances	515,137	1,191,442	2,563,266	319,898	4,589,743
Total liabilities and fund balances	5,145,094	1,246,188	3,084,564	321,196	9,797,042

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	4,589,743
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,452,870
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	291,924
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	29,646
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.	(32,784)
Long-term liabilities, including bonds payable, bond premiums, capital leases, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,480,821)</u>
Net position of governmental activities (Exhibit A)	<u><u>5,850,578</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2013

	General \$	Management Levy \$	Capital Projects \$	Nonmajor Governmental \$	Total \$
Revenues:					
Local sources:					
Local tax	2,807,706	265,164	1,085,101	-	4,157,971
Tuition	175,435	-	-	-	175,435
Other	85,382	1,705	8,471	363,525	459,083
State sources	4,593,538	-	-	-	4,593,538
Federal sources	279,889	-	-	-	279,889
Total revenues	<u>7,941,950</u>	<u>266,869</u>	<u>1,093,572</u>	<u>363,525</u>	<u>9,665,916</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,399,742	66,833	-	-	3,466,575
Special	938,303	-	-	-	938,303
Other	1,174,534	-	-	362,435	1,536,969
	<u>5,512,579</u>	<u>66,833</u>	<u>-</u>	<u>362,435</u>	<u>5,941,847</u>
Support services:					
Student	137,452	-	-	-	137,452
Instructional staff	80,068	-	-	-	80,068
Administration	1,068,257	-	-	-	1,068,257
Operation and maintenance of plant	634,570	106,294	36,000	-	776,864
Transportation	393,134	19,968	114,428	-	527,530
	<u>2,313,481</u>	<u>126,262</u>	<u>150,428</u>	<u>-</u>	<u>2,590,171</u>
Other expenditures:					
Facilities acquisition	-	-	2,217,754	-	2,217,754
Long-term debt:					
Principal	-	-	-	51,370	51,370
Interest and fiscal charges	-	-	-	39,419	39,419
AEA flowthrough	318,441	-	-	-	318,441
	<u>318,441</u>	<u>-</u>	<u>2,217,754</u>	<u>90,789</u>	<u>2,626,984</u>
Total expenditures	<u>8,144,501</u>	<u>193,095</u>	<u>2,368,182</u>	<u>453,224</u>	<u>11,159,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(202,551)</u>	<u>73,774</u>	<u>(1,274,610)</u>	<u>(89,699)</u>	<u>(1,493,086)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	2,462	-	-	-	2,462
Operating transfers in	-	-	-	274,284	274,284
Operating transfers out		-	(274,284)	-	(274,284)
Total other financing sources (uses)	<u>2,462</u>	<u>-</u>	<u>(274,284)</u>	<u>274,284</u>	<u>2,462</u>
Change in fund balances	(200,089)	73,774	(1,548,894)	184,585	(1,490,624)
Fund balances beginning of year	<u>715,226</u>	<u>1,117,668</u>	<u>4,112,160</u>	<u>135,313</u>	<u>6,080,367</u>
Fund balances end of year	<u><u>515,137</u></u>	<u><u>1,191,442</u></u>	<u><u>2,563,266</u></u>	<u><u>319,898</u></u>	<u><u>4,589,743</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,490,624)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	2,232,176	
Depreciation expense	<u>(280,028)</u>	1,952,148
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		20,650
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		51,370
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.		
		(26,886)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(32,884)	
Other postemployment benefits	<u>(223,241)</u>	(256,125)
Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		
		(1,744)
Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements.		
		<u>143</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>248,932</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	10,603
Accounts receivable	21,170
Due from other governments	359
Inventories	4,164
Total current assets	<u>36,296</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>40,137</u>
Total assets	<u>76,433</u>
Liabilities	
Current liabilities:	
Accounts payable	484
Deferred revenue	8,274
Total current liabilities	<u>8,758</u>
Noncurrent liabilities:	
Net OPEB liability	<u>82,886</u>
Total liabilities	<u>91,644</u>
Net position	
Investment in capital assets	40,137
Unrestricted	<u>(55,348)</u>
Total net position	<u><u>(15,211)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>203,089</u>
Operating expenses:	
Non-instructional programs:	
Salaries	182,584
Benefits	98,986
Purchased services	20,006
Supplies	216,611
Depreciation	4,333
Total operating expenses	<u>522,520</u>
Operating income (loss)	<u>(319,431)</u>
Non-operating revenues:	
State sources	3,847
Federal sources	244,465
Interest income	28
Total non-operating revenues	<u>248,340</u>
Gain (loss) before contributions	(71,091)
Capital contributions	<u>28,925</u>
Change in net position	(42,166)
Net position beginning of year	<u>26,955</u>
Net position end of year	<u><u>(15,211)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	178,754
Cash received from preschool services	21,710
Cash payments to employees for services	(264,398)
Cash payments to suppliers for goods or services	(200,558)
Net cash used by operating activities	<u>(264,492)</u>
Cash flows from non-capital financing activities:	
State grants received	3,847
Federal grants received	206,137
Net cash provided by non-capital financing activities	<u>209,984</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>28</u>
Net increase (decrease) in cash and cash equivalents	(54,480)
Cash and cash equivalents at beginning of year	<u>64,599</u>
Cash and cash equivalents at end of year	<u><u>10,119</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(319,431)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	37,969
Depreciation	4,333
Decrease (increase) in inventories	(1,910)
Decrease (increase) in accounts receivable	(4,290)
(Decrease) increase in deferred revenue	1,665
(Decrease) increase in other postemployment benefits	17,172
Net cash used by operating activities	<u><u>(264,492)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$37,969 of federal commodities.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Agency</u>
	\$
Assets	
Cash, cash equivalents and pooled investments	201,207
Other receivables	<u>68,956</u>
Total assets	<u>270,163</u>
Liabilities	
Bank overdrafts	56,793
Accounts payable	10,645
Other payables	<u>202,725</u>
Total liabilities	<u>270,163</u>
Net position	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

MFL MarMac 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. The geographic area served includes the Cities of Monona, Farmersburg, Luana, Marquette and McGregor, Iowa and the predominately agricultural territory in a portion of Clayton and Allamakee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, MFL MarMac 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 MFL MarMac Community School District has no component units that 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest 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 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 Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

The District proprietary funds include the Nonmajor Enterprise, School Nutrition and Preschool Funds. These funds are used to account for the operations of both funds.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

<u>Asset</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund 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 the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceed the amounts of the amended budget in the other expenditures function.

2. **Cash, Cash Equivalents and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at

federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5773 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Moody's Investors Service.

The District also had funds invested in federal funds at Bankers Trust to fund their bond reserve fund.

3. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor, Debt Service Fund	Capital Projects Fund	274,284

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	88,831	1,773,147	-	1,861,978
Total capital assets not being depr.	<u>98,831</u>	<u>1,773,147</u>	<u>-</u>	<u>1,871,978</u>
Capital assets being depreciated:				
Buildings	5,842,589	-	-	5,842,589
Improvements other than buildings	696,677	275,913	419,221	553,369
Furniture and equipment	1,710,916	183,116	-	1,894,032
Total capital assets being deprec.	<u>8,250,182</u>	<u>459,029</u>	<u>419,221</u>	<u>8,289,990</u>
Less accumulated depreciation for:				
Buildings	3,376,977	99,874	-	3,476,851
Improvements other than buildings	183,096	35,927	-	219,023
Furniture and equipment	1,195,056	144,227	326,059	1,013,224
Total accumulated depreciation	<u>4,755,129</u>	<u>280,028</u>	<u>326,059</u>	<u>4,709,098</u>
Total capital assets being depreciated, net	<u>3,495,053</u>	<u>179,001</u>	<u>93,162</u>	<u>3,580,892</u>
Governmental activities capital assets, net	<u>3,593,884</u>	<u>1,952,148</u>	<u>93,162</u>	<u>5,452,870</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	86,418	28,925	-	115,343
Less accumulated depreciation	<u>70,873</u>	<u>4,333</u>	<u>-</u>	<u>75,206</u>
Business type activities capital assets, net	<u>15,545</u>	<u>24,592</u>	<u>-</u>	<u>40,137</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	46,933
Other	176
Support services:	
Student support	591
Administration services	17,193
Operation and maintenance of plant services	4,992
Transportation	<u>74,342</u>
	144,227
Unallocated depreciation	<u>135,801</u>
Total depreciation expense – governmental activities	<u>280,028</u>
Business type activities:	
Food services	<u>4,333</u>

5. 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.

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue Bonds	2,990,000	-	-	2,990,000	150,000
Capital Leases	103,202	-	51,370	51,832	51,832
Termination benefits	232,293	112,153	79,269	265,177	189,392
Net OPEB liability	<u>948,149</u>	<u>223,241</u>	<u>-</u>	<u>1,171,390</u>	<u>-</u>
Total	<u>4,273,644</u>	<u>335,394</u>	<u>130,639</u>	<u>4,478,399</u>	<u>391,224</u>
Business type activities:					
Net OPEB liability	<u>65,714</u>	<u>17,172</u>	<u>-</u>	<u>82,886</u>	<u>-</u>

Termination Benefit

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2013, the District has obligations to 16 participants with a total liability of \$265,177. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$79,269.

Revenue Bonds

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

Year Ending June 30,	Bond Issue of May 29, 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	1.00	150,000	64,740	214,740
2015	1.00	150,000	63,240	213,240
2016	1.00	150,000	61,740	211,740
2017	1.00	150,000	60,240	210,240
2018	1.25	150,000	58,552	208,552
2019-2023	1.50-2.65	775,000	253,834	1,028,834
2024-2028	2.65-2.80	920,000	148,739	1,068,739
2029-2030	3.00-3.10	545,000	21,213	566,213
		<u>2,990,000</u>	<u>732,298</u>	<u>3,722,298</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,990,000 bonds issued in May 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,722,298. For the current year, no principal and \$38,566 interest was paid on the bonds and total statewide sales, services and use tax revenues were \$684,891.

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

- Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$217,475 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2014	52,298
Less Amount Representing Interest		<u>466</u>
Present Value of Minimum Lease Payments		<u><u>51,832</u></u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$452,603, \$413,285 and \$364,023 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 and prescription drug benefits for retirees and their spouses. There are 102 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	376,036
Interest on net OPEB obligation	25,347
Adjustment to annual required contribution	76,905
Annual OPEB cost	<u>324,478</u>
Contributions made	<u>84,065</u>
Increase in net OPEB obligation	240,413
Net OPEB obligation beginning of year	<u>1,013,863</u>
Net OPEB obligation end of year	<u>1,254,276</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$84,065 to the medical plan. Plan members eligible for benefits contributed \$13,158.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	369,492	13%	320,785
2011	371,663	14%	639,270
2012	408,266	9%	1,013,863
2013	324,478	26%	1,254,276

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,528,943, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,528,943. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,160,000, and the ratio of the UAAL to covered payroll was 60.8%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

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

10. 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 \$318,441 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Teacher salary supplement	69,495
Educator quality, professional development	76,151
Statewide voluntary preschool program grant	45,554
Market factor	6,553
Teacher mentoring	5,359
	<u>203,112</u>

12. Construction Commitment

The District has entered into contracts totaling \$2,150,143 for an auditorium and electrical service upgrades. As of June 30, 2013 costs of \$1,773,147 had been incurred against the contracts. The balances remaining at June 30, 2013 will be paid as work on the projects progresses.

13. Early Childhood Iowa Area Board

The District is the fiscal agent for the HAWC Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 2561 of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the District's financial statements as an Agency Fund because of the District's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	Early Childhood \$	School Ready \$	Total \$
Revenues:			
State Grants:			
Early childhood	91,629	-	91,629
Family support and parent education	-	280,428	280,428
Preschool support for low-income families	-	123,128	123,128
Quality improvement	-	49,944	49,944
Allocation for administration	4,823	14,950	19,773
Other grant programs	-	75,748	75,748
Total state grants	<u>96,452</u>	<u>544,198</u>	<u>640,650</u>
Interest on investments	31	191	222
Total revenues	<u>96,483</u>	<u>544,389</u>	<u>640,872</u>
Expenditures:			
Program services:			
Early childhood	86,783	-	86,783
Family support and parent education	-	280,428	280,428
Preschool support for low income families	-	112,051	112,051
Quality improvement	-	43,171	43,171
Other program services	-	59,476	59,476
Total program services	<u>86,783</u>	<u>495,126</u>	<u>581,909</u>
Administration	4,809	11,314	16,123
Total expenditures	<u>91,592</u>	<u>506,440</u>	<u>598,032</u>
Net change in fund balance	4,891	37,949	42,840
Fund balance beginning of year	12,442	59,792	72,234
Fund balance end of year	<u>17,333</u>	<u>97,741</u>	<u>115,074</u>

14. Beginning Balances

The beginning balance in the statement of net position has been adjusted to correct for changes in the capitalization amounts for capital assets and to correct for a capitalized lease payable.

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,792,489	203,117	4,995,606	4,811,261	4,811,261	184,345
State sources	4,593,538	3,847	4,597,385	4,920,599	4,920,599	(323,214)
Federal sources	279,889	244,465	524,354	768,000	768,000	(243,646)
Total revenues	<u>9,665,916</u>	<u>451,429</u>	<u>10,117,345</u>	<u>10,499,860</u>	<u>10,499,860</u>	<u>(382,515)</u>
Expenditures/Expenses:						
Instruction	5,941,847	-	5,941,847	6,612,000	6,900,000	958,153
Support services	2,590,171	-	2,590,171	3,100,000	3,100,000	509,829
Non-instructional programs	-	522,520	522,520	674,000	674,000	151,480
Other expenditures	2,626,984	-	2,626,984	1,265,024	2,475,000	(151,984)
Total expenditures/expenses	<u>11,159,002</u>	<u>522,520</u>	<u>11,681,522</u>	<u>11,651,024</u>	<u>13,149,000</u>	<u>1,467,478</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,493,086)	(71,091)	(1,564,177)	(1,151,164)	(2,649,140)	1,084,963
Other financing sources (uses) net	<u>2,462</u>	<u>28,925</u>	<u>31,387</u>	<u>45,000</u>	<u>45,000</u>	<u>(13,613)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,490,624)	(42,166)	(1,532,790)	(1,106,164)	(2,604,140)	1,071,350
Balance beginning of year	<u>6,080,367</u>	<u>26,955</u>	<u>6,107,322</u>	<u>3,524,744</u>	<u>3,524,744</u>	<u>2,582,578</u>
Balance end of year	<u><u>4,589,743</u></u>	<u><u>(15,211)</u></u>	<u><u>4,574,532</u></u>	<u><u>2,418,580</u></u>	<u><u>920,604</u></u>	<u><u>3,653,928</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment that increased budgeted expenditures by \$1,497,976.

During the year ended June 30, 2013, expenditures did exceed the amended amounts budgeted in the other expenditures function.

MFL MARMAC 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) %
2010	July 1, 2009	-	2,984,054	2,984,054	0.0%	4,100,000	72.8%
2011	July 1, 2009	-	2,858,574	2,858,574	0.0%	4,080,000	70.1%
2012	July 1, 2009	-	2,729,387	2,729,387	0.0%	4,260,000	64.1%
2013	July 1, 2012	-	2,528,943	2,528,943	0.0%	4,160,000	60.8%

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.

SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	<u>Special Revenue Student Activity</u> \$	<u>Debt Service</u> \$	<u>Total</u> \$
Cash, cash equivalents and pooled investments	132,350	183,496	315,846
Receivables:			
Accounts	<u>5,350</u>	<u>-</u>	<u>5,350</u>
Total assets	<u><u>137,700</u></u>	<u><u>183,496</u></u>	<u><u>321,196</u></u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	<u>1,298</u>	<u>-</u>	<u>1,298</u>
Fund balances:			
Restricted for:			
Debt service	-	183,496	183,496
Student activities	<u>136,402</u>	<u>-</u>	<u>136,402</u>
Total fund balances	<u><u>136,402</u></u>	<u><u>183,496</u></u>	<u><u>319,898</u></u>
Total liabilities and fund balances	<u><u>137,700</u></u>	<u><u>183,496</u></u>	<u><u>321,196</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue		
	Student	Debt	Total
	Activity	Service	
	\$	\$	\$
Revenues:			
Local sources:			
Other	363,525	-	363,525
Expenditures:			
Current:			
Instruction:			
Other	362,435	-	362,435
Other expenditures:			
Long-term debt:			
Principal	-	51,370	51,370
Interest and fiscal charges	-	39,419	39,419
Total expenditures	362,435	90,789	453,224
Excess (deficiency) of revenues over (under) expenditures	1,090	(90,789)	(89,699)
Other financing sources (uses):			
Operating transfers in	-	274,284	274,284
Changes in fund balances	1,090	183,495	184,585
Fund balances beginning of year	135,312	1	135,313
Fund balances end of year	136,402	183,496	319,898

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	<u>Nonmajor Enterprise Funds</u>		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Assets			
Cash and cash equivalents	10,603	-	10,603
Accounts receivable	19,635	1,535	21,170
Due from other governments	359	-	359
Inventories	4,164	-	4,164
Capital assets, net of accumulated depreciation	40,137	-	40,137
	<u>74,898</u>	<u>1,535</u>	<u>76,433</u>
Total assets			
Liabilities			
Accounts payable	-	484	484
Deferred revenue	8,274	-	8,274
Net OPEB liability	82,886	-	82,886
	<u>91,160</u>	<u>484</u>	<u>91,644</u>
Total liabilities			
Net position			
Invested in capital assets	40,137	-	40,137
Unrestricted	(56,399)	1,051	(55,348)
	<u>(16,262)</u>	<u>1,051</u>	<u>(15,211)</u>
Total net position			

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		
	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	180,262	22,827	203,089
Operating expenses:			
Non-instructional programs:			
Salaries	159,606	22,978	182,584
Benefits	92,207	6,779	98,986
Purchased services	4,006	16,000	20,006
Supplies	216,611	-	216,611
Depreciation	4,333	-	4,333
Total operating expenses	<u>476,763</u>	<u>45,757</u>	<u>522,520</u>
Operating income (loss)	<u>(296,501)</u>	<u>(22,930)</u>	<u>(319,431)</u>
Non-operating revenues:			
State sources	3,847	-	3,847
Federal sources	244,465	-	244,465
Interest income	28	-	28
Total non-operating revenues	<u>248,340</u>	<u>-</u>	<u>248,340</u>
Gain (loss) before capital contributions	(48,161)	(22,930)	(71,091)
Capital contributions	<u>28,925</u>	<u>-</u>	<u>28,925</u>
Change in net position	(19,236)	(22,930)	(42,166)
Net position beginning of year	<u>2,974</u>	<u>23,981</u>	<u>26,955</u>
Net position end of year	<u>(16,262)</u>	<u>1,051</u>	<u>(15,211)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	178,754	-	178,754
Cash received from preschool services	-	21,710	21,710
Cash payments to employees for services	(234,641)	(29,757)	(264,398)
Cash payments to suppliers for goods or services	(184,558)	(16,000)	(200,558)
Net cash used by operating activities	<u>(240,445)</u>	<u>(24,047)</u>	<u>(264,492)</u>
Cash flows from non-capital financing activities:			
State grants received	3,847	-	3,847
Federal grants received	206,137	-	206,137
Net cash provided by non-capital financing activities	<u>209,984</u>	<u>-</u>	<u>209,984</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>28</u>	<u>-</u>	<u>28</u>
Net increase (decrease) in cash and cash equivalents	(30,433)	(24,047)	(54,480)
Cash and cash equivalents at beginning of year	<u>41,036</u>	<u>23,563</u>	<u>64,599</u>
Cash and cash equivalents at end of year	<u>10,603</u>	<u>(484)</u>	<u>10,119</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(296,501)	(22,930)	(319,431)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	37,969	-	37,969
Depreciation	4,333	-	4,333
Decrease (increase) in inventories	(1,910)	-	(1,910)
Decrease (increase) in accounts receivable	(3,173)	(1,117)	(4,290)
(Decrease) increase in deferred revenue	1,665	-	1,665
Increase in other postemployment benefits	17,172	-	17,172
Net cash used by operating activities	<u>(240,445)</u>	<u>(24,047)</u>	<u>(264,492)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	1,520,384	704,087	2,224,471
Cash with fiscal agent	217,494	-	217,494
Receivables:			
Property tax:			
Delinquent	-	3,830	3,830
Succeeding year	-	280,904	280,904
Due from other governments	211,903	145,962	357,865
Total assets	1,949,781	1,134,783	3,084,564
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	92,307	2,125	94,432
Deferred revenue:			
Succeeding year property tax	-	280,904	280,904
Income surtax	-	145,962	145,962
Total liabilities	92,307	428,991	521,298
Fund balances:			
Restricted for:			
School infrastructure	1,857,474	-	1,857,474
Physical plant and equipment	-	705,792	705,792
Total fund balances	1,857,474	705,792	2,563,266
Total liabilities and fund balances	1,949,781	1,134,783	3,084,564

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	684,891	400,210	1,085,101
Other	7,576	895	8,471
Total revenues	<u>692,467</u>	<u>401,105</u>	<u>1,093,572</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	36,000	36,000
Transportation services	-	114,428	114,428
Other expenditures:			
Facilities acquisition	2,081,154	136,600	2,217,754
Total expenditures	<u>2,081,154</u>	<u>287,028</u>	<u>2,368,182</u>
Excess (deficiency) of revenues over (under) expenditures	(1,388,687)	114,077	(1,274,610)
Other financing sources (uses):			
Operating transfers out	<u>(221,985)</u>	<u>(52,299)</u>	<u>(274,284)</u>
Change in fund balance	(1,610,672)	61,778	(1,548,894)
Fund balances beginning of year	<u>3,468,146</u>	<u>644,014</u>	<u>4,112,160</u>
Fund balance end of year	<u>1,857,474</u>	<u>705,792</u>	<u>2,563,266</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Clearing acct. interest	440	99	440	(99)	-
Fine arts	4,205	7,662	8,752	(237)	2,878
Middle school drama	586	787	671	-	702
Band	7,322	5,303	2,458	237	10,404
Girls basketball	1	4,435	4,287	(149)	-
2018 Girls basketball fund	18	2,061	2,079	-	-
2021 Girls basketball	-	372	372	-	-
General athletics	-	10,800	13,698	3,368	470
MS athletic sup. fund balance	-	1,068	5,277	4,209	-
MS volleyball	961	-	170	-	791
Boys basketball (2013-2014)	106	-	106	-	-
2016 & 2017 boys basketball	23	-	-	-	23
MS track activities fund balance	180	313	308	-	185
MS Cross country	-	249	229	-	20
Cross country	-	60	1,001	941	-
Cross country activities	300	465	493	-	272
Golf	-	-	788	788	-
Golf activities	118	-	-	-	118
Bulldog basketball club activities	10,784	23,096	21,365	-	12,515
Boys basketball	-	21,123	24,869	3,746	-
Football	-	9,513	8,326	(1,187)	-
Football activities fund balance	2,481	8,050	6,566	-	3,965
Youth football club	1,949	-	490	-	1,459
Baseball fund balance	(1)	881	3,686	2,805	(1)
Baseball activities	443	5,949	4,985	-	1,407
Boys track	-	1,034	3,894	2,940	80
Wrestling fund balance	-	3,265	3,155	(110)	-
Wrestling club fund balance	1,928	2,966	3,929	2,677	3,642
Youth wrestling	6,409	22,329	20,871	(2,677)	5,190
Volleyball fund balance	-	2,395	1,679	(716)	-
Bulldog volleyball club balance	631	3,294	2,307	-	1,618
Softball fund balance	-	1,824	3,976	2,152	-
Softball activities fund balance	1,428	5,957	4,397	-	2,988
Girls track fund	-	1,255	1,138	(52)	65
Girls track activities	130	720	593	-	257
Cheerleaders	952	4,023	3,701	-	1,274
Dance team fund balance	1,102	6,453	6,884	-	671
Other unreserved fund balance M.S. 3M G	11	4,135	4,356	210	-
FFA	14,817	28,098	27,927	-	14,988

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
High school student council	1,363	12,905	11,200	(38)	3,030
Middle school student council	1,580	5,258	4,567	38	2,309
Young Americans	1,801	8,434	8,177	-	2,058
High school peer helpers	289	-	92	-	197
Class of 2019	-	17,706	13,163	-	4,543
Class of 2018	5,302	5,340	10,500	-	142
Class of 2017	3,383	3,809	3,829	-	3,363
Class of 2016	1,710	170	69	-	1,811
Class of 2015	1,932	245	651	-	1,526
Class of 2014	49	20,062	12,774	-	7,337
Class of 2013	6,381	1,242	4,881	(2,000)	742
Class of 2012	5,495	-	66	-	5,429
Music resale	(1)	498	556	58	(1)
Yearbook	1,125	13,936	15,554	2,000	1,507
Student activity tickets	9,145	11,106	1,632	(18,704)	(85)
Elem. fund raising	10,217	6,103	6,102	-	10,218
M.S. fund raising	1,875	5,617	6,189	(210)	1,093
HS fund raising	3,921	5,395	6,583	-	2,733
MS class trips	378	53,030	53,032	-	376
Electrathon team	295	-	-	-	295
Pepsi machine (M)	-	41	-	(41)	-
Pepsi (McG)	-	2,544	2,595	51	-
FFA savings	21,102	50	-	-	21,152
Cash on hand	100	-	-	-	100
Ending accruals	546	-	-	-	546
Total	135,312	363,525	362,435	-	136,402

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2013

	HAWC Early Childhood Iowa Board	Little Bulldog Childcare	Dr. Smith Childcare Center	Employee Memorial	Total
	\$	\$	\$	\$	\$
Balance beginning of year	72,234	51,039	-	154	123,427
Additions:					
Collections	640,872	223,963	142,972	545	1,008,352
Deductions:					
Miscellaneous	598,032	187,800	142,972	250	929,054
Balance end of year	<u>115,074</u>	<u>87,202</u>	<u>-</u>	<u>449</u>	<u>202,725</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	4,157,971	4,198,231	3,925,636	3,740,863	3,576,842	3,419,092	3,418,679	3,280,104	3,317,657	2,799,270
Tuition	175,435	181,136	142,656	139,533	180,640	175,375	141,766	145,874	120,848	125,357
Other	459,083	585,211	468,181	408,037	581,451	625,741	608,135	481,720	437,260	416,695
Intermediate sources		-	-	-	1,000	-	1,151	2,441	-	4,265
State sources	4,593,538	4,295,383	4,414,240	3,860,409	4,543,606	4,550,235	4,382,392	4,202,997	4,160,293	3,986,806
Federal sources	279,889	315,836	557,005	899,279	305,353	243,652	215,634	204,975	241,235	336,641
Total revenues	<u>9,665,916</u>	<u>9,575,797</u>	<u>9,507,718</u>	<u>9,048,121</u>	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>	<u>7,669,034</u>
Expenditures:										
Instruction:										
Regular	3,466,575	3,866,348	3,279,161	3,597,272	3,382,648	3,169,523	3,275,897	3,060,145	2,962,300	2,934,875
Special	938,303	993,805	988,309	875,152	1,119,005	958,194	786,879	764,176	750,216	914,195
Other	1,536,969	1,381,465	1,418,823	1,431,233	1,297,396	1,176,705	1,090,837	941,952	884,218	608,974
Support services:										
Student	137,452	108,306	116,566	95,078	100,377	231,868	226,374	237,145	298,729	277,687
Instructional staff	80,068	83,834	107,581	140,965	142,376	137,531	140,152	143,944	133,498	180,711
Administration	1,068,257	991,470	916,593	1,019,805	937,912	869,170	828,117	780,254	848,247	833,883
Operation and maintenance	776,864	729,141	738,377	740,021	724,526	743,054	663,532	626,690	572,891	429,801
Transportation	527,530	456,326	532,052	495,260	533,481	504,467	444,979	469,674	380,805	343,605
Non-instructional programs		-	-	-	-	4,000	-	-	8,254	1,748
Other expenditures:										
Facilities acquisition	2,217,754	952,369	565,656	701,926	733,599	357,812	569,506	388,504	577,333	913,215
Long-term debt:										
Principal	51,370	103,209	-	405,000	90,000	210,000	105,000	100,000	100,000	15,000
Interest and other charges	39,419	32,997	-	15,858	15,562	21,529	26,576	29,361	32,198	34,878
AEA flowthrough	318,441	315,818	356,773	357,089	318,417	313,344	304,120	294,529	294,915	296,974
Total expenditures	<u>11,159,002</u>	<u>10,015,088</u>	<u>9,019,891</u>	<u>9,874,659</u>	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</u>	<u>7,785,546</u>

See accompanying independent auditor's report.

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

To the Board of Education of
MFL MarMac Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I3-1-A and I3-1-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MFL MarMac Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

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

MFL MarMac Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MFL MarMac 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 31, 2013

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

13-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, exceeded the amended certified budget amount in the other expenditures function.

Recommendation: The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

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

Conclusion: Response accepted.

13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

13-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gina Roys, board member	recycling	\$ 180

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

13-II-E 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.

13-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

13-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

13-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 13-II-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		3,468,146
Revenues/transfers in:		
Statewide sales, services and use tax revenue	684,891	
Other income	7,576	692,467
Expenditures/transfers out:		
Transfers to debt service	221,985	
Facilities and equipment	2,081,154	2,303,139
Ending balance		<u>1,857,474</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

- 13-II-M Deficit Balances: The School Nutrition Fund has a deficit balance at June 30, 2013.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted