

MARION INDEPENDENT SCHOOL DISTRICT
MARION, IOWA

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

JUNE 30, 2014

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MARION INDEPENDENT SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Dan Barkley	President	2015
David Law	Vice President	2015
Diane Bys	Board Member	2013
Bill Huntoon	Board Member	2013
Alan Tribble	Board Member	2013
Shelly Pearson	Board Member	2015
Dennis Trout	Board Member	2015
(After September 2013 election)		
David Law	President	2015
Dan Barkley	Vice President	2015
Shelly Pearson	Board Member	2015
Dennis Trout	Board Member	2015
Shari Funck	Board Member	2017
Bill Huntoon	Board Member	2017
Alan Tribble	Board Member	2017
<u>School Officials</u>		
Sarah Pinion	Superintendent	2015
Brian Bartz	District Secretary/Treasurer and Business Manager	2014
Brett Nitzschke	Attorney	2014

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Marion Independent 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 Marion Independent School District, Marion Iowa, 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 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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 Marion Independent 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*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 56 through 58 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 Marion Independent 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 year ended June 30, 2013 and the five years ended June 30, 2009 (which are not presented herein). For the year ended June 30, 2013 and the three years ended June 30, 2009, we expressed unmodified opinions on those financial statements. For the two years ended June 30, 2006, we expressed qualified opinions on the business-type activities and aggregate remaining fund information due to the inability to observe School Nutrition Fund inventory and unmodified opinions on the governmental activities and each major fund. The financial statements for the three years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures and of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2015 on our consideration of Marion Independent 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. 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 Marion Independent School District's internal control over financial reporting and compliance.

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 23, 2015

**Marion Independent School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014**

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

Financial Highlights

- The District showed an increase in total net position of 958,333 for the year ended June 30, 2014, a 6.4% increase.
- Governmental funds reported a total fund balance on June 30, 2014 of \$8,248,414 compared to \$9,045,709 reported on June 30, 2013, or a decrease of \$797,297. Fund balances by fund are as follows: general fund \$854,934, capital projects fund \$5,660,308, student activities fund \$272,339, debt service 870,376, management fund \$237,523, recreation levy \$1,465 and support trust fund \$351,469.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Marion Independent School District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements .The district-wide financial statements are designed to provide readers with a broad overview of Marion Independent School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Marion Independent School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements reflect functions of the Marion Independent School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional programs, operation and maintenance of plant, student transportation and capital construction. Business-type activities are those that the District charges a fee to help cover the cost, such as school nutrition and student construction.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financial requirements.

Because of the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental

activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes to fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Funds, which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation.

Proprietary funds. Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the district-wide statements. The District has two types of proprietary funds: enterprise and internal service. The District has three enterprise funds: School Nutrition, MDE School Store and Student Construction. The District maintains one internal service fund to account for the flexible benefits plan of the District.

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

Notes to the financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

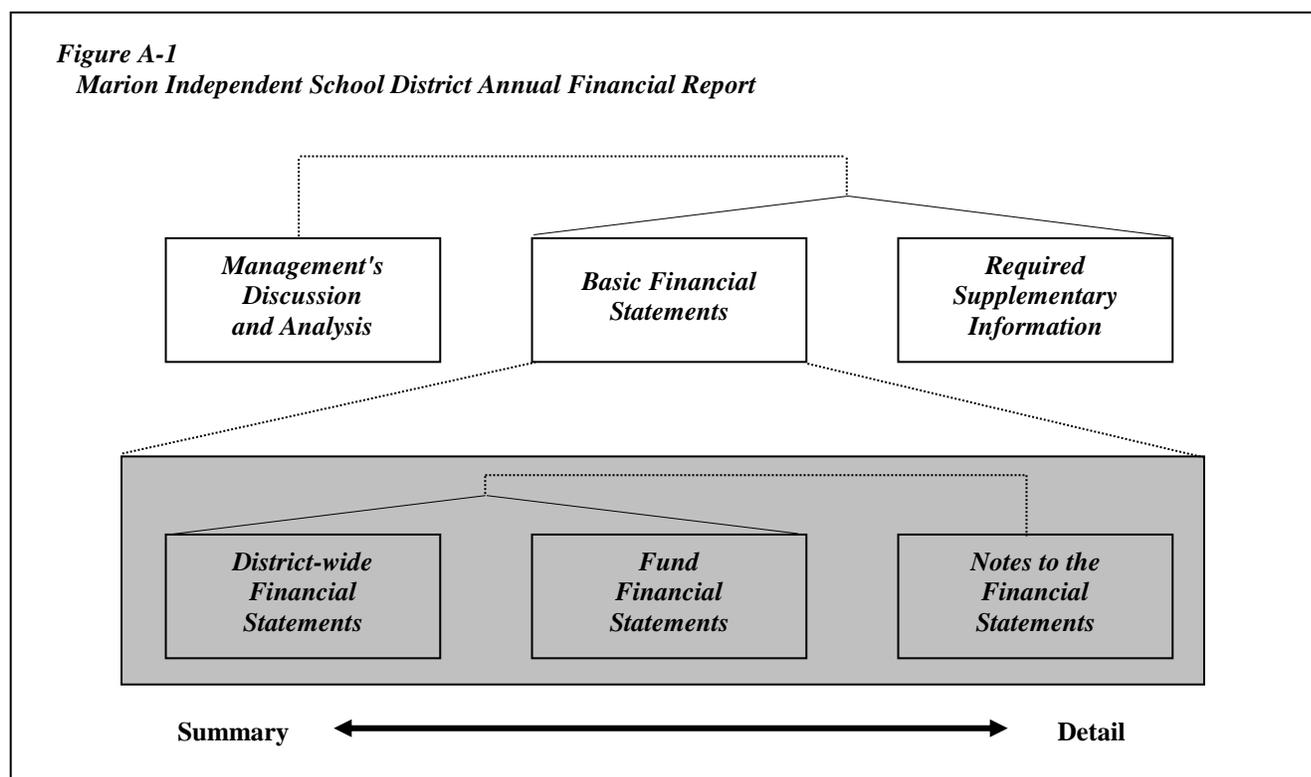


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as agency funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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

Net Position – Table 1 below provides a summary of the District’s net position for the year ended June 30, 2014 compared to June 30, 2013.

Table 1-Net Position

	<u>Governmental Activities</u>		<u>Business Type</u>		<u>Total District</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	\$19,280,048	\$19,644,123	246,656	321,644	\$19,526,704	\$19,965,767
Capital assets	30,141,986	29,472,159	460,508	510,741	30,602,494	29,982,900
Total assets	<u>49,422,034</u>	<u>49,116,282</u>	<u>707,164</u>	<u>832,385</u>	<u>50,129,198</u>	<u>49,948,667</u>
LIABILITIES						
Other liabilities	3,069,772	3,245,617	38,562	76,373	3,108,334	3,321,990
Long-term liabilities	23,403,059	24,534,344	-	-	23,403,059	24,534,344
Total liabilities	<u>26,472,831</u>	<u>27,779,961</u>	<u>38,562</u>	<u>76,373</u>	<u>26,511,393</u>	<u>27,856,334</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax	<u>7,787,765</u>	<u>7,220,026</u>	<u>-</u>	<u>-</u>	<u>7,778,165</u>	<u>7,220,026</u>
NET POSITION						
Net investment in capital assets	7,426,986	5,582,159	460,508	510,741	7,887,494	6,092,900
Restricted	9,022,797	9,593,592	-	-	9,022,797	9,593,592
Unrestricted	<u>(1,287,745)</u>	<u>(1,059,456)</u>	<u>208,094</u>	<u>245,271</u>	<u>(1,079,651)</u>	<u>(814,185)</u>
Total Net Position	<u>15,162,038</u>	<u>14,116,295</u>	<u>668,602</u>	<u>756,012</u>	<u>15,830,640</u>	<u>14,872,307</u>

The District’s combined total net position increased by \$958,333 or 6.4% for FY 2014. The majority of the change can be attributed to a decrease in long-term liabilities. Restricted net position is \$9,022,797, these are resources that are subject to external restrictions on how they may be used. Restricted net position by fund: debt service \$1,966,532, school infrastructure \$2,387,706, physical plant and equipment levy purposes \$2,284,513, management levy purposes \$237,523, student activities \$272,339, support trust purposes \$351,469 categorical funding of \$1,521,250 and other \$1,465.

Table 2 – Statement of Activities and Changes to Net Positions

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Change</u> <u>2013 -</u> <u>2014</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Revenues							
Program Revenues							
Charges for services	5,087,286	4,821,016	696,245	684,869	5,783,531	5,505,885	5.0%
Operating grants and contributions	3,188,419	2,888,537	357,364	332,134	3,545,783	3,220,671	10.1%
Capital Contributions		276,537		457,130		733,667	-100.0%
General Revenues							
Property and other taxes	7,235,901	6,550,043			7,235,901	6,550,043	10.5%
Income surtax	516,488	454,729			516,488	454,729	13.6%
Local option sales tax	1,622,527	1,551,558			1,622,527	1,551,558	4.6%
State and federal grants	9,582,054	9,195,798			9,582,054	9,195,798	4.2%
Other	113,999	71,148	111	171	114,110	71,319	60.0%
Total Revenues	27,346,674	25,809,366	1,053,720	1,474,304	28,400,394	27,283,670	4.1%
Expenditures							
Instruction	17,784,158	16,500,423			17,784,158	16,500,423	7.8%
Pupil and instructional services	1,573,830	1,653,002			1,573,830	1,653,002	-4.8%
Administrative and business services	2,155,809	2,136,509	11,432	10,917	2,167,241	2,147,426	.9%
Maintenance and operations	1,919,434	1,796,757	10,708	7,577	1,930,142	1,804,334	7.0%
Transportation	463,195	456,287			463,195	456,287	1.5%
Other	2,404,505	2,886,179			2,404,505	2,886,179	-16.7%
Non instructional			1,118,990	1,085,830	1,118,990	1,085,830	3.13%
Total Expenditures	26,300,931	25,429,157	1,141,130	1,104,324	27,442,061	26,553,481	3.4%
Change in net position	1,045,743	380,209	(87,410)	369,980	958,333	750,189	27.7%
Net position beginning of year	14,116,295	13,736,086	756,012	386,032	14,872,307	14,122,118	5.3%
Net position end of year	15,162,038	14,116,295	668,602	756,012	15,830,640	14,872,307	6.4%

Governmental Activities

Net position increased by \$1,045,743 or 7.4%, as revenues increased by \$1,537,308 or 6.0% and expenditures increased by \$871,774 or 3.4%.

Business Type Activities

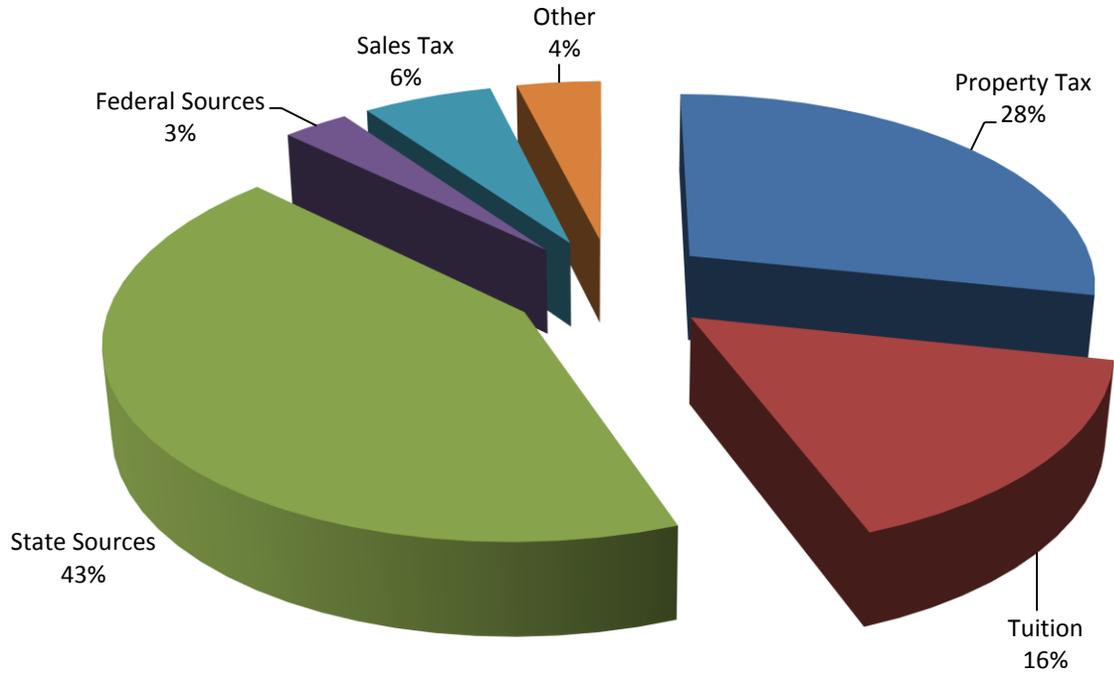
Revenues from business-type activities net of capital contributions increased by \$36,546 or 3.6% with expenditures increasing \$36,806 or 3.3%.

Table 3 -Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds

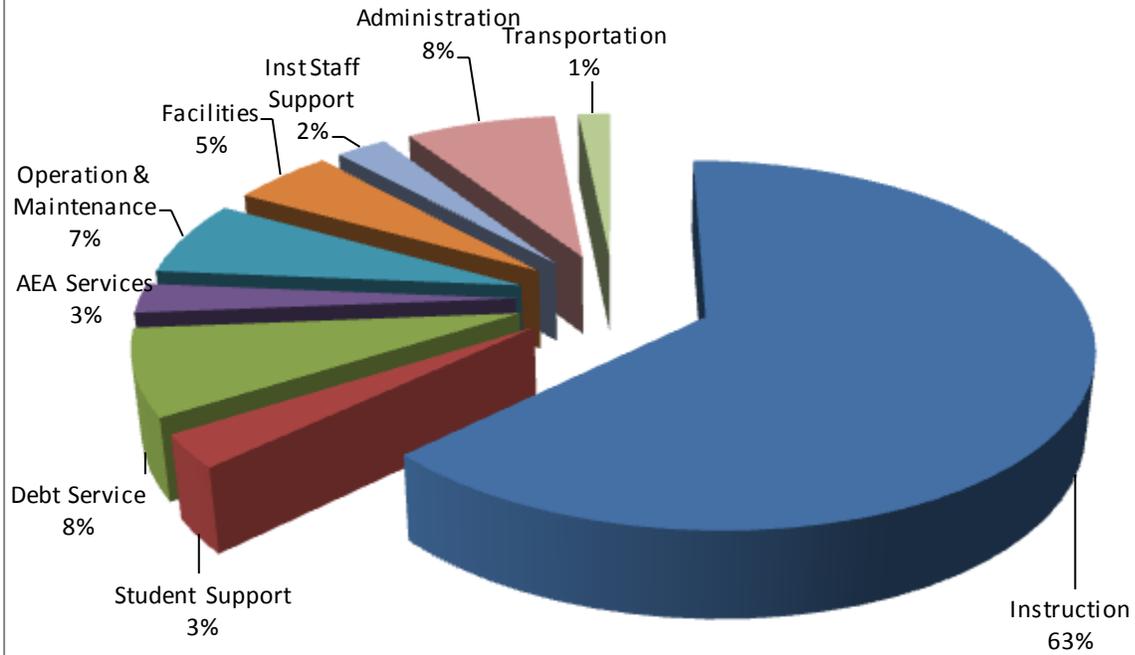
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Local Tax	7,731,369	6,996,937	734,432	10.5%
Sales Tax	1,622,527	1,551,558	70,969	4.6%
Local Other	5,422,948	5,204,356	218,592	4.2%
State sources	11,680,606	11,439,687	240,919	2.1%
Federal sources	828,883	571,201	257,682	45.1%
Total Revenues	<u>27,286,333</u>	<u>25,763,739</u>	<u>1,522,594</u>	<u>5.9%</u>
Expenditures				
Instruction	17,721,221	16,400,761	1,320,460	8.1%
Student services	840,251	799,443	40,808	5.1%
Instructional staff services	729,652	851,844	(122,192)	-14.3%
Administration services	2,142,184	2,104,456	37,728	1.8%
Operation and maintenance of plant services	1,897,751	1,788,979	108,772	6.1%
Transportation	448,341	439,122	9,219	2.1%
Facilities acquisition	1,430,817	1,796,570	(365,753)	-20.4%
Debt Service	2,167,419	2,332,812	(165,393)	-7.1%
AEA flowthrough	745,248	715,709	29,539	4.12%
Total Expenditures	<u>28,122,884</u>	<u>27,229,696</u>	<u>893,188</u>	<u>3.3%</u>
Excess revenues over expenditures	<u>(836,551)</u>	<u>(1,465,957)</u>	<u>629,406</u>	<u>42.9%</u>
Other financing sources(uses)				
Other financing sources	39,256	41,848	(2,592)	-6.2%
Total Other Financing Sources	<u>39,256</u>	<u>41,848</u>	<u>(2,592)</u>	<u>-6.2%</u>
Net change in fund balances	(797,295)	(1,424,109)	626,814	-44.0%
Fund balances beginning of year	9,045,709	10,469,818	(1,424,109)	-13.6%
Fund balances end of year	<u>8,248,414</u>	<u>9,045,709</u>	<u>(797,295)</u>	<u>-8.8%</u>

Revenues for FY 2014 increased by \$1,522,594 or 5.9% as the District increased local taxes and received a multi-year federal physical fitness grant. Expenditures increased by \$893,188 or 3.3%. Expenditures exceeded revenues by \$836,551 and fund balance declined by \$797,295.

Revenue- Governmental Funds FY14



Expenditures - Governmental Fund FY14



Financial Analysis of the District's Funds

A summary financial analysis of each individual District fund follows:

Governmental Fund Highlights

The focus of the Marion Independent School District's governmental funds is to provide information on the near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

- On June 30, 2014 the District reported a total government funds fund balance of \$8,248,414, a decrease of \$797,295, or 8.8%, from the prior year.

General Fund

- Total general fund revenues for FY 2014 were \$23,049,142, an increase of \$1,464,286 or 6.8% from the prior year. Local tax funding increased by \$602,927 or 11.8% and federal revenue increased by \$251,646 as the District was awarded a multi-year physical education grant.
- Expenditures for FY 2014 were \$23,444,726, an increase of \$1,090,014, or 4.9%, from the prior year.
- For FY 2014 expenditures exceeded revenues by \$395,584.

Management Levy Fund

- The management levy fund balance increased by \$40,341 to \$237,523 as revenue increased by \$79,956 with expenditures increasing by \$28,072 from the prior year.

Student Activities Fund

- The student activity fund remains stable with a balance of \$272,339, an increase of \$12,014 from the prior year. Revenues were \$551,668 and expenditures were \$539,654 for the year.

Capital Projects Fund

- The capital project fund reported a decrease to the fund balance of \$304,867, to \$5,660,308. Revenues for the year were \$2,414,301 with expenditures of \$1,705,282 and net transfers out of \$1,013,886.

Proprietary Fund Highlights

School Nutrition Fund

- Net position decreased by \$91,896 to \$452,947 with revenues of \$759,391 and expenditures of \$851,287.

Budgetary Highlights

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 its internal service and agency funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with generally accepted accounting principles. For FY 2014 the District's amended total budget included revenue of \$26,934,693 and expenses of \$30,347,745. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

Actual revenues were \$1,405,360 more than budgeted and expenditures were \$1,083,745 less than budgeted. Although the District did not exceed the total expenditure budget, it did exceed the amount budgeted in the instruction and non-instruction expense categories.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Total</u> <u>2014</u>
Land	1,734,945	1,534,945			1,734,945
Construction in progress		16,512,971			
Buildings	37,243,408	20,015,830			37,243,408
Improvements non Bldgs	1,808,406	1,461,222			1,808,406
Furniture and Equipment	3,086,554	2,954,857	796,841	796,841	3,883,395
Total Capital Assets	43,873,313	42,479,825	796,841	796,841	44,670,154
Accumulated Depreciation	13,731,327	13,007,666	336,333	286,100	14,067,660
Capital Net Assets	30,141,986	29,472,159	460,508	510,741	30,602,494

The District completed construction on a major addition and remodel of the District's middle school in FY 2014.

Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	<u>2013</u>	<u>2014</u>	<u>2014</u>
Compensated Absence	111,088	4,856	115,944
General Obligation Bonds	10,345,000	(610,000)	9,735,000
Sales and Service Tax Bonds	13,545,000	(565,000)	12,980,000
Net OPEB Liability	533,256	38,859	572,115
Total	24,534,344	(1,131,285)	23,403,059

The District retired \$1,175,000 of bonded debt or 4.9% during 2013-14.

Factors Bearing on the District's Future

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

- The District's October 2014 enrollment served increased by 80.76 resulting with about 3.4% increase in enrollment and funding for FY 2016
- The State of Iowa has set state aide supplement growth for FY 2015 at 4%.
- Contributions to the Iowa Public Employees Retirement System (IPERS) will remain unchanged for FY 2015 and FY 2016. Future increases will be limited to a maximum of 1% annually.
- The District has made substantial reductions in staff expenditures for the 2014-15 school year. Expenditures on General Fund salaries and benefits will be approximately the same as during the 2013-14 school year.

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 John Donner, Marion Independent School District, 777 S. 15th Street, Marion, Iowa, 52302.

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Basic Financial Statements

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 9,866,856	\$ 22,347	\$ 9,889,203
Receivables:			
Property tax:			
Current year	59,238	-	59,238
Succeeding year	7,787,165	-	7,787,165
Income surtax	451,102	-	451,102
Accounts	32,894	93	32,987
Due from other governments	1,049,297	-	1,049,297
Interfund balances (note 4)	33,496	(33,496)	-
Inventories	-	257,712	257,712
Capital assets, net of accumulated depreciation (note 5)	30,141,986	460,508	30,602,494
Total assets	49,422,034	707,164	50,129,198
Liabilities			
Accounts payable	371,027	1,292	372,319
Salaries and benefits payable	2,355,710	568	2,356,278
Accrued interest payable	343,035	-	343,035
Bank loan payable (note 6)	-	24,000	24,000
Unearned revenue	-	12,702	12,702
Long-term liabilities (note 8):			
Portion due within one year:			
Bonds payable	1,185,000	-	1,185,000
Compensated absences	115,944	-	115,944
Portion due after one year:			
Bonds payable	21,530,000	-	21,530,000
Net OPEB liability	572,115	-	572,115
Total liabilities	26,472,831	38,562	26,511,393
Deferred Inflows of Resources			
Unavailable property tax revenue	7,787,165	-	7,787,165

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 7,426,986	\$ 460,508	\$ 7,887,494
Restricted for:			
Categorical funding	1,521,250	-	1,521,250
School infrastructure	2,387,706	-	2,387,706
Physical plant and equipment levy purposes	2,284,513	-	2,284,513
Debt service	1,966,532	-	1,966,532
Management levy purposes	237,523	-	237,523
Student activities	272,339	-	272,339
Public education and recreation	1,465	-	1,465
Support trust purposes	351,469	-	351,469
Unrestricted	<u>(1,287,745)</u>	<u>208,094</u>	<u>(1,079,651)</u>
Total net position	<u>\$ 15,162,038</u>	<u>\$ 668,602</u>	<u>\$ 15,830,640</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 17,784,158	\$ 5,022,264	\$ 2,190,345
Support services:			
Student	840,251	-	-
Instructional staff	733,579	-	190,349
Administration	2,155,809	-	-
Operation and maintenance of plant	1,919,434	9,121	39,354
Transportation	463,195	55,901	23,123
	<u>6,112,268</u>	<u>65,022</u>	<u>252,826</u>
Other expenditures:			
Facilities acquisition	100,046	-	-
Long-term debt interest and fiscal charges	978,887	-	-
AEA flowthrough	745,248	-	745,248
Depreciation (unallocated) *	580,324	-	-
	<u>2,404,505</u>	<u>-</u>	<u>745,248</u>
Total governmental activities	<u>26,300,931</u>	<u>5,087,286</u>	<u>3,188,419</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (10,571,549)	\$ -	\$ (10,571,549)
(840,251)	-	(840,251)
(543,230)	-	(543,230)
(2,155,809)	-	(2,155,809)
(1,870,959)	-	(1,870,959)
(384,171)	-	(384,171)
(5,794,420)	-	(5,794,420)
(100,046)	-	(100,046)
(978,887)	-	(978,887)
-	-	-
(580,324)	-	(580,324)
(1,659,257)	-	(1,659,257)
(18,025,226)	-	(18,025,226)

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Administration	\$ 11,432	\$ -	\$ -
Operation and maintenance of plant	10,708	-	-
	<u>22,140</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	831,188	401,994	357,364
School store operations	7,993	8,706	-
Student built house operations	279,809	285,545	-
	<u>1,118,990</u>	<u>696,245</u>	<u>357,364</u>
Total business-type activities	<u>1,141,130</u>	<u>696,245</u>	<u>357,364</u>
Total	<u>\$ 27,442,061</u>	<u>\$ 5,783,531</u>	<u>\$ 3,545,783</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (11,432)	\$ (11,432)
-	(10,708)	(10,708)
-	(22,140)	(22,140)
-	(71,830)	(71,830)
-	713	713
-	5,736	5,736
-	(65,381)	(65,381)
-	(87,521)	(87,521)
<u>(18,025,226)</u>	<u>(87,521)</u>	<u>(18,112,747)</u>
\$ 6,019,341	\$ -	\$ 6,019,341
960,444	-	960,444
256,116	-	256,116
516,488	-	516,488
1,622,527	-	1,622,527
9,582,054	-	9,582,054
16,172	111	16,283
97,827	-	97,827
<u>19,070,969</u>	<u>111</u>	<u>19,071,080</u>
1,045,743	(87,410)	958,333
<u>14,116,295</u>	<u>756,012</u>	<u>14,872,307</u>
<u>\$ 15,162,038</u>	<u>\$ 668,602</u>	<u>\$ 15,830,640</u>

MARION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,674,138	\$ 5,399,531	\$ 1,726,557	\$ 9,800,226
Receivables:				
Property tax:				
Current year	46,753	2,114	10,371	59,238
Succeeding year	6,322,200	244,889	1,220,076	7,787,165
Income surtax	-	451,102	-	451,102
Interfund (note 4)	33,496	-	-	33,496
Accounts	12,560	-	20,334	32,894
Due from other governments	786,751	262,546	-	1,049,297
	<hr/>			
Total assets	<u>\$ 9,875,898</u>	<u>\$ 6,360,182</u>	<u>\$ 2,977,338</u>	<u>\$ 19,213,418</u>

MARION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 343,054	\$ 3,883	\$ 24,090	\$ 371,027
Salaries and benefits payable	2,355,710	-	-	2,355,710
Total liabilities	<u>2,698,764</u>	<u>3,883</u>	<u>24,090</u>	<u>2,726,737</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,322,200	244,889	1,220,076	7,787,165
Other	-	451,102	-	451,102
Total deferred inflows of resources	<u>6,322,200</u>	<u>695,991</u>	<u>1,220,076</u>	<u>8,238,267</u>
Fund balances:				
Restricted for:				
Categorical funding (note 13)	1,521,250	-	-	1,521,250
Revenue bonds	-	1,439,191	-	1,439,191
School infrastructure	-	2,387,706	-	2,387,706
Physical plant and equipment	-	1,833,411	-	1,833,411
Management levy purposes	-	-	237,523	237,523
Student activities	-	-	272,339	272,339
Public education and recreation	-	-	1,465	1,465
Support trust purposes	-	-	351,469	351,469
Revenue bonds sinking fund	-	-	860,758	860,758
Debt service	-	-	9,618	9,618
Unassigned	(666,316)	-	-	(666,316)
Total fund balances	<u>854,934</u>	<u>5,660,308</u>	<u>1,733,172</u>	<u>8,248,414</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,875,898</u>	<u>\$ 6,360,182</u>	<u>\$ 2,977,338</u>	<u>\$ 19,213,418</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 8,248,414
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	30,141,986
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	451,102
The Internal Service Fund is used to charge the costs of the District's flexible benefits plan to the governmental funds. The net position of the Internal Service Fund is therefore included in governmental activities.	66,630
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(343,035)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(23,403,059)</u>
Net position of governmental activities	<u>\$ 15,162,038</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,719,840	\$ 751,584	\$ 1,259,945	\$ 7,731,369
Tuition	4,368,985	-	-	4,368,985
Other	456,864	34,154	562,945	1,053,963
State sources	11,680,606	1,622,527	-	13,303,133
Federal sources	822,847	6,036	-	828,883
Total revenues	<u>23,049,142</u>	<u>2,414,301</u>	<u>1,822,890</u>	<u>27,286,333</u>
Expenditures:				
Current:				
Instruction	<u>16,811,304</u>	<u>223,173</u>	<u>686,744</u>	<u>17,721,221</u>
Support services:				
Student	840,251	-	-	840,251
Instructional staff	729,652	-	-	729,652
Administration	2,112,410	20,798	8,976	2,142,184
Operation and maintenance of plant	1,811,404	469	85,878	1,897,751
Transportation	394,457	28,275	25,609	448,341
	<u>5,888,174</u>	<u>49,542</u>	<u>120,463</u>	<u>6,058,179</u>
Other expenditures:				
Facilities acquisition	-	1,430,817	-	1,430,817
Long term debt:				
Principal	-	-	1,175,000	1,175,000
Interest and fiscal charges	-	1,750	990,669	992,419
AEA flowthrough	745,248	-	-	745,248
	<u>745,248</u>	<u>1,432,567</u>	<u>2,165,669</u>	<u>4,343,484</u>
Total expenditures	<u>23,444,726</u>	<u>1,705,282</u>	<u>2,972,876</u>	<u>28,122,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(395,584)</u>	<u>709,019</u>	<u>(1,149,986)</u>	<u>(836,551)</u>

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ 26,627	\$ 12,629	\$ -	\$ 39,256
Interfund transfers in (note 3)	3,203	149,978	1,176,493	1,329,674
Interfund transfers out (note 3)	-	(1,176,493)	(153,181)	(1,329,674)
Total other financing sources (uses)	<u>29,830</u>	<u>(1,013,886)</u>	<u>1,023,312</u>	<u>39,256</u>
Net change in fund balances	(365,754)	(304,867)	(126,674)	(797,295)
Fund balances beginning of year	<u>1,220,688</u>	<u>5,965,175</u>	<u>1,859,846</u>	<u>9,045,709</u>
Fund balances end of year	<u>\$ 854,934</u>	<u>\$ 5,660,308</u>	<u>\$ 1,733,172</u>	<u>\$ 8,248,414</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (797,295)

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

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

Capital outlays	\$ 1,393,488	
Depreciation expense	<u>(723,661)</u>	669,827

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 21,020

The change in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities due to the integral nature of the fund to the governmental activities. 7,374

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 1,175,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 13,532

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:

Compensated absences	(4,856)	
Net OPEB liability	<u>(38,859)</u>	<u>(43,715)</u>

Change in net position of governmental activities \$ 1,045,743

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
Assets		
Cash and cash equivalents	\$ 22,347	\$ 66,630
Accounts receivable	93	-
Inventories	257,712	-
Capital assets, net of accumulated depreciation (note 5)	460,508	-
Total assets	<u>740,660</u>	<u>66,630</u>
Liabilities		
Accounts payable	1,292	-
Interfund payable (note 4)	33,496	-
Salaries and benefits payable	568	-
Bank loan payable (note 6)	24,000	-
Unearned revenue	12,702	-
Total liabilities	<u>72,058</u>	<u>-</u>
Fund Net Position		
Net investment in capital assets	460,508	-
Unrestricted	208,094	66,630
Total fund net position	<u>\$ 668,602</u>	<u>\$ 66,630</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 696,245	\$ 210,367
Operating expenses:		
Support services:		
Administration	11,432	-
Operation and maintenance of plant	10,708	-
Non-instructional programs	847,181	203,058
Other expenditures:		
Facilities acquisition and construction	271,809	-
Total operating expenses	<u>1,141,130</u>	<u>203,058</u>
Operating income (loss)	(444,885)	7,309
Non-operating revenues:		
Interest on investments	111	65
State sources	6,211	-
Federal sources	351,153	-
Total non-operating revenues	<u>357,475</u>	<u>65</u>
Change in fund net position	(87,410)	7,374
Fund net position beginning of year	<u>756,012</u>	<u>59,256</u>
Fund net position end of year	<u>\$ 668,602</u>	<u>\$ 66,630</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 402,061	\$ -
Cash received from miscellaneous operating activities	294,311	210,367
Cash payments to employees for services	(398,653)	-
Cash payments to suppliers for goods or services	(619,438)	(203,058)
Net cash provided by (used by) operating activities	<u>(321,719)</u>	<u>7,309</u>
Cash flows from non-capital financing activities:		
State grants received	6,211	-
Federal grants received	319,383	-
Operating loan proceeds	24,000	-
Operating loan payments	(63,000)	-
Net cash provided by non-capital financing activities	<u>286,594</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>111</u>	<u>65</u>
Net increase (decrease) in cash and cash equivalents	(35,014)	7,374
Cash and cash equivalents beginning of year	<u>57,361</u>	<u>59,256</u>
Cash and cash equivalents end of year	<u>\$ 22,347</u>	<u>\$ 66,630</u>

MARION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service - Flexible Benefits</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (444,885)	\$ 7,309
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	50,233	-
Commodities used	37,090	-
(Increase) in accounts receivable	(40)	-
Decrease in inventories	36,054	-
Increase in accounts payable	454	-
(Decrease) in interfund payable	(1,360)	-
Increase in salaries and benefits payable	568	-
Increase in unearned revenue	167	-
Net cash provided by (used by) operating activities	<u>\$ (321,719)</u>	<u>\$ 7,309</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$37,090 of federal commodities.

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 June 30, 2014

	Agency
Assets:	
Cash	\$ <u>924</u>
Liabilities:	
Other payables	\$ <u>924</u>

See notes to financial statements.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Marion Independent 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. Marion Independent School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

The Internal Service, Flexible Benefits Fund is used to account for the flexible benefits program offered by the District.

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-side statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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.

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.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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 fund financial statements only for employees who have resigned or retired. 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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current year 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses exceeded the amounts budgeted in the instruction and non-instructional programs functions.

Note 2. Cash and Pooled Investments

The District's deposits in banks 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 ensure there will be no loss of public funds.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>2,812,562</u></u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM 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:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,176,493
Capital Projects	Special Revenue: District Support Trust	149,978
General	Management Levy	<u>3,203</u>
		<u>\$ 1,329,674</u>

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

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Interfund Receivables and Payables

At June 30, 2014, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - School Nutrition	\$ <u>33,496</u>

The other receivables interfund balances are due to timing differences involved in payroll reimbursements at year end.

The balances between governmental and proprietary funds have been eliminated on the face of the government-wide Statement of Net Position.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,534,945	\$ 200,000	\$ -	\$ 1,734,945
Construction in progress	16,512,971	-	16,512,971	-
Total capital assets not being depreciated	<u>18,047,916</u>	<u>200,000</u>	<u>16,512,971</u>	<u>1,734,945</u>
Capital assets being depreciated:				
Buildings	20,015,830	17,227,578	-	37,243,408
Improvements other than buildings	1,461,222	347,184	-	1,808,406
Furniture and equipment	2,954,857	131,697	-	3,086,554
Total capital assets being depreciated	<u>24,431,909</u>	<u>17,706,459</u>	<u>-</u>	<u>42,138,368</u>
Less accumulated depreciation for:				
Buildings	9,621,705	579,679	-	10,201,384
Improvements other than buildings	803,175	53,281	-	856,456
Furniture and equipment	2,582,786	90,701	-	2,673,487
Total accumulated depreciation	<u>13,007,666</u>	<u>723,661</u>	<u>-</u>	<u>13,731,327</u>
Total capital assets being depreciated, net	<u>11,424,243</u>	<u>16,982,798</u>	<u>-</u>	<u>28,407,041</u>
Governmental activities capital assets, net	<u>\$ 29,472,159</u>	<u>\$ 17,182,798</u>	<u>\$ 16,512,971</u>	<u>\$ 30,141,986</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 796,841	\$ -	\$ -	\$ 796,841
Less accumulated depreciation	286,100	50,233	-	336,333
Business-type activities capital assets, net	<u>\$ 510,741</u>	<u>\$ (50,233)</u>	<u>\$ -</u>	<u>\$ 460,508</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 78,821
Support services:	
Administration	15,980
Operation and maintenance of plant	6,438
Transportation	<u>42,098</u>
	143,337
Unallocated depreciation	<u>580,324</u>
Total depreciation expense - governmental activities	<u>\$ 723,661</u>
Business-type activities:	
Food service operations	<u>\$ 50,233</u>

Note 6. Short-Term Bank Loans Payable

During the year ended June 30, 2014 the District entered into a short-term bank loan for the Enterprise, Student Built House Fund. The loan was necessary to provide temporary financing during periods of low cash flows. The loan is a line of credit with a credit limit of \$60,000 and is available until June 2016. The Student Build House Fund short-term bank loan includes interest at 5.5%.

	Balance Beginning of Year	Bank Loans Received	Bank Loans Repaid	Balance End of Year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bank loan	\$ 63,000	\$ 24,000	\$ 63,000	\$ 24,000

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Short-Term Interfund Loans

During the year ended June 30, 2014, the District entered into a short-term interfund loan from the Capital Projects Fund to the General Fund. The loan was necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues.

A summary of the short-term interfund loan activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
General Fund	\$ <u> -</u>	\$ <u> 810,000</u>	\$ <u> 810,000</u>	\$ <u> -</u>

Note 8. 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	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,345,000	\$ -	\$ 610,000	\$ 9,735,000	\$ 640,000
Revenue bonds	13,545,000	-	565,000	12,980,000	545,000
Compensated absences	111,088	115,944	111,088	115,944	115,944
Net OPEB liability	533,256	38,859	-	572,115	-
Total	\$ <u>24,534,344</u>	\$ <u> 154,803</u>	\$ <u>1,286,088</u>	\$ <u>23,403,059</u>	\$ <u> 1,300,944</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of November 1, 2009			Bond Issue of October 1, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.00 %	\$ 430,000	\$ 39,900	3.00 %	\$ 210,000	\$ 286,450
2016	3.00	450,000	27,000	3.00	215,000	281,150
2017	3.00	450,000	13,500	3.00	220,000	274,700
2018	-	-	-	3.00	485,000	268,100
2019	-	-	-	3.00	500,000	253,550
2020-2024	-	-	-	3.00-3.50	2,760,000	1,027,100
2025-2029	-	-	-	3.50-4.00	3,280,000	520,825
2030	-	-	-	4.00	735,000	29,400
		<u>\$ 1,330,000</u>	<u>\$ 80,400</u>		<u>\$ 8,405,000</u>	<u>\$ 2,941,275</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 640,000	\$ 326,350	\$ 966,350
2016	665,000	308,150	973,150
2017	670,000	288,200	958,200
2018	485,000	268,100	753,100
2019	500,000	253,550	753,550
2020-2024	2,760,000	1,027,100	3,787,100
2025-2029	3,280,000	520,825	3,800,825
2030	735,000	29,400	764,400
	<u>\$ 9,735,000</u>	<u>\$ 3,021,675</u>	<u>\$ 12,756,675</u>

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Long-Term Liabilities (continued)

Revenue Bonds

On April 1, 2009, the District issued revenue bonds of \$15,450,000 for capital facility construction. The Revenue Bonds will be paid with statewide sales, services and use taxes collected in the Capital Projects Fund. Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.250 %	\$ 545,000	\$ 619,931	\$ 1,164,931
2016	4.250	570,000	596,238	1,166,238
2017	4.250	590,000	571,588	1,161,588
2018	4.000	615,000	546,750	1,161,750
2019	4.200	640,000	521,010	1,161,010
2020-2024	4.375-5.000	3,665,000	2,130,616	5,795,616
2025-2029	5.000-5.350	4,665,000	1,148,029	5,813,029
2030	5.375	1,690,000	90,838	1,780,838
		<u>\$ 12,980,000</u>	<u>\$ 6,225,000</u>	<u>\$ 19,205,000</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$15,450,000 bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of the middle school classroom addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitations of the District. Annual principal and interest are expected to require approximately 12 to 130 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$19,205,000. For the current year, principal of \$565,000 and interest of \$643,519 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,622,527.

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

- a) \$1,435,609 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Beginning July 1, 2009, monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in an agent multiple-employer health care plan called the Metro Interagency Insurance Plan (MIIP). This plan provides medical and prescription drug benefits for employees, retirees and their spouses. The District has 225 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 99,467
Interest on net OPEB obligation	13,331
Adjustment to annual required contribution	<u>(43,345)</u>
Annual OPEB cost	69,453
Contributions made	<u>(30,594)</u>
Increase in net OPEB obligation	38,859
Net OPEB obligation beginning of year	<u>533,256</u>
Net OPEB obligation end of year	<u><u>\$ 572,115</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$30,594 to the medical plan.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 105,649	29.6%	\$ 457,102
2013	110,674	31.2%	533,256
2014	69,453	44.0%	572,115

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$625,566, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$625,566. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$15,254,000, and the ratio of the UAAL to covered payroll was 4.1%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2013 actuarial valuation date, the frozen 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 projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level percent of payroll expense on a closed basis over 30 years.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Pension and Retirement Benefits

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

Plan members are required to contribute 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 contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$1,338,245, \$1,259,631, and \$1,105,993, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Marion Independent School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

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

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

The District's contributions to MIIP are recorded as expenditures from its General Fund at the time of payment. The total premiums paid into the plan by all six members from July 1, 2013 to June 30, 2014 were \$30,438,316, of which \$1,622,408 was paid by Marion Independent School District.

Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$745,248 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.

MARION INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 13. Categorical Funding

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

Program	Amount
Home school assistance program	\$ 1,091,058
Gifted and talented programs	49,220
Returning dropouts and dropout prevention programs	3,402
Four year old preschool state aid	88,093
Teacher salary supplement	108,945
Successful progression for early readers	27,223
Professional development for model core curriculum	81,813
Professional development	64,164
Market factor incentives	3,453
Teacher leadership grants	3,841
Project lead the way	38
Total	\$ 1,521,250

Note 14. Deficit Net Position/Fund Balance

At June 30, 2014, the governmental activities had a deficit unrestricted net position of \$1,287,745, the General Fund had a deficit unassigned fund balance of \$666,316, and the School Nutrition Fund within the nonmajor enterprise funds had a deficit unrestricted fund net position of \$7,561.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of 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.

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Required Supplementary Information

MARION INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule 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 Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 13,154,317	\$ 696,356	\$ 13,850,673	\$ 14,792,756	\$ (942,083)
State sources	13,303,133	6,211	13,309,344	11,286,937	2,022,407
Federal sources	828,883	351,153	1,180,036	855,000	325,036
Total revenues	27,286,333	1,053,720	28,340,053	26,934,693	1,405,360
EXPENDITURES/EXPENSES:					
Instruction	17,721,221	-	17,721,221	16,940,000	(781,221)
Support services	6,058,179	22,140	6,080,319	7,238,408	1,158,089
Non-instructional programs	-	847,181	847,181	820,000	(27,181)
Other expenditures	4,343,484	271,809	4,615,293	5,349,337	734,044
Total expenditures/expenses	28,122,884	1,141,130	29,264,014	30,347,745	1,083,731
Excess (deficiency) of revenues over (under) expenditures/expenses	(836,551)	(87,410)	(923,961)	(3,413,052)	2,489,091
Other financing sources, net	39,256	-	39,256	270,000	(230,744)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(797,295)	(87,410)	(884,705)	(3,143,052)	2,258,347
Balance beginning of year	9,045,709	756,012	9,801,721	4,651,892	5,149,829
Balance end of year	<u>\$ 8,248,414</u>	<u>\$ 668,602</u>	<u>\$ 8,917,016</u>	<u>\$ 1,508,840</u>	<u>\$ 7,408,176</u>

See accompanying independent auditor's report.

MARION INDEPENDENT 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2014, expenditures/expenses in the instruction and non-instructional programs functions exceeded the amounts budgeted.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

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	\$ -	\$ 830	\$ 830	0.0%	\$ 15,026	5.5%
2011	July 1, 2009	-	830	830	0.0%	14,969	5.5%
2012	July 1, 2011	-	678	678	0.0%	13,705	4.9%
2013	July 1, 2011	-	678	678	0.0%	14,981	4.5%
2014	July 1, 2013	-	626	626	0.0%	15,254	4.1%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	District Support Trust
Assets				
Cash and pooled investments	\$ 235,078	\$ 276,095	\$ 1,465	\$ 351,469
Receivables:				
Property tax:				
Current year	2,445	-	-	-
Succeeding year	273,336	-	-	-
Accounts	-	20,334	-	-
Total assets	<u>\$ 510,859</u>	<u>\$ 296,429</u>	<u>\$ 1,465</u>	<u>\$ 351,469</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 24,090</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	273,336	-	-	-
Fund balances:				
Restricted for:				
Management levy purposes	237,523	-	-	-
Student activities	-	272,339	-	-
Public education and recreation	-	-	1,465	-
Support trust purposes	-	-	-	351,469
Revenue bonds sinking fund	-	-	-	-
Debt service	-	-	-	-
Total fund balances	<u>237,523</u>	<u>272,339</u>	<u>1,465</u>	<u>351,469</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 510,859</u>	<u>\$ 296,429</u>	<u>\$ 1,465</u>	<u>\$ 351,469</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 862,450	\$ 1,726,557
7,926	10,371
946,740	1,220,076
-	20,334
\$ 1,817,116	\$ 2,977,338

\$ - \$ 24,090

946,740 1,220,076

-	237,523
-	272,339
-	1,465
-	351,469
860,758	860,758
9,618	9,618
870,376	1,733,172
\$ 1,817,116	\$ 2,977,338

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	District Support Trust
Revenues:				
Local sources:				
Local tax	\$ 299,501	\$ -	\$ -	-
Other	10,663	551,668	-	614
Total revenues	<u>310,164</u>	<u>551,668</u>	<u>-</u>	<u>614</u>
Expenditures:				
Current:				
Instruction	147,090	539,654	-	-
Support services:				
Administration	8,976	-	-	-
Operation and maintenance of plant	84,945	-	933	-
Transportation	25,609	-	-	-
Other expenditures:				
Long term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>266,620</u>	<u>539,654</u>	<u>933</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	43,544	12,014	(933)	614
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	(3,203)	-	-	(149,978)
Total other financing sources (uses)	<u>(3,203)</u>	<u>-</u>	<u>-</u>	<u>(149,978)</u>
Net change in fund balances	40,341	12,014	(933)	(149,364)
Fund balances beginning of year	<u>197,182</u>	<u>260,325</u>	<u>2,398</u>	<u>500,833</u>
Fund balances end of year	<u>\$ 237,523</u>	<u>\$ 272,339</u>	<u>\$ 1,465</u>	<u>\$ 351,469</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 960,444	\$ 1,259,945
-	562,945
960,444	1,822,890
-	686,744
-	8,976
-	85,878
-	25,609
1,175,000	1,175,000
990,669	990,669
2,165,669	2,972,876
(1,205,225)	(1,149,986)
1,176,493	1,176,493
-	(153,181)
1,176,493	1,023,312
(28,732)	(126,674)
899,108	1,859,846
\$ 870,376	\$ 1,733,172

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 3,274,672	\$ 1,829,144	\$ 295,715	\$ 5,399,531
Receivables:				
Property tax:				
Current year	-	2,114	-	2,114
Succeeding year	-	244,889	-	244,889
Income surtax	-	451,102	-	451,102
Due from other governments	256,510	6,036	-	262,546
Total assets	<u>\$ 3,531,182</u>	<u>\$ 2,533,285</u>	<u>\$ 295,715</u>	<u>\$ 6,360,182</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 3,883	\$ -	\$ 3,883
 Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	244,889	-	244,889
Other	-	451,102	-	451,102
	-	695,991	-	695,991
 Fund balances:				
Restricted for:				
Revenue bonds	1,439,191	-	-	1,439,191
School infrastructure	2,091,991	-	295,715	2,387,706
Physical plant and equipment	-	1,833,411	-	1,833,411
Total fund balances	<u>3,531,182</u>	<u>1,833,411</u>	<u>295,715</u>	<u>5,660,308</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,531,182</u>	<u>\$ 2,533,285</u>	<u>\$ 295,715</u>	<u>\$ 6,360,182</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 751,584	\$ -	\$ 751,584
Other	10,393	23,167	594	34,154
State sources	1,622,527	-	-	1,622,527
Federal sources	-	6,036	-	6,036
Total revenues	<u>1,632,920</u>	<u>780,787</u>	<u>594</u>	<u>2,414,301</u>
Expenditures:				
Current:				
Instruction	-	223,173	-	223,173
Support services:				
Administration	20,798	-	-	20,798
Operation and maintenance of plant	-	469	-	469
Transportation	-	28,275	-	28,275
Other expenditures:				
Facilities acquisition	992,024	194,793	244,000	1,430,817
Long term debt:				
Interest and fiscal charges	1,750	-	-	1,750
Total expenditures	<u>1,014,572</u>	<u>446,710</u>	<u>244,000</u>	<u>1,705,282</u>
Excess (deficiency) of revenues over (under) expenditures	618,348	334,077	(243,406)	709,019
Other financing sources (uses):				
Compensation for loss of capital assets	-	12,629	-	12,629
Interfund transfers in	149,978	-	-	149,978
Interfund transfers out	(1,176,493)	-	-	(1,176,493)
Total other financing sources (uses)	<u>(1,026,515)</u>	<u>12,629</u>	<u>-</u>	<u>(1,013,886)</u>
Net change in fund balances	(408,167)	346,706	(243,406)	(304,867)
Fund balances beginning of year	<u>3,939,349</u>	<u>1,486,705</u>	<u>539,121</u>	<u>5,965,175</u>
Fund balances end of year	<u>\$ 3,531,182</u>	<u>\$ 1,833,411</u>	<u>\$ 295,715</u>	<u>\$ 5,660,308</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2014

	School Nutrition	MDE School Store	Student Built House	Total
Assets				
Cash and cash equivalents	\$ 18,038	\$ 3,986	\$ 323	\$ 22,347
Accounts receivable	93	-	-	93
Inventories	21,486	-	236,226	257,712
Capital assets, net of accumulated depreciation	460,508	-	-	460,508
Total assets	<u>500,125</u>	<u>3,986</u>	<u>236,549</u>	<u>740,660</u>
Liabilities				
Accounts payable	412	880	-	1,292
Interfund payable	33,496	-	-	33,496
Salaries and benefits payable	568	-	-	568
Bank loan payable	-	-	24,000	24,000
Unearned revenue	12,702	-	-	12,702
Total liabilities	<u>47,178</u>	<u>880</u>	<u>24,000</u>	<u>72,058</u>
Fund Net Position				
Net investment in capital assets	460,508	-	-	460,508
Unrestricted	(7,561)	3,106	212,549	208,094
Total fund net position	<u>\$ 452,947</u>	<u>\$ 3,106</u>	<u>\$ 212,549</u>	<u>\$ 668,602</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>MDE School Store</u>	<u>Student Built House</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 401,994	\$ 8,706	\$ 285,545	\$ 696,245
Operating expenses:				
Support services:				
Administration	11,432	-	-	11,432
Operation and maintenance of plant	8,667	-	2,041	10,708
Non-instructional programs	831,188	7,993	8,000	847,181
Other expenditures:				
Facilities acquisition and construction	-	-	271,809	271,809
Total operating expenses	<u>851,287</u>	<u>7,993</u>	<u>281,850</u>	<u>1,141,130</u>
Operating income (loss)	(449,293)	713	3,695	(444,885)
Non-operating revenues:				
Interest on investments	33	5	73	111
State sources	6,211	-	-	6,211
Federal sources	351,153	-	-	351,153
Total non-operating revenues	<u>357,397</u>	<u>5</u>	<u>73</u>	<u>357,475</u>
Change in fund net position	(91,896)	718	3,768	(87,410)
Fund net position beginning of year	<u>544,843</u>	<u>2,388</u>	<u>208,781</u>	<u>756,012</u>
Fund net position end of year	<u>\$ 452,947</u>	<u>\$ 3,106</u>	<u>\$ 212,549</u>	<u>\$ 668,602</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	School Nutrition	MDE School Store	Student Built House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 402,061	\$ -	\$ -	\$ 402,061
Cash received from miscellaneous operating activities	60	8,706	285,545	294,311
Cash payments to employees for services	(398,653)	-	-	(398,653)
Cash payments to suppliers for goods or services	(365,632)	(7,113)	(246,693)	(619,438)
Net cash provided by (used by) operating activities	<u>(362,164)</u>	<u>1,593</u>	<u>38,852</u>	<u>(321,719)</u>
Cash flows from non-capital financing activities:				
State grants received	6,211	-	-	6,211
Federal grants received	319,383	-	-	319,383
Operating loan proceeds	-	-	24,000	24,000
Operating loan payments	-	-	(63,000)	(63,000)
Net cash provided by (used by) non-capital financing activities	<u>325,594</u>	<u>-</u>	<u>(39,000)</u>	<u>286,594</u>
Cash flows from investing activities:				
Interest on investments	<u>33</u>	<u>5</u>	<u>73</u>	<u>111</u>
Net increase (decrease) in cash and cash equivalents	(36,537)	1,598	(75)	(35,014)
Cash and cash equivalents beginning of year	<u>54,575</u>	<u>2,388</u>	<u>398</u>	<u>57,361</u>
Cash and cash equivalents end of year	<u>\$ 18,038</u>	<u>\$ 3,986</u>	<u>\$ 323</u>	<u>\$ 22,347</u>

MARION INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	School Nutrition	MDE School Store	Student Built House	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (449,293)	\$ 713	\$ 3,695	\$ (444,885)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	50,233	-	-	50,233
Commodities used	37,090	-	-	37,090
(Increase) in accounts receivable	(40)	-	-	(40)
Decrease in inventories	471	-	35,583	36,054
Increase (decrease) in accounts payable	-	880	(426)	454
(Decrease) in interfund payable	(1,360)	-	-	(1,360)
Increase in salaries and benefits payable	568	-	-	568
Increase in unearned revenue	167	-	-	167
Net cash provided by (used by) operating activities	\$ <u>(362,164)</u>	\$ <u>1,593</u>	\$ <u>38,852</u>	\$ <u>(321,719)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$37,090 of federal commodities.

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Miscellaneous	\$ 20,382	\$ -	\$ 675	\$ 19,707
Home School	17,531	12,371	12,988	16,914
Interest	47	463	510	-
Total District-Wide	<u>37,960</u>	<u>12,834</u>	<u>14,173</u>	<u>36,621</u>
Emerson Elementary:				
Library Activities	39	-	-	39
Miscellaneous	6,129	227	-	6,356
Foundation Donations	72	-	-	72
Quill/Yearbook	125	-	-	125
Total Emerson Elementary	<u>6,365</u>	<u>227</u>	<u>-</u>	<u>6,592</u>
Starry Elementary:				
Miscellaneous	5,852	-	-	5,852
Resale	1,501	-	-	1,501
Quill/Yearbook	1,540	-	-	1,540
Total Starry Elementary	<u>8,893</u>	<u>-</u>	<u>-</u>	<u>8,893</u>
Francis Marion Intermediate:				
Miscellaneous	7,667	-	313	7,354
Student Magazines	1,855	-	520	1,335
Total Francis Marion Intermediate	<u>9,522</u>	<u>-</u>	<u>833</u>	<u>8,689</u>
Vernon Middle School:				
Show Choir	8,018	33,915	39,491	2,442
Instrumental	1,995	10,018	10,235	1,778
Honor Band	6,021	7,743	8,892	4,872
Cheerleaders	522	-	-	522
General Activities	2,049	-	-	2,049
Library Activities	1,318	-	-	1,318
Miscellaneous	352	-	-	352
Science Club	224	-	-	224
Washington DC Trip	30	-	-	30
Soda - Students	425	958	170	1,213
Student Senate	1,714	828	550	1,992
Quill/Yearbook	25	3,023	3,042	6
Student Magazines	24,226	7,927	5,590	26,563
Athletics	358	13,989	8,055	6,292

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vernon Middle School (continued):				
Athletic Officials	\$ -	\$ 4,721	\$ 4,721	\$ -
Total Vernon Middle School	47,277	83,122	80,746	49,653
High School:				
Drama	2,627	1,117	549	3,195
Speech	539	915	1,402	52
Vocal	182	63,688	63,705	165
Choir	1,577	19,996	19,923	1,650
Instrumental	4,041	73,629	72,218	5,452
Cross-Country	473	2,432	2,227	678
Bowling	757	1,830	2,237	350
Cheerleaders	6,059	47,727	54,909	(1,123)
Boys' Basketball	9,831	13,510	16,464	6,877
Football	5,578	27,236	30,079	2,735
Boys' Soccer	2,024	1,731	3,752	3
Baseball	7,402	21,198	20,292	8,308
Boys' Track	5,228	1,121	1,606	4,743
Boys' Tennis	1,143	-	222	921
Boys' Golf	510	1,820	2,242	88
Wrestling	17,345	18,747	14,338	21,754
Girls' Basketball	6,947	7,798	6,637	8,108
Volleyball	6,386	11,696	16,805	1,277
Girls' Soccer	7,524	9,326	9,332	7,518
Softball	3,524	15,011	13,879	4,656
Girls' Track	5,188	3,808	2,218	6,778
Girls' Tennis	590	1,359	1,605	344
Girls' Golf	548	1,440	1,854	134
Archery	308	120	401	27
Miscellaneous	6,356	2,048	2,511	5,893
Health	11	-	-	11
Science Club	387	-	-	387
Creative, Inc.	4	-	-	4
Student Newspaper	(98)	1,627	1,480	49
Musical	4,848	5,772	2,638	7,982
National Honor Society	419	1,485	1,255	649
Thespians	1,237	555	75	1,717
Tom Begley Memorial	86	-	-	86

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
FBLA	\$ 33	\$ -	\$ -	\$ 33
VTR Technician	7	-	-	7
Soda - Students	70	-	-	70
Spanish	712	-	-	712
Student Senate	2,177	795	1,118	1,854
Quill/Yearbook	230	5,540	4,051	1,719
Athletic Facilities	3,015	-	-	3,015
Arts & Crafts	280	2,498	2,285	493
Athletics	19,534	71,365	57,340	33,559
Class of 2014	2,412	-	41	2,371
Class of 2015	3,160	4,524	3,803	3,881
Class of 2016	1,629	5,446	2,225	4,850
Class of 2017	5,368	1,427	523	6,272
Wellness	1,218	358	300	1,276
Robotics	882	4,790	5,361	311
Total High School	<u>150,308</u>	<u>455,485</u>	<u>443,902</u>	<u>161,891</u>
Grand Total	<u>\$ 260,325</u>	<u>\$ 551,668</u>	<u>\$ 539,654</u>	<u>\$ 272,339</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>875</u>	\$ <u>920</u>	\$ <u>871</u>	\$ <u>924</u>
Liabilities				
Other payables	\$ <u>875</u>	\$ <u>920</u>	\$ <u>871</u>	\$ <u>924</u>

See accompanying independent auditor's report.

MARION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 7,731,369	\$ 8,548,495	\$ 8,889,612	\$ 8,227,569
Tuition	4,368,985	4,219,602	4,199,459	3,839,854
Other	1,053,963	984,754	853,061	857,061
State sources	13,303,133	11,439,687	11,153,150	10,436,573
Federal sources	828,883	571,201	691,651	1,476,384
Total revenues	<u>\$ 27,286,333</u>	<u>\$ 25,763,739</u>	<u>\$ 25,786,933</u>	<u>\$ 24,837,441</u>
Expenditures:				
Instruction	\$ 17,721,221	\$ 16,400,761	\$ 15,704,204	\$ 15,755,164
Support services:				
Student	840,251	799,443	747,945	644,226
Instructional staff	729,652	851,844	694,697	661,537
Administration	2,142,184	2,104,456	2,010,571	1,996,261
Operation and maintenance of plant	1,897,751	1,788,979	1,595,961	1,572,162
Transportation	448,341	439,122	414,020	473,574
Non-instructional programs	-	-	-	41,083
Other expenditures:				
Facilities acquisition	1,430,817	1,796,570	5,314,417	9,178,260
Long-term debt:				
Principal	1,175,000	1,295,000	1,045,000	875,000
Interest and fiscal charges	992,419	1,037,812	1,275,834	837,044
AEA flowthrough	745,248	715,709	700,723	750,677
Total expenditures	<u>\$ 28,122,884</u>	<u>\$ 27,229,696</u>	<u>\$ 29,503,372</u>	<u>\$ 32,784,988</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	7,816,155	\$ 7,383,182	\$ 7,518,496	\$ 5,813,388	\$ 5,265,851	\$ 5,259,733
	3,912,745	3,723,146	4,717,347	4,245,422	3,673,297	3,158,067
	796,687	873,374	820,513	966,980	854,494	634,143
	9,299,692	10,021,182	9,469,509	8,390,311	8,706,248	7,789,648
	1,841,651	975,253	466,853	435,553	398,266	310,228
\$	<u>23,666,930</u>	<u>22,976,137</u>	<u>22,992,718</u>	<u>19,851,654</u>	<u>18,898,156</u>	<u>17,151,819</u>
\$	15,191,450	\$ 14,660,244	\$ 13,487,534	\$ 12,340,648	\$ 11,563,732	\$ 10,943,342
	735,693	748,079	691,993	652,306	648,527	637,042
	762,839	878,369	986,728	844,966	720,864	607,026
	2,117,859	2,123,467	2,133,151	1,913,007	1,798,324	1,737,393
	1,607,511	1,750,650	1,752,569	1,681,926	1,728,086	1,670,449
	466,653	368,713	337,961	462,305	343,540	381,364
	260	220	450	9,974	-	-
	5,978,106	1,473,679	793,613	105,682	471,857	377,251
	594,343	540,621	1,033,717	714,583	546,719	574,965
	693,030	363,790	217,193	241,024	265,558	281,517
	744,881	667,084	616,027	577,950	562,508	508,720
\$	<u>28,892,625</u>	<u>23,574,916</u>	<u>22,050,936</u>	<u>19,544,371</u>	<u>18,649,715</u>	<u>17,719,069</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Direct:			
U. S. Department of Education: Fund for the Improvement of Education	84.215	S215F130099	\$ <u>229,069</u> **
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs: School Breakfast Program	10.553	4086-14	40,899
National School Lunch Program	10.555	4086-14	<u>310,254</u> *
			<u>351,153</u>
U. S. Department of Education: Iowa Department of Education: Title I Grants to Local Educational Agencies	84.010	4086-G-14	<u>219,051</u>
Fund for the Improvement of Education	84.215	4086-14	<u>6,036</u> **
Improving Teacher Quality State Grants	84.367	4086-13	1,377
Improving Teacher Quality State Grants	84.367	4086-14	<u>52,666</u>
			<u>54,043</u>
Grants for State Assessments and Related Activities	84.369	4086-14	<u>10,951</u>
Grant Wood Area Education Agency: Special Education - Grants to States	84.027	4086-14	<u>88,012</u>
Career and Technical Education - Basic Grants to States	84.048	4086-14	<u>8,586</u>
U. S. Department of Health and Human Services: Iowa Department of Education: Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	4086-14	<u>255</u>
Total			\$ <u><u>967,156</u></u>

* = Includes \$37,090 of non-cash awards.

** = Total for CFDA 84.215 = \$235,105

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Basis of Presentation –

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

See accompanying independent auditor's report.

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DONALD D. KAIN
CHUCK C. CONVERSE, CPA
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MICHAEL G. STANLEY, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Marion Independent School District:

We have audited 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 Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion Independent School District as of and for the year ended June 30, 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 23, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-14 and II-D-14 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether Marion Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of non-compliance described as item II-A-14 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Marion Independent School District's Responses to Findings

Marion Independent School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Marion Independent 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 report is not suitable for any other purpose.

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

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 23, 2015

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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
Marion Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Marion Independent 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 the District's major federal programs for the year ended June 30, 2014. Marion Independent 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 Marion Independent 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 Marion Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marion Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marion Independent 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

In planning and performing our audit of compliance, we considered Marion Independent 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 Marion Independent School District's internal control over compliance.

A deficiency in 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in Part III of the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency.

Purpose of this Report

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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 23, 2015

MARION INDEPENDENT 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 all opinion units.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were reported.
- (c) The audit reported an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported. However, a significant deficiency in internal control over major programs was reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion Independent School District did not qualify as a low-risk auditee.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- II-A-14 Financial Condition – At June 30, 2014, the governmental activities had a deficit unrestricted net position of \$1,287,745, the General Fund had a deficit unassigned fund balance of \$666,316, and the School Nutrition Fund within the nonmajor enterprise funds had a deficit unrestricted fund net position of \$7,561. These represent decreases of \$228,289, \$191,948, and \$41,663, respectively, from the prior year.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the governmental activities, the General Fund, and the School Nutrition Fund to a sound financial condition.

Response – We will continue to work on eliminating these deficits. In the General Fund, budget cuts were made for fiscal year 2015 and an additional cash reserve property tax levy was approved.

Conclusion – Response accepted.

Internal Control Deficiencies:

- II-B-14 Financial Reporting – During the audit, we identified material amounts of prior year land purchase deposits which had not been reversed in the District’s financial statements. Adjustments were subsequently made by the District to properly reverse these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all prior year accrual items are properly reversed from the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to ensure all applicable items are properly reversed.

Conclusion – Response accepted.

- II-C-14 Segregation of Duties – One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that disbursements are recorded and checks are prepared and distributed by the same person. We also noted that one individual inputs contracts, processes the payroll and generates payroll checks and direct deposits.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District could improve its controls by having an individual independent of payroll review the original contracts entries or review the monthly direct deposit listing.

Response – We will review our procedures and make changes as we deem necessary to improve internal control. An electronic payroll system was implemented in January, 2014. Thus hourly employees are now entered electronically, separate from the payroll preparation.

Conclusion – Response accepted.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-D-14 Purchase Orders – We noted during our audit that 8 out of 30 disbursements tested, including 5 from the Student Activity Fund, had a purchase order that was completed after the invoice was received or after an employee had purchased the items.

Recommendation – Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, prenumbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response – Procedures will be reviewed with staff to ensure that purchase orders are completed prior to items being purchased.

Conclusion – Response accepted.

MARION INDEPENDENT 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 reported.

Internal Control Deficiencies:

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

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

2014-001 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that disbursements are recorded and checks are prepared and distributed by the same person. We also noted that one individual inputs contracts, processes the payroll and generates payroll checks and direct deposits.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District could improve its controls by having an individual independent of payroll review the original contracts entries or review the monthly direct deposit listing.

Response – We will review our procedures and make changes as we deem necessary to improve internal control. An electronic payroll system was implemented in January 2014. Thus hourly employees are now entered electronically, separate from the payroll preparation.

Conclusion – Response accepted.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction and non-instructional programs functions.

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

Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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 – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
David Law, Board President	Athletic official and substitute	\$342 (a)
Alan Tribble, Board Member	Athletic official	\$190 (a)
Elizabeth Tribble, Spouse of Board Member	Teacher associate	\$15,506 (b)
Michelle Fowler, Daughter of Board Member	Teacher associate	\$21,816 (b)
Vivian Quinn, Teacher Spouse is owner of Quinn Storage Garages	Storage garage rental	\$960 (c)

In accordance with Chapter 279.7A of the Code of Iowa, the transactions designated with an (a) do not appear to represent any conflict of interest since the cumulative amount for each Board Member does not exceed \$2,500 for the fiscal year.

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction designated with a (b) does not appear to represent any conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transaction designated with a (c) does not appear to represent any conflict of interest.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting (continued):

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 ensure that the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – We noted a variance in the basic enrollment data certified to the Iowa Department of Education for October 2013. The number of resident students reported was understated by 2 students. This was due to the District not counting 2 students that were enrolled as of the official count date.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and Iowa Department of Management to resolve this matter.

Conclusion – Response accepted.

IV-H-14 Supplementary Weighting – No variances 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 – We noted no significant deficiencies in the amounts reported on the Certified Annual Report. However, the report was not certified to the Iowa Department of Education timely.

Recommendation – In the future, the District should certify the Certified Annual Report in a timely manner.

Response – We will make sure our Certified Annual Report is certified in a timely manner in the future.

Conclusion – Response accepted.

IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting (continued):

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	3,939,349
Revenues/transfers in:		
Interest	\$	10,393
Statewide sales, services and use tax		1,622,527
Transfers from other funds:		
District Support Trust Fund		149,978
		1,782,898
Expenditures/transfers out:		
School infrastructure construction		291,597
Land purchased		200,000
Building purchased		500,027
Equipment		20,048
Other		2,900
Transfers to other funds:		
Debt Service Fund		1,176,493
		2,191,065
Ending balance	\$	3,531,182

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-M-14 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Special Revenue, Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for students.

We noted during our audit that there are numerous accounts within the Student Activity Fund which appear to be administratively maintained, rather than a student organization. These accounts include the Athletic Facilities, Tom Begley Memorial, District-Wide Miscellaneous and the various miscellaneous accounts at each building.

Recommendation – The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund. In addition, we noted items purchased from several of these accounts which appear instructional in nature and therefore more appropriate from the General Fund.

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

Conclusion – Response accepted.