

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**East Marshall Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Terry Collins	President	2013
Julie Schossow	Vice President	2013
Deanna Berkey	Board Member	2015
Terry Thompson	Board Member	2015
Tonya Dixon	Board Member	2013
<b>(After September 2013 Election)</b>		
Terry Collins	President	2017
Terry Thompson	Vice President	2015
Deanna Berkey	Board Member	2015
Julie Schossow	Board Member	2017
Nicole Huisinga	Board Member	2017
<b>School Officials</b>		
Dianne Anderson	Superintendent	2014
Nancy Burchland	Business Manager/ Board Secretary	2014
Cartwright, Druker and Ryden	Attorney	2014
Gruhn Law Firm	Attorney	2014

**NOLTE, CORNMAN & JOHNSON P.C.**  
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(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**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 East Marshall Community School District, Gilman, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of June 30, 2014, 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 7 through 17 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2015, on our consideration of East Marshall Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Marshall Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 25, 2015  
Newton, Iowa

*East Marshall Community School District*

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

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East Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,339,240 in fiscal 2013 to \$9,215,850 in fiscal 2014, while General Fund expenditures increased from \$8,594,202 in fiscal 2013 to \$8,833,307 in fiscal 2014. Overall, the District's General Fund balance increased from \$1,164,611 at June 30, 2013 to \$1,547,154 at June 30, 2014, a 32.85% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and local tax source revenue in fiscal 2014. The increase in expenditures was due primarily to increased salaries and benefits paid to employees.

### **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 East Marshall Community School District as a whole and present an overall view of the District's finances.

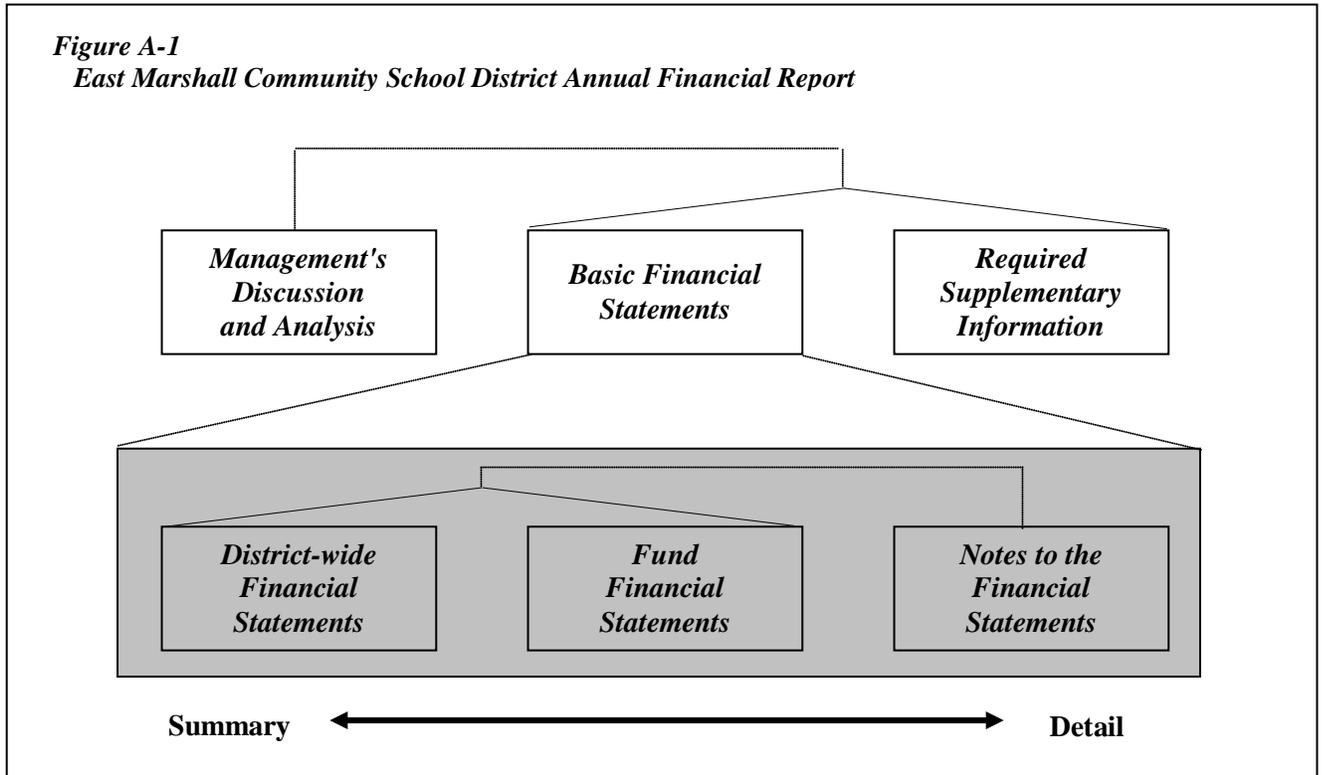
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Marshall Community School District's operations in more detail than the government-wide statements by providing information about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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds, Capital Projects Accounts and Private Purpose Trust Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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



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

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

## 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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 is one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position for the year ended June 30, 2014 compared to June 30, 2013.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,106,356	9,965,347	179,428	180,176	7,285,784	10,145,523	-28.19%
Capital assets	9,061,567	9,176,658	81,329	79,094	9,142,896	9,255,752	-1.22%
Total assets	<u>16,167,923</u>	<u>19,142,005</u>	<u>260,757</u>	<u>259,270</u>	<u>16,428,680</u>	<u>19,401,275</u>	<u>-15.32%</u>
Long-term obligations	4,960,417	8,762,078	8,283	6,666	4,968,700	8,768,744	-43.34%
Other liabilities	1,154,567	1,050,528	36,892	37,515	1,191,459	1,088,043	9.50%
Total liabilities	<u>6,114,984</u>	<u>9,812,606</u>	<u>45,175</u>	<u>44,181</u>	<u>6,160,159</u>	<u>9,856,787</u>	<u>-37.50%</u>
Deferred inflows of resources	<u>3,094,682</u>	<u>2,981,581</u>	-	-	<u>3,094,682</u>	<u>2,981,581</u>	<u>3.79%</u>
Net position:							
Net investment in capital assets	4,919,844	4,662,478	81,329	79,094	5,001,173	4,741,572	5.47%
Restricted	1,189,577	1,054,773	-	-	1,189,577	1,054,773	12.78%
Unrestricted	848,836	630,567	134,253	135,995	983,089	766,562	28.25%
Total net position	<u>\$ 6,958,257</u>	<u>6,347,818</u>	<u>215,582</u>	<u>215,089</u>	<u>7,173,839</u>	<u>6,562,907</u>	<u>9.31%</u>

The District's combined net position increased by 9.31%, or \$610,932, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt category. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents 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 \$134,804, or 12.78% from the prior year. The increase in restricted net position is primarily due to the increase in fund balance in the Management Levy Fund and the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

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 - increased \$216,527, or 28.25%. The increase in unrestricted net position is primarily due to the increase in the General Fund ending balance.

**Figure A-4** shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 2,569,759	2,237,540	180,039	177,271	2,749,798	2,414,811	13.87%
Operating grants, contributions and restricted interest	632,253	479,166	242,286	232,966	874,539	712,132	22.81%
Capital grants, contributions and restricted interest	87,396	59,200	-	-	87,396	59,200	47.63%
General revenues:							
Property tax	2,989,430	2,853,711	-	-	2,989,430	2,853,711	4.76%
Income surtax	316,625	291,553	-	-	316,625	291,553	8.60%
Statewide sales, services and use tax	573,663	559,708	-	-	573,663	559,708	2.49%
Unrestricted state grants	3,446,189	3,242,590	-	-	3,446,189	3,242,590	6.28%
Unrestricted interest earnings	20,321	18,742	747	728	21,068	19,470	8.21%
Other	110,355	96,499	652	-	111,007	96,499	15.03%
Total revenues	10,745,991	9,838,709	423,724	410,965	11,169,715	10,249,674	8.98%
Program expenses:							
Instruction	5,912,861	5,836,674	-	-	5,912,861	5,836,674	1.31%
Support services	3,460,228	3,104,919	21,348	35,081	3,481,576	3,140,000	10.88%
Non-instructional programs	8,601	4,991	401,883	398,504	410,484	403,495	1.73%
Other expenses	753,862	812,393	-	-	753,862	812,393	-7.20%
Total expenses	10,135,552	9,758,977	423,231	433,585	10,558,783	10,192,562	3.59%
Change in net position	610,439	79,732	493	(22,620)	610,932	57,112	969.71%
Net position beginning of year	6,347,818	6,268,086	215,089	237,709	6,562,907	6,505,795	0.88%
Net position end of year	\$ 6,958,257	6,347,818	215,582	215,089	7,173,839	6,562,907	9.31%

In fiscal 2014, property tax and unrestricted state grants account for 59.89% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.67% of the revenue from business type activities.

The District's total revenues were approximately \$11.17 million of which approximately \$10.75 million was for governmental activities and approximately \$0.42 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 8.98% in revenues and a 3.59% increase in expenses. Charges for service increased approximately \$335,000 to fund the increase in expenses, while the increase in expenses was related to increased salaries and benefits paid to employees.

### Governmental Activities

Revenues for governmental activities were \$10,745,991 and expenses were \$10,135,552 for the year ended June 30, 2014.

**Figure A-5** presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,912,861	5,836,674	1.31%	3,027,083	3,413,478	-11.32%
Support services	3,460,228	3,104,919	11.44%	3,338,968	3,024,494	10.40%
Non-instructional	8,601	4,991	72.33%	4,861	4,991	-2.60%
Other expenses	753,862	812,393	-7.20%	475,232	540,108	-12.01%
Totals	<u>\$ 10,135,552</u>	<u>9,758,977</u>	<u>3.86%</u>	<u>6,846,144</u>	<u>6,983,071</u>	<u>-1.96%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$2,569,759
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$719,649.
- The net cost of governmental activities was financed with \$2,989,430 in property tax, \$316,625 in income surtax, \$573,663 in statewide sales, services and use tax, \$3,446,189 in unrestricted state grants, \$20,321 in interest income and \$110,355 in other general revenues.

### Business type Activities

Revenues of the District’s business type activities were \$423,724 and expenses were \$423,231. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,575,066, below last year’s ending fund balances of a \$5,671,578. This is primarily due to the decrease in the Debt Service Fund balance resulting from the calling of the District’s crossover refunded general obligation bonds on May 1<sup>st</sup> of fiscal year 2014.

### Governmental Fund Highlights

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

- The General Fund balance increased from \$1,164,611 at June 30, 2013 to \$1,547,154 at June 30, 2014. Revenues increased due in part to increase in local tax, state and federal sources of revenue compared to the prior year. Expenditures also increased during the year due to increased salaries and benefits paid to employees. Revenues outpaced expenditures during the year ensuring an increase in ending fund balance.

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- The Capital Projects Fund balance increased from \$719,718 at June 30, 2013 to \$732,624 at June 30, 2014. This increase in fund balance is primarily due to the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund which increased from a balance of \$633,169 at June 30, 2013 to \$669,253 at June 30, 2014.
  - The Debt Service Fund balance decreased from \$3,524,409 at June 30, 2013 to \$5,178 at June 30, 2014. This decrease is due to the calling of the District's crossover refunded general obligation bonds on May 1<sup>st</sup> of the fiscal year.

### **Proprietary Fund Highlights**

The Proprietary Fund net position increased from \$215,089 at June 30, 2013 to \$215,582 at June 30, 2014, representing an increase of less than one percent. The increase in net position was the result of increased federal source revenues received compared to the prior year and a decrease in support service expenditures incurred during the year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, East Marshall Community School District amended its budget one time to reflect additional expenditures associated with the calling of the District's crossover refunded general obligation bonds during the year and expenditures associated with the District's 1:1 laptop initiative.

The District's revenues were \$601,340 more than budgeted revenues, a variance of 5.68%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

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

#### **Capital Assets**

At June 30, 2014, the District had invested \$9,142,896 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.22% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$465,437.

The original cost of the District's capital assets was \$15,442,726. Governmental funds account for \$15,177,513 with the remainder of \$265,213 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$59,396 at June 30, 2014. The increase in construction in progress is due to expenditures incurred for the District's track project. This project will be capitalized as part of the District's capital asset listing upon completion.

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 120,725	120,725	-	-	120,725	120,725	0.00%
Construction in progress	59,396	-	-	-	59,396	-	100.00%
Buildings	8,092,194	8,339,887	-	-	8,092,194	8,339,887	-2.97%
Land improvements	392,176	323,842	-	-	392,176	323,842	21.10%
Machinery and equipment	397,076	392,204	81,329	79,094	478,405	471,298	1.51%
Total	\$ 9,061,567	9,176,658	81,329	79,094	9,142,896	9,255,752	-1.22%

### Long-Term Debt

At June 30, 2014, the District had \$4,968,700 in long-term debt outstanding. This represents a decrease of 43.34% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$ 3,620,000	7,335,000	-	-	3,620,000	7,335,000	-50.65%
Energy loan notes	411,723	480,531	-	-	411,723	480,531	-14.32%
Capital loan notes	110,000	215,000	-	-	110,000	215,000	-48.84%
Computer lease	263,921	-	-	-	263,921	-	100.00%
Compensated absences	18,877	44,336	-	-	18,877	44,336	-57.42%
Termination benefits	24,813	309,598	-	-	24,813	309,598	-91.99%
Net OPEB obligation	511,083	377,613	8,283	6,666	519,366	384,279	35.15%
Total	\$ 4,960,417	8,762,078	8,283	6,666	4,968,700	8,768,744	-43.34%

The District had general obligation bonds payable of \$3,620,000 at June 30, 2014.

The District had energy loan notes payable from the General Fund of \$411,723 at June 30, 2014.

The District had capital loan notes payable of \$110,000 at June 30, 2014, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had computer lease payable of \$263,921 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had compensated absences payable of \$18,877 at June 30, 2014.

The District had termination benefits payable of \$24,813 at June 30, 2014, payable from the Management Levy Fund.

The District had a net OPEB liability of \$519,366 at June 30, 2014. The governmental activities account for \$511,083 of this total while business type activities account for \$8,283.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The instructional support program allows the district to generate 10% of the total regular program district cost for the budget year for additional or enhanced current educational programs. The District can participate in the instructional support program by either holding an election, which allows participation for ten years or by Board resolution, which allows for participation for five years. The East Marshall School Board implemented the program by resolution for a period of five years starting in 2002-03. The program is funded with a combination of state aid, property tax, and income surtax. Income surtax is paid in the year following the year it is levied. On July 10, 2006, the Board adopted a resolution to continue participation in the instructional support program for an additional five year period through June 30, 2012. On November 14, 2011, the Board adopted a resolution to continue the instructional support program for an additional five year period through June 30, 2017.

Fiscal Year	Instructional Support Levy	ISL State Aid	Income Surtax	Property Tax
2014-15	\$ 319,542	\$ -	\$ 298,111	\$ 21,431
2013-14	\$ 310,487	\$ -	\$ 286,730	\$ 23,757
2012-13	\$ 316,801	\$ -	\$ 298,112	\$ 18,689
2011-12	\$ 313,289	\$ -	\$ 293,303	\$ 19,986
2010-11	\$ 325,358	\$ -	\$ 310,613	\$ 2,771
2009-10	\$ 330,035	\$ 22,045	\$ 306,068	\$ 1,922
2008-09	\$ 324,570	\$ 23,987	\$ 277,317	\$ 23,266
2007-08	\$ 317,699	\$ 26,690	\$ 260,620	\$ 30,389
2006-07	\$ 316,157	\$ 27,797	\$ 273,019	\$ 15,341
2005-06	\$ 318,391	\$ 29,809	\$ 278,567	\$ 10,015

- The District resident enrollment trend over the past five years is downward by an average of 20 students per year.
- The District continues to have increasing open enrolled students. In 2011-12, open enrollment revenues were \$1,729,305, and increase of \$211,393 over 2010-11. In 2012-13, open enrollment revenues were \$1,960,894, an increase of \$231,589 over 2011-12. In 2013-14, open enrollment revenues were \$2,229,321, and increase of \$268,427 over 2012-13.

Fiscal Year	Enrolled In	Enrolled Out
2014-2015	318.6	44.1
2013-2014	329.1	35.1
2012-2013	296.2	38.1
2011-2012	264.2	35.1
2010-2011	238.2	40.2
2009-2010	220	41.7
2008-2009	209	46.6
2007-2008	202	45.6
2006-2007	193	49.7
2005-2006	181	50.8

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Denham, District Business Manager, East Marshall Community School District, 204 West Center St, Gilman, Iowa, 50106.

*East Marshall Community School District*

**BASIC FINANCIAL STATEMENTS**

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,967,206	163,690	3,130,896
Receivables:			
Property tax:			
Delinquent	31,836	-	31,836
Succeeding year	3,094,682	-	3,094,682
Income surtax	286,730	-	286,730
Accounts	55,396	51	55,447
Due from other governments	670,506	-	670,506
Inventories	-	15,687	15,687
Capital assets, net of accumulated depreciation	9,061,567	81,329	9,142,896
<b>TOTAL ASSETS</b>	<b>16,167,923</b>	<b>260,757</b>	<b>16,428,680</b>
<b>LIABILITIES</b>			
Accounts payable	174,154	7	174,161
Salaries and benefits payable	965,495	28,912	994,407
Advances for student fees/deposits	2,651	-	2,651
Accrued interest payable	12,267	-	12,267
Unearned revenue	-	7,973	7,973
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	-	310,000
Capital loan notes payable	110,000	-	110,000
Energy loan notes payable	71,020	-	71,020
Computer lease payable	85,760	-	85,760
Termination benefits payable	18,920	-	18,920
Compensated absences payable	18,877	-	18,877
Portion due after one year:			
General obligation bonds payable	3,310,000	-	3,310,000
Energy loan notes payable	340,703	-	340,703
Computer lease payable	178,161	-	178,161
Termination benefits payable	5,893	-	5,893
Net OPEB liability	511,083	8,283	519,366
<b>TOTAL LIABILITIES</b>	<b>6,114,984</b>	<b>45,175</b>	<b>6,160,159</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenues	3,094,682	-	3,094,682
<b>NET POSITION</b>			
Net investment in capital assets	4,919,844	81,329	5,001,173
Restricted for:			
Categorical funding	191,656	-	191,656
Management levy purposes	124,393	-	124,393
Student activities	101,958	-	101,958
Public education and recreation levy	38,946	-	38,946
School infrastructure	669,253	-	669,253
Physical plant and equipment	63,371	-	63,371
Unrestricted	848,836	134,253	983,089
<b>TOTAL NET POSITION</b>	<b>\$ 6,958,257</b>	<b>215,582</b>	<b>7,173,839</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,674,238	1,676,811	25,239	-	(1,972,188)	-	(1,972,188)
Special	1,194,512	684,374	32,828	-	(477,310)	-	(477,310)
Other	1,044,111	206,672	259,854	-	(577,585)	-	(577,585)
	5,912,861	2,567,857	317,921	-	(3,027,083)	-	(3,027,083)
Support services:							
Student	391,477	-	-	-	(391,477)	-	(391,477)
Instructional staff	359,843	-	27,373	-	(332,470)	-	(332,470)
Administration	1,056,688	-	2,324	-	(1,054,364)	-	(1,054,364)
Operation and maintenance of plant	1,035,949	-	-	87,396	(948,553)	-	(948,553)
Transportation services	616,271	1,902	2,265	-	(612,104)	-	(612,104)
	3,460,228	1,902	31,962	87,396	(3,338,968)	-	(3,338,968)
Non-instructional programs:							
Community service operations	8,601	-	3,740	-	(4,861)	-	(4,861)
Long-term debt interest	201,343	-	-	-	(201,343)	-	(201,343)
Other expenses:							
AEA flowthrough	278,630	-	278,630	-	-	-	-
Depreciation(unallocated)*	273,889	-	-	-	(273,889)	-	(273,889)
	552,519	-	278,630	-	(273,889)	-	(273,889)
Total governmental activities	10,135,552	2,569,759	632,253	87,396	(6,846,144)	-	(6,846,144)
Business type activities:							
Support services:							
Administration	18,222	-	-	-	-	(18,222)	(18,222)
Operation and maintenance of plant	3,126	-	-	-	-	(3,126)	(3,126)
Total support services	21,348	-	-	-	-	(21,348)	(21,348)
Non-instructional programs:							
Food service operations	401,883	180,039	242,286	-	-	20,442	20,442
Total business type activities	423,231	180,039	242,286	-	-	(906)	(906)
Total	\$ 10,558,783	2,749,798	874,539	87,396	(6,846,144)	(906)	(6,847,050)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$	2,558,304	-	2,558,304
Capital outlay					206,573	-	206,573
Debt service					224,553	-	224,553
Income surtax					316,625	-	316,625
Statewide sales, services and use tax					573,663	-	573,663
Unrestricted state grants					3,446,189	-	3,446,189
Unrestricted investment earnings					20,321	747	21,068
Other					110,355	652	111,007
Total general revenues					7,456,583	1,399	7,457,982
Change in net position					610,439	493	610,932
Net position beginning of year					6,347,818	215,089	6,562,907
Net position end of year				\$	6,958,257	215,582	7,173,839

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,178,945	487,682	2,787	290,214	2,959,628
Receivables:					
Property tax:					
Delinquent	24,452	2,200	2,391	2,793	31,836
Succeeding year	2,420,629	209,160	216,656	248,237	3,094,682
Income surtax	286,730	-	-	-	286,730
Accounts	47,555	7,841	-	-	55,396
Due from other governments	421,984	247,892	-	630	670,506
<b>TOTAL ASSETS</b>	<b>\$ 5,380,295</b>	<b>954,775</b>	<b>221,834</b>	<b>541,874</b>	<b>7,098,778</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 158,663	12,991	-	2,500	174,154
Salaries and benefits payable	964,703	-	-	792	965,495
Advances for student fees/deposits	2,416	-	-	235	2,651
Total liabilities	1,125,782	12,991	-	3,527	1,142,300
Deferred inflows of resources					
Unavailable revenue:					
Succeeding year property tax	2,420,629	209,160	216,656	248,237	3,094,682
Income surtax	286,730	-	-	-	286,730
Total deferred inflows of resources	2,707,359	209,160	216,656	248,237	3,381,412
Fund balances:					
Restricted for:					
Categorical funding	191,656	-	-	-	191,656
Debt service	-	-	5,178	-	5,178
Management levy purposes	-	-	-	149,206	149,206
Student activities	-	-	-	101,958	101,958
Public education and recreation levy	-	-	-	38,946	38,946
School infrastructure	-	669,253	-	-	669,253
Physical plant and equipment	-	63,371	-	-	63,371
Unassigned	1,355,498	-	-	-	1,355,498
Total fund balances	1,547,154	732,624	5,178	290,110	2,575,066
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,380,295</b>	<b>954,775</b>	<b>221,834</b>	<b>541,874</b>	<b>7,098,778</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 22)</b>	\$ 2,575,066
<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.	9,061,567
Accounts receivable income surtax, is not yet available to pay current year expenditures and, therefore, is recognized as a deferred inflow of resources in the governmental funds.	286,730
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	7,578
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,267)
Long-term liabilities, including general obligation bonds, energy loan notes, capital loan notes, computer lease, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,960,417)</u>
<b>Net position of governmental activities(page 20)</b>	<u><u>\$ 6,958,257</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,624,049	206,573	224,553	262,262	3,317,437
Tuition	2,338,991	-	-	-	2,338,991
Other	178,724	63,866	9,940	177,796	430,326
State sources	3,888,433	573,766	112	131	4,462,442
Federal sources	183,177	25,000	-	-	208,177
Total revenues	<u>9,213,374</u>	<u>869,205</u>	<u>234,605</u>	<u>440,189</u>	<u>10,757,373</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	3,375,165	399,468	-	120,901	3,895,534
Special	1,180,814	-	-	-	1,180,814
Other	868,636	-	-	171,445	1,040,081
	<u>5,424,615</u>	<u>399,468</u>	<u>-</u>	<u>292,346</u>	<u>6,116,429</u>
Support services:					
Student	377,445	908	-	1,052	379,405
Instructional staff	312,468	41,993	-	1,209	355,670
Administration	1,004,897	31,158	-	9,409	1,045,464
Operation and maintenance of plant	864,096	9,154	-	68,233	941,483
Transportation	486,537	119,028	-	23,899	629,464
	<u>3,045,443</u>	<u>202,241</u>	<u>-</u>	<u>103,802</u>	<u>3,351,486</u>
Non-instructional programs:					
Community service operations	3,740	-	-	4,861	8,601
Capital outlay	-	238,890	-	9,534	248,424
Long-term debt:					
Principal	-	-	3,888,808	-	3,888,808
Interest and fiscal charges	-	-	225,528	-	225,528
	<u>-</u>	<u>-</u>	<u>4,114,336</u>	<u>-</u>	<u>4,114,336</u>
Other expenditures:					
AEA flowthrough	278,630	-	-	-	278,630
<b>TOTAL EXPENDITURES</b>	<u>8,752,428</u>	<u>840,599</u>	<u>4,114,336</u>	<u>410,543</u>	<u>14,117,906</u>
Excess(Deficiency) of revenues over(under) expenditures	460,946	28,606	(3,879,731)	29,646	(3,360,533)
Other financing sources(uses):					
Transfer in	2,376	-	360,500	-	362,876
Transfer out	(80,879)	(279,621)	-	(2,376)	(362,876)
Sale of equipment	100	-	-	-	100
Computer lease proceeds	-	263,921	-	-	263,921
Total other financing sources(uses)	<u>(78,403)</u>	<u>(15,700)</u>	<u>360,500</u>	<u>(2,376)</u>	<u>264,021</u>
Change in fund balances	382,543	12,906	(3,519,231)	27,270	(3,096,512)
Fund balances beginning of year	<u>1,164,611</u>	<u>719,718</u>	<u>3,524,409</u>	<u>262,840</u>	<u>5,671,578</u>
Fund balances end of year	<u>\$ 1,547,154</u>	<u>732,624</u>	<u>5,178</u>	<u>290,110</u>	<u>2,575,066</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds(page 24)** \$ (3,096,512)

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

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

Capital outlay	\$ 335,566	
Depreciation expense	(450,657)	(115,091)

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

Issued	(263,921)	
Repaid	3,888,808	3,624,887

Income surtax account receivable is not considered available revenue and is recognized as a deferred inflow or resources in the governmental funds. (11,382)

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 7,578

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. 24,185

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	284,785	
Compensated absences	25,459	
Other postemployment benefits	(133,470)	176,774

**Change in net position of governmental activities(page 21)** \$ 610,439

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>ASSETS</b>		
Cash and pooled investments	\$ 163,690	7,578
Accounts receivable	51	-
Inventories	15,687	-
Capital assets, net of accumulated depreciation	81,329	-
<b>TOTAL ASSETS</b>	<b>260,757</b>	<b>7,578</b>
<b>LIABILITIES</b>		
Accounts payable	7	-
Salaries and benefits payable	28,912	-
Unearned revenue	7,973	-
Net OPEB liability	8,283	-
<b>TOTAL LIABILITIES</b>	<b>45,175</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	81,329	-
Unrestricted	134,253	7,578
<b>TOT NET POSITION</b>	<b>\$ 215,582</b>	<b>7,578</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>OPERATING REVENUE:</b>		
Local sources:		
Charges for service	\$ 180,039	-
Miscellaneous	652	41,817
<b>TOTAL OPERATING REVENUES</b>	<b>180,691</b>	<b>41,817</b>
<b>OPERATING EXPENSES:</b>		
Support services:		
Administration:		
Salaries	11,803	-
Benefits	1,957	-
Services	4,409	34,248
Supplies	53	-
Operation and maintenance of plant:		
Services	2,790	-
Supplies	336	-
Total support services	21,348	34,248
Non-instructional programs:		
Food service operations:		
Salaries	157,219	-
Benefits	42,445	-
Services	133	-
Supplies	187,306	-
Depreciation	14,780	-
Total non-instructional programs	401,883	-
<b>TOTAL OPERATING EXPENSES</b>	<b>423,231</b>	<b>34,248</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(242,540)</b>	<b>7,569</b>
<b>NON-OPERATING REVENUES:</b>		
State sources	4,200	-
Federal sources	238,086	-
Interest income	747	9
<b>TOTAL NON-OPERATING REVENUES</b>	<b>243,033</b>	<b>9</b>
Change in net position	493	7,578
Net position beginning of year	215,089	-
Net position end of year	\$ 215,582	7,578

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 180,165	-
Cash received from miscellaneous	652	41,817
Cash payments to employees for services	(212,603)	-
Cash payments to suppliers for goods or services	(167,154)	(34,248)
Net cash provided by(used in) operating activities	(198,940)	7,569
Cash flows from non-capital financing activities:		
State grants received	4,200	-
Federal grants received	202,455	-
Net cash provided by non-capital financing activities	206,655	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	(17,015)	-
Cash flows from investing activities:		
Interest on investments	747	9
Net increase(decrease) in cash and cash equivalents	(8,553)	7,578
Cash and cash equivalents beginning of year	172,243	-
Cash and cash equivalents end of year	\$ 163,690	7,578
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (242,540)	7,569
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	35,631	-
Depreciation	14,780	-
Increase in inventories	(7,754)	-
Increase in accounts receivable	(51)	-
Decrease in accounts payable	(4)	-
Decrease in salaries and benefits payable	(796)	-
Increase in unearned revenue	177	-
Increase in other postemployment benefits	1,617	-
Net cash provided by(used in) operating activities	\$ (198,940)	7,569

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$35,631.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 35,299
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 35,299</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 183
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	150
Change in net position	33
Net position beginning of year	<u>35,266</u>
Net position end of year	<u>\$ 35,299</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investments in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances**

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 1
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Life
Buildings	20-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Advances for Student Fees/Deposits - Proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not been served. Lunch account balances will be reimbursed or served lunches. Revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred inflows of resources 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.

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

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

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgets and Budgetary Accounting**

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

#### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$59,042 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 80,879
General	Management Levy	2,376
	Capital Projects:	
Debt Service	Physical Plant and Equipment Levy	113,338
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	166,283
Total		<u>\$ 362,876</u>

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the District's energy loan note indebtedness.

The transfer from the Management Fund to the General Fund was for deductibles paid by the General Fund which could have been paid from the Management Fund.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for debt relief on the District's general obligation bond indebtedness.

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 250,550	17,015	2,352	265,213
Less accumulated depreciation	171,456	14,780	2,352	183,884
Business type activities capital assets, net	<u>\$ 79,094</u>	<u>2,235</u>	<u>-</u>	<u>81,329</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 120,725	-	-	120,725
Construction in progress	-	59,396	-	59,396
Total capital assets not being depreciated	120,725	59,396	-	180,121
Capital assets being depreciated:				
Buildings	11,699,440	-	-	11,699,440
Land improvements	578,977	94,530	-	673,507
Machinery and equipment	2,540,664	181,640	97,859	2,624,445
Total capital assets being depreciated	14,819,081	276,170	97,859	14,997,392
Less accumulated depreciation for:				
Buildings	3,359,553	247,693	-	3,607,246
Land improvements	255,135	26,196	-	281,331
Machinery and equipment	2,148,460	176,768	97,859	2,227,369
Total accumulated depreciation	5,763,148	450,657	97,859	6,115,946
Total capital assets being depreciated, net	9,055,933	(174,487)	-	8,881,446
Governmental activities capital assets, net	\$ 9,176,658	(115,091)	-	9,061,567

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 44,149
Other	6,038

Support services:

Student	10,712
Administration	4,099
Operation and maintenance of plant	7,905
Transportation	103,865

Unallocated depreciation

176,768
273,889

Total governmental activities depreciation expense

\$ 450,657
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Business type activities:

Food service operations	\$ 14,780
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**Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 7,335,000	-	3,715,000	3,620,000	310,000
Energy loan notes	480,531	-	68,808	411,723	71,020
Capital loan notes	215,000	-	105,000	110,000	110,000
Computer lease	-	263,921	-	263,921	85,760
Compensated absences	44,336	18,877	44,336	18,877	18,877
Termination benefits	309,598	-	284,785 *	24,813	18,920
Net OPEB liability	377,613	133,470	-	511,083	-
Total	\$ 8,762,078	416,268	4,217,929	4,960,417	614,577
<b><u>Business type activities:</u></b>					
Net OPEB liability	\$ 6,666	1,617	-	8,283	-

\*A portion of the liability for termination benefits are now accounted for as an explicit subsidy in the Net OPEB liability.

**General Obligation Bonds Payable**

Details of the District's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue Dated August 8, 2012			
	Interest Rates	Principal	Interest	Total
2015	0.55 %	\$ 310,000	56,155	759,619
2016	0.65	315,000	54,450	762,195
2017	0.85	315,000	52,403	760,968
2018	1.10	315,000	49,725	763,485
2019	1.35	320,000	46,260	764,380
2020-2024	1.35-2.20	1,685,000	150,090	3,829,535
2025	2.30-2.35	360,000	8,460	1,160,528
Total		\$ 3,620,000	417,543	8,800,710

**Capital Loan Notes Payable**

Details of the District's June 30, 2014 capital loan notes indebtedness, which will be paid from the Capital Projects: Physical Plant and Equipment Levy, is as follows:

Year Ending June 30,	Capital Loan Notes Dated April 1, 2009			
	Interest Rates	Principal	Interest	Total
2015	4.00 %	\$ 110,000	4,400	114,400

**Energy Loan Notes Payable**

Details of the District's June 30, 2014 energy loan notes indebtedness, which will be paid from the General Fund, are as follows:

Year Ending June 30,	Energy Loan Notes Dated February 1, 2007				
	Interest Rates		Principal	Interest	Total
2015	4.05	% \$	54,000	6,804	60,804
2016	4.05		56,000	4,617	60,617
2017	4.05		58,000	2,349	60,349
Subtotal			\$ 168,000	13,770	181,770

Year Ending June 30,	Energy Loan Notes Dated March 1, 2012				
	Interest Rates		Principal	Interest	Total
2015	1.00	% \$	17,020	2,528	19,548
2016	1.00		17,234	2,359	19,593
2017	1.00		17,450	2,188	19,638
2018	1.00		17,670	2,015	19,685
2019	1.00		17,892	1,839	19,731
2020-2024	1.00		92,891	5,564	98,455
2025-2028	1.00		63,566	1,067	64,633
Subtotal			\$ 243,723	17,560	261,283
Total			\$ 411,723	31,330	443,053

**Computer Lease Payable**

Details of the District March 3, 2014 computer lease indebtedness is as follows:

Year Ending June 30,	Computer Lease Dated March 3, 2014				
	Interest Rates		Principal	Interest	Total
2015	1.90	% \$	85,760	6,756	92,516
2016	1.90		87,955	4,561	92,516
2017	1.90		90,206	2,310	92,516
Total			\$ 263,921	13,627	277,548

**Termination Benefits Payable**

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

Early retirement benefits include \$500 per month towards group insurance premium for single coverage. This liability is included as an explicit subsidy in the District net OPEB liability. Retirees receive this retirement benefit until age 65 or they become eligible for Medicaid.

The District had offered a different voluntary early retirement plan in prior years. Early retirement benefits under these previous plans included an option of a cash payment. This liability remains accounted for as a termination benefit under GASB Statement 47. As of June 30, 2014, the District had total termination benefits payable to four retirees of \$24,813. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current termination benefits.

**Note 6. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$490,554, \$482,057, and \$428,627, respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits (OPEB)**

*Plan Description* - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 69 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark and ISEBA. Retirees under age 69 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers the option of \$500 a month in insurance payments to District retirees. These benefits are accounted for as an explicit benefit.

*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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 220,115
Interest on net OPEB obligation	9,607
Adjustment to annual required contribution	(33,078)
Annual OPEB cost	<u>196,644</u>
Contributions made	<u>(61,557)</u>
Increase in net OPEB obligation	135,087
Net OPEB obligation beginning of year	<u>384,279</u>
Net OPEB obligation end of year	<u><u>\$ 519,366</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$61,557 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 174,857	35.04%	\$ 248,477
2013	197,460	31.23%	384,279
2014	196,644	31.30%	519,366

*Funded Status and Funding Progress* - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,333,578, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,333,578. The covered payroll (annual payroll of active employees covered by the plan) was \$4,362,416, and the ratio of the UAAL to covered payroll was 30.57%. As of June 30, 2014 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 event 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 for the Retiree Health Plan, 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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include 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, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$604,949.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

**Note 9. 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 \$278,630 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance programs	\$ 40,468
At-risk supplemental weightng	37,192
Returning dropout and dropout prevention programs	4,219
Beginning teacher mentoring and induction program	1,745
Teacher salary supplement	750
Market factor	4,965
Four-year old preschool state aid	89,303
Successful progression for early readers	6,574
Professional development for model core curriculum	1,779
Market factor incentives	3,757
Teacher leadership grants	904
Total	\$ 191,656

**Note 11. Construction Commitment**

The District's entered into contracts totaling \$457,168 for the track project. As of June 30, 2014, costs of \$59,396 had been incurred against these contracts. The balance of \$397,772 will be paid as the project progresses.

**Note 12. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	5,178	149,206	1,355,498
Capital assets, net of accumulated depreciation	9,061,567	-	-	-
General obligation bond indebtedness	(3,620,000)	-	-	-
Capital loan note indebtedness	(110,000)	-	-	-
Energy loan note indebtedness	(411,723)	-	-	-
Computer lease indebtedness	-	-	-	(263,921)
Accrued interest payable	-	(5,178)	-	(7,089)
Termination benefits liability	-	-	(24,813)	-
Compensated absences liability	-	-	-	(18,877)
Net OPEB liability	-	-	-	(511,083)
Internal service fund	-	-	-	7,578
Income surtax receivable	-	-	-	286,730
Net position (Exhibit A)	\$ 4,919,844	-	124,393	848,836

**Note 13. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

*East Marshall Community School District*

**REQUIRED SUPPLEMENTARY INFORMATION**

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
				Revenues:		
Local sources	\$ 6,086,754	181,438	6,268,192	6,391,475	6,391,475	(123,283)
State sources	4,462,442	4,200	4,466,642	3,815,282	3,815,282	651,360
Federal sources	208,177	238,086	446,263	373,000	373,000	73,263
Total revenues	10,757,373	423,724	11,181,097	10,579,757	10,579,757	601,340
Expenditures/Expenses:						
Instruction	6,116,429	-	6,116,429	6,425,670	6,425,670	309,241
Support services	3,351,486	21,348	3,372,834	3,415,708	3,515,708	142,874
Non-instructional programs	8,601	401,883	410,484	456,500	456,500	46,016
Other expenditures	4,641,390	-	4,641,390	1,459,826	4,986,000	344,610
Total expenditures/expenses	14,117,906	423,231	14,541,137	11,757,704	15,383,878	842,741
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,360,533)	493	(3,360,040)	(1,177,947)	(4,804,121)	1,444,081
Other financing sources, net	264,021	-	264,021	(1,000)	(1,000)	265,021
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(3,096,512)	493	(3,096,019)	(1,178,947)	(4,805,121)	1,709,102
Balances beginning of year	5,671,578	215,089	5,957,492	5,829,797	5,829,797	127,695
Balances end of year	\$ 2,575,066	215,582	2,861,473	4,650,850	1,024,676	1,836,797

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,626,174.

EAST MARSHALL 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	\$ -	\$ 1,532,553	1,532,553	0.00%	\$ 4,057,796	37.77%
2011	July 1, 2009	-	1,417,884	1,417,884	0.00%	4,184,344	33.89%
2012	July 1, 2009	-	1,419,309	1,419,309	0.00%	3,473,174	40.86%
2013	July 1, 2012	-	1,441,330	1,441,330	0.00%	4,461,669	32.30%
2014	July 1, 2012	-	1,333,578	1,333,578	0.00%	4,362,416	30.57%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SUPPLEMENTARY INFORMATION**

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Public Education and Recreation Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 146,710	102,355	41,149	290,214
Receivables:				
Property tax:				
Delinquent	2,496	-	297	2,793
Succeeding year	220,000	-	28,237	248,237
Due from other governments	-	630	-	630
<b>TOTAL ASSETS</b>	<b>\$ 369,206</b>	<b>102,985</b>	<b>69,683</b>	<b>541,874</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	2,500	2,500
Salaries and benefits payable	-	792	-	792
Advances for student fees/deposits	-	235	-	235
Total liabilities	-	1,027	2,500	3,527
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	220,000	-	28,237	248,237
Fund balances:				
Restricted for:				
Management levy purposes	149,206	-	-	149,206
Student activities	-	101,958	-	101,958
Public education and recreation levy	-	-	38,946	38,946
Total fund balances	149,206	101,958	38,946	290,110
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 369,206</b>	<b>102,985</b>	<b>69,683</b>	<b>541,874</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	
REVENUES:				
Local sources:				
Local tax	\$ 234,375	-	27,887	262,262
Other	3,039	174,664	93	177,796
State sources	117	-	14	131
<b>TOTAL REVENUES</b>	<b>237,531</b>	<b>174,664</b>	<b>27,994</b>	<b>440,189</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	120,901	-	-	120,901
Other	-	171,445	-	171,445
Support services:				
Student	1,052	-	-	1,052
Instructional staff	450	759	-	1,209
Administration	5,921	3,488	-	9,409
Operation and maintenance of plant	54,118	3,846	10,269	68,233
Transportation	23,899	-	-	23,899
Community service operations	-	-	4,861	4,861
Capital outlay	-	-	9,534	9,534
<b>TOTAL EXPENDITURES</b>	<b>206,341</b>	<b>179,538</b>	<b>24,664</b>	<b>410,543</b>
Excess(Deficiency) of revenues over(under) expenditures	31,190	(4,874)	3,330	29,646
Other financing uses:				
Transfer out	(2,376)	-	-	(2,376)
Change in fund balances	28,814	(4,874)	3,330	27,270
Fund balances beginning of year	120,392	106,832	35,616	262,840
Fund balances end of year	<b>\$ 149,206</b>	<b>101,958</b>	<b>38,946</b>	<b>290,110</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 448,281	-	39,401	487,682
Receivables:				
Property tax:				
Delinquent	-	-	2,200	2,200
Succeeding year	-	-	209,160	209,160
Accounts	-	7,841	-	7,841
Due from other governments	222,892	-	25,000	247,892
<b>TOTAL ASSETS</b>	<b>\$ 671,173</b>	<b>7,841</b>	<b>275,761</b>	<b>954,775</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,920	7,841	3,230	12,991
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	209,160	209,160
Fund balances:				
Restricted for:				
School infrastructure	669,253	-	-	669,253
Physical plant and equipment	-	-	63,371	63,371
Total fund balances	669,253	-	63,371	732,624
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 671,173</b>	<b>7,841</b>	<b>275,761</b>	<b>954,775</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	206,573	206,573
Other	1,206	59,396	3,264	63,866
State sources	573,663	-	103	573,766
Federal sources	-	-	25,000	25,000
<b>TOTAL REVENUES</b>	<b>574,869</b>	<b>59,396</b>	<b>234,940</b>	<b>869,205</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	392,848	-	6,620	399,468
Support services:				
Student	-	-	908	908
Instructional staff	41,993	-	-	41,993
Administration	-	-	31,158	31,158
Operation and maintenance of plant	-	-	9,154	9,154
Transportation	97,083	-	21,945	119,028
Capital outlay	104,499	59,396	74,995	238,890
<b>TOTAL EXPENDITURES</b>	<b>636,423</b>	<b>59,396</b>	<b>144,780</b>	<b>840,599</b>
Excess(Deficiency) of revenues over(under) expenditures	(61,554)	-	90,160	28,606
Other financing sources(uses):				
Computer lease proceeds	263,921	-	-	263,921
Transfer out	(166,283)	-	(113,338)	(279,621)
Total other financing sources(uses)	97,638	-	(113,338)	(15,700)
Change in fund balances	36,084	-	(23,178)	12,906
Fund balances beginning of year	633,169	-	86,549	719,718
Fund balances end of year	\$ 669,253	-	63,371	732,624

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 5,964	1,847	3,443	1,580	5,948
HS Vocal	2,434	2,145	4,565	2,132	2,146
Spec MS Vocal	284	416	4,742	4,224	182
HS Band	6,971	220	2,295	1,583	6,479
Band Fundraising	-	12,321	7,272	29	5,078
Spec MS Band	4,370	68	2,427	11	2,022
MS Band Resale	133	621	667	-	87
Athletics	24,666	5,752	15,136	3,357	18,639
Athletic Uniforms	3,411	-	9,511	6,100	-
Track Equipment Fundraising	-	15,594	9,718	34	5,910
Spec MS Athletics	7,099	-	3,891	2,049	5,257
Cross Country	-	-	1,242	1,242	-
Golf	-	1,073	2,541	1,468	-
Boys Basketball	-	6,315	3,489	(2,826)	-
Football	-	12,567	8,829	(3,738)	-
Baseball	70	4,633	4,763	60	-
Boys Track	-	-	2,738	2,738	-
Wrestling	-	6,199	4,482	(1,717)	-
Alumni Basketball Uniforms	677	305	-	6	988
Girls Basketball	-	7,000	3,394	(3,606)	-
Volleyball	-	6,687	4,718	(1,969)	-
Softball	-	6,130	5,953	(42)	135
Girls Track	-	-	2,561	2,561	-
Interest	-	577	-	(577)	-
Middle School Fine Arts	15,680	-	-	(2,127)	13,553
MS Yearbook	414	1,276	1,325	2	367
MS Student Council	-	3,772	2,770	6	1,008
MS Activities	-	525	525	-	-
High School Fine Arts	5,160	-	-	29	5,189
Class of 2014	6,442	85	1,923	(4,604)	-
Class of 2015	1,803	8,183	6,509	1,322	4,799
HS Yearbook	2,878	12,090	11,041	22	3,949
Spec HS Art	3,004	-	-	1,572	4,576
Silk Screening	1,129	789	1,329	645	1,234
Cheerleaders	1,978	1,808	2,160	(632)	994
FFA	11,404	10,292	10,480	64	11,280
National Honor Society	820	-	115	710	1,415
HS Student Council	41	1,071	1,220	831	723
Concession	-	44,303	31,764	(12,539)	-
<b>Total</b>	<b>\$ 106,832</b>	<b>174,664</b>	<b>179,538</b>	<b>-</b>	<b>101,958</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
JUNE 30, 2014

	Private Purpose Trust - Scholarship		
	Blackburn Scholarship	Dunham Scholarship	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 31,782	3,517	35,299
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION</b>			
Restricted for scholarships	\$ 31,782	3,517	35,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship		
	Blackburn Scholarship	Dunham Scholarship	Total
Additions:			
Local sources:			
Interest income	\$ 165	18	183
Deductions:			
Instruction:			
Regular:			
Scholarships awarded	150	-	150
Change in net position	15	18	33
Net position beginning of year	31,767	3,499	35,266
Net position end of year	\$ 31,782	3,517	35,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,317,437	3,599,167	3,757,789	3,716,260	3,329,046	3,233,021	3,084,414	3,146,783	3,159,955	3,202,645
Tuition	2,338,991	2,015,452	1,774,798	1,524,337	1,372,977	1,287,996	1,276,568	1,249,157	1,084,449	815,148
Other	430,326	411,988	337,388	311,573	289,867	324,444	487,198	492,617	524,229	279,311
Intermediate sources	-	811	-	2,937	10,414	-	-	-	-	-
State sources	4,462,442	3,638,736	3,971,194	3,898,484	3,517,058	3,821,565	3,846,326	3,448,468	3,581,775	3,159,379
Federal sources	208,177	167,746	219,106	406,297	812,903	274,774	252,322	400,479	228,858	272,939
<b>Total</b>	<b>\$ 10,757,373</b>	<b>9,833,900</b>	<b>10,060,275</b>	<b>9,859,888</b>	<b>9,332,265</b>	<b>8,941,800</b>	<b>8,946,828</b>	<b>8,737,504</b>	<b>8,579,266</b>	<b>7,729,422</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,895,534	3,546,233	3,467,814	3,318,567	3,254,908	3,154,199	3,263,097	3,070,843	2,738,703	2,575,286
Special	1,180,814	1,219,627	1,166,313	1,148,872	1,166,517	1,246,523	1,106,333	1,034,926	889,705	821,571
Other	1,040,081	1,006,684	911,550	900,022	922,263	883,985	756,644	789,754	722,381	677,104
Support services:										
Student	379,405	342,793	318,211	307,470	289,971	283,357	280,838	278,505	253,518	250,249
Instructional staff	355,670	293,577	318,954	350,709	323,819	392,755	289,776	269,037	328,213	296,343
Administration	1,045,464	929,922	911,686	1,018,387	866,715	828,893	826,278	800,010	800,782	779,341
Operation and maintenance of plant	941,483	866,159	909,086	826,917	806,918	853,631	943,058	805,329	944,385	664,386
Transportation	629,464	538,336	636,634	583,384	604,605	475,124	724,232	468,739	468,872	503,504
Non-instructional programs:										
Food service operations	-	-	-	-	-	2,527	3,892	3,635	2,354	2,354
Community service operations	8,601	4,991	5,268	4,812	4,861	5,131	5,473	5,738	3,470	10,904
Capital outlay	248,424	172,921	464,338	101,988	596,714	848,284	1,094,240	4,656,475	1,289,281	86,941
Long-term debt:										
Principal	3,888,808	397,469	374,000	357,000	345,000	244,000	230,000	185,000	190,000	-
Interest and fiscal charges	225,528	263,836	202,338	210,852	225,948	228,861	232,517	213,226	182,405	-
Other expenditures:										
AEA flow-through	278,630	272,285	282,484	311,385	308,807	251,378	248,491	231,586	218,952	217,704
<b>Total</b>	<b>\$ 14,117,906</b>	<b>9,854,833</b>	<b>9,968,676</b>	<b>9,440,365</b>	<b>9,717,046</b>	<b>9,698,648</b>	<b>10,004,869</b>	<b>12,812,803</b>	<b>9,033,021</b>	<b>6,885,687</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 31,290
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	206,796 *
			238,086
U.S. DEPARTMENT OF ENERGY:			
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES:			
STATE ENERGY PROGRAM	81.041	FY12	243,723
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1968-G	86,945
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1968-GC	13,738
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	13,204
			113,887
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 14	25,000
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	19,425
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	5,022
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	32,828
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	12,015
TOTAL			\$ 689,986

\* Includes \$35,631 on non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the East Marshall 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 East Marshall Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered East Marshall 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 East Marshall Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Marshall Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **East Marshall Community School District's Responses to Findings**

East Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. East Marshall 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 East Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 25, 2015  
Newton, Iowa

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**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited East Marshall Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. East Marshall Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, East Marshall Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

East Marshall Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. East Marshall Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 25, 2015  
Newton, Iowa

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:***
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Title I Cluster:***
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.010 - Title I Schools In Need of Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) East Marshall Community School District did not qualify as a low-risk auditee.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**II-A-14 Segregation of Duties** - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.

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

Response - The District will continue to investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Educational Agencies  
CFDA Number 84.010 - Title I Schools in Need of Assistance  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-14 **Segregation of Duties** - One important aspect of internal accounting control is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.

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 current personnel, including elected officials.

Response - The District will continue to investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted

EAST MARSHALL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14 Certified Budget** - District disbursements for the year ended June 30, 2014, did not exceed the amount budgeted.
- IV-B-14 Questionable Disbursements** - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-14 Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-14 Business Transactions** - No business transactions between the District and District officials or employees were noted.
- IV-E-14 Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment** - No variance regarding the certified enrollment certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting** - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14 Certified Annual Report** - The Certified Annual Report was filed with the Department of Education timely. However, we noted deficiencies in the amounts reported. The District's certified annual report did not include amounts and balances recorded in the Internal Service: Self-Funded Insurance Fund
- Recommendation* - The District should ensure all funds and amounts certified on the Certified Annual Report to the Department of Education are a complete and accurate listing of all funds included in the District's financial statements.
- Response* - The District has corrected the upload file from our accounting software to ensure that all funds and amounts will be certified on the Certified Annual Report to the Department of Education going forward.
- Conclusion* - Response accepted.
- IV-K-14 Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**IV-L-14 Statewide Sales, Services and Use Tax** - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	633,169
Revenues:			
Sales tax revenues	\$	573,663	
Other local revenues		1,206	
Computer lease proceeds		263,921	838,790
			<u>1,471,959</u>
Expenditures:			
School infrastructure construction		6,779	
Equipment		584,462	
Other		45,182	
Transfers to other funds:			
Debt service fund		166,283	802,706
			<u>802,706</u>
Ending Balance		\$	<u><u>669,253</u></u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.80708	\$ 166,283

**IV-M-14 Athletic Officials Contracts** - We noted during our audit that the District contracts with athletic officials were not signed off on by the Board President. Chapter 291.1 of the Code of Iowa requires all contracts entered into by the District to be signed by the Board President.

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

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

**IV-N-14 Checks Outstanding** - We noted during our audit that the District had checks included in the Nutrition fund bank reconciliations that have been outstanding for over a year.

*Recommendation* - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

*Response* - The District continues to monitor our outstanding check to determine whether they need to be voided, reissued, or submitted to the State Treasurer.

*Conclusion* - Response accepted.