MARSHALLTOWN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Marshalltown Community School District

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2013 Elections)	
Sherman Welker	President	2015
Jennifer Wilson	Vice President	2013
John Johnson	Board Member	2015
Anne Paullus	Board Member	2015
Jason Jablonski	Board Member	2013
Larry Schrum	Board Member	2013
Kay Beach	Board Member	2015
	(After September 2013 Elections)	
Sherman Welker	President	2015
Jennifer Wilson	Vice President	2017
John Johnson	Board Member	2015
Anne Paullus	Board Member	2015
Bea Niblock	Board Member	2017
Kendall Derby	Board Member	2017
Kay Beach	Board Member	2015
	School Officials	
Dr. Marvin L. Wade, Jr.	Superintendent	2014
Kevin Posekany	District Secretary/ Director of Finance	2014
Rex J. Ryden, Cartwright, Druker, & Ryden	Attorney	2014
Ahlers & Cooney, P.C.	Attorney	2014

Marshalltown Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District, Marshalltown, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 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 Marshalltown Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2015 on our consideration of Marshalltown Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Community School District's internal control over financial reporting and compliance.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $55,219,115 in fiscal 2013 to $57,819,269 in fiscal 2014, while General Fund expenditures increased from $55,894,500 in fiscal 2013 to $57,178,329 in fiscal 2014. The overall result was an increase in the District's General Fund balance from $4,026,288 at June 30, 2013 to $4,667,228 at June 30, 2014, a 15.92% increase from the prior year.

- The increase in General Fund revenues occurred mainly in the local tax and state sources of revenue during fiscal year 2014. The increase in expenditures was due primarily to an increase in the instruction functional area expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Marshalltown Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

Figure A-1
Marshalltown Community School District Annual Financial Report

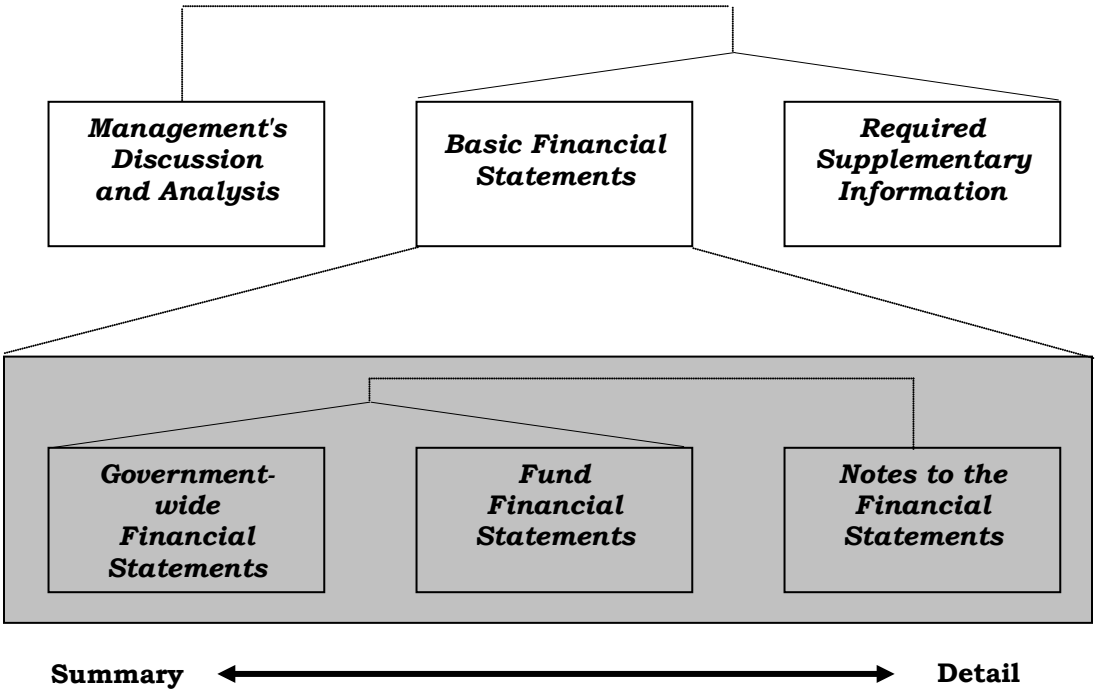

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	$ 47,759,952	59,205,304	422,259	606,369	48,182,211	59,811,673	-19.44%
Capital assets	60,082,847	51,756,955	332,093	385,776	60,414,940	52,142,731	15.86%
Total assets	107,842,799	110,962,259	754,352	992,145	108,597,151	111,954,404	-3.00%
Long-term liabilities	40,567,617	50,215,987	2,383	10,532	40,570,000	50,226,519	-19.23%
Other liabilities	11,239,721	7,668,473	57,475	215,198	11,297,196	7,883,671	43.30%
Total liabilities	51,807,338	57,884,460	59,858	225,730	51,867,196	58,110,190	-10.74%
Deferred inflows of resources	16,957,151	17,079,710	-	-	16,957,151	17,079,710	-0.72%
Net position:							
Net investment in capital assets	22,292,847	22,158,718	332,093	385,776	22,624,940	22,544,494	0.36%
Restricted	11,130,118	10,070,700	-	-	11,130,118	10,070,700	10.52%
Unrestricted	5,655,345	3,768,671	362,401	380,639	6,017,746	4,149,310	45.03%
Total net position	$ 39,078,310	35,998,089	694,494	766,415	39,772,804	36,764,504	8.18%

The District's total net position increased by 8.18%, or $3,008,300, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased $1,059,418, or 10.52% over the prior year. The increase was primarily the result of the improvement in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased $1,868,436, or 45.03%. This was primarily due to the increase in the General Fund unassigned fund balance.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	$ 1,557,756	1,554,246	606,300	618,900	2,164,056	2,173,146	-0.42%
Operating grants, contributions and restricted interest	7,953,971	7,305,777	2,526,387	2,397,084	10,480,358	9,702,861	8.01%
Capital grants, contributions and restricted interest	-	312,911	-	-	-	312,911	-100.00%
General revenues:							
Property tax	17,000,441	16,541,600	-	-	17,000,441	16,541,600	2.77%
Statewide sales, services and use tax	3,161,110	4,490,366	-	-	3,161,110	4,490,366	-29.60%
Unrestricted state grants	33,798,592	32,681,084	-	-	33,798,592	32,681,084	3.42%
Unrestricted investment earnings	108,131	78,369	329	603	108,460	78,972	37.34%
Other	534,531	77,898	-	-	534,531	77,898	586.19%
Total revenues	64,114,532	63,042,251	3,133,016	3,016,587	67,247,548	66,058,838	1.80%
Program expenses:							
Instruction	39,956,000	39,886,992	-	-	39,956,000	39,886,992	0.17%
Support services	15,850,065	16,094,927	-	-	15,850,065	16,094,927	-1.52%
Non-instructional programs	76,400	63,308	3,204,937	3,060,770	3,281,337	3,124,078	5.03%
Other expenses	5,151,846	5,039,092	-	-	5,151,846	5,039,092	2.24%
Total expenses	61,034,311	61,084,319	3,204,937	3,060,770	64,239,248	64,145,089	0.15%
Change in net position	3,080,221	1,957,932	(71,921)	(44,183)	3,008,300	1,913,749	-57.19%
Net position beginning of year	35,998,089	34,040,157	766,415	810,598	36,764,504	34,850,755	5.49%
Net position end of year	$ 39,078,310	35,998,089	694,494	766,415	39,772,804	36,764,504	8.18%

In fiscal 2014, property tax, statewide sales, services and use tax, and unrestricted state grants account for 84.16% of the revenue from governmental activities while charges for services and operating grants account for nearly all of the revenue from business type activities.

The District's total revenues were approximately $67.25 million of which approximately $64.12 million was for governmental activities and approximately $3.13 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.80% increase in revenues and a 0.15% increase in expenses. Unrestricted state grants increased $1,117,508 to fund increases in expenses. The increase in expenses was related to increases in the instructional functional area.

Governmental Activities

Revenues for governmental activities were $64,114,532 and expenses were $61,034,311 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	$ 39,956,000	39,886,992	0.17%	33,994,691	35,426,912	-4.04%
Support services	15,850,065	16,094,927	-1.52%	14,538,027	13,534,499	7.41%
Non-instructional programs	76,400	63,308	20.68%	76,400	63,308	20.68%
Other expenses	5,151,846	5,039,092	2.24%	2,913,466	2,886,666	0.93%
Totals	$ 61,034,311	61,084,319	-0.08%	51,522,584	51,911,385	-0.75%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was $1,557,756.
- Federal and state governments subsidized certain programs with grants and contributions totaling $7,953,971.
- The net cost of governmental activities was financed with $17,000,441 in property tax, $3,161,110 in statewide sales, services and use tax, $33,798,592 in unrestricted state grants, $108,131 in interest income, and $534,531 in other general revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were $3,133,016 and expenses were $3,204,937. The District's business type activities include the School Nutrition and the Caring Resale Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $16,189,413, compared to last year's ending fund balances of $31,506,315. The largest decrease occurred in the Debt Service Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local and state source revenues resulted in an increase in revenues. The increase revenues was more than enough to offset the increase in expenditures resulting in an increase of the District's General Fund balance by 15.92%.

- The Capital Projects Fund balance increased from a balance of $7,818,072 at June 30, 2013 to $8,208,098 at June 30, 2014. The increase was due in part to the District issuing $10 million in revenue bonds during fiscal year 2014.

- The Debt Service Fund balance decreased from a balance of $17,696,056 at June 30, 2013 to $1,217,428 at June 30, 2014. This decrease is the result of the payment of the crossover refunding bonds that the District did in June of 2012.

Proprietary Fund Highlights

The net position of the Enterprise: School Nutrition Fund decreased from $723,296 at June 30, 2013 to $651,375 at June 30, 2014, representing a decrease of 9.94%. The Enterprise: Caring Resale remained unchanged with a net position of $43,119 at June 30, 2014.

BUDGETARY HIGHLIGHTS

The District's revenues were $747,254 less than budgeted revenues, a variance of 1.10%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately $60.41 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 15.86% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was $1,896,435.

The original cost of the District's capital assets was $85,252,207. Governmental funds account for $84,310,564 with the remainder of $941,643 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $3,316,209 at June 30, 2013, compared to $8,784,315 reported at June 30, 2014. This increase resulted from various projects not completed before year end including the roundhouse, middle school renovations, support services and the admin building renovations.

Figure A-6 Capital Assets, Net of Depreciation	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	$ 637,187	637,187	-	-	637,187	637,187	0.00%
Construction in progress	8,784,315	3,316,209	-	-	8,784,315	3,316,209	164.89%
Buildings	48,680,693	45,756,056	-	-	48,680,693	45,756,056	6.39%
Land improvements	693,962	729,741	-	-	693,962	729,741	-4.90%
Machinery and equipment	1,286,690	1,317,762	332,093	385,776	1,618,783	1,703,538	-4.98%
Total	$ 60,082,847	51,756,955	332,093	385,776	60,414,940	52,142,731	15.86%

Long-Term Debt

At June 30, 2014, the District had $40,570,001 in total long-term debt outstanding. This represents a decrease of 19.23% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding general obligation bonds payable of $17,990,000 at June 30, 2014.
- The District had total outstanding revenue bonds payable of $17,900,000 at June 30, 2014, which are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding capital loan notes payable and qualified zone academy bonds payable of $200,000 and $1,700,000, respectively, at June 30, 2014. Both of these debt issuances are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District also had total outstanding termination benefits payable of $2,577,187 from the Special Revenue, Management Levy Fund at June 30, 2014.
- The District had compensated absences payable of $202,841 at June 30, 2014, $200,431 of the total is payable from the General Fund and $2,383 is payable from the Enterprise: School Nutrition Fund.

Figure A-7 Outstanding Long-Term Obligations	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	$ 17,990,000	35,530,000	-	-	17,990,000	35,530,000	-49.37%
Revenue bonds	17,900,000	8,770,000	-	-	17,900,000	8,770,000	104.10%
Qualified zone academy bonds	1,700,000	1,700,000	-	-	1,700,000	1,700,000	0.00%
Capital loan notes	200,000	300,000	-	-	200,000	300,000	-33.33%
Termination benefits	2,577,187	3,382,225	-	-	2,577,187	3,382,225	-23.80%
Compensated absences	200,430	195,592	2,383	7,702	202,813	203,294	-0.24%
Net OPEB liability	-	338,170	-	2,830	-	341,000	-100.00%
Total	$ 40,567,617	50,215,987	2,383	10,532	40,570,000	50,226,519	-19.23%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced stable enrollment for a few years, the District expects enrollment to remain the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kevin Posekany, District Board Secretary/Director of Finance, Marshalltown Community School District, 317 Columbus Dr., Marshalltown, Iowa, 50158.

Basic Financial Statements

Exhibit A

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$ 29,015,626	408,242	29,423,868
Receivables:			
Property tax:			
Delinquent	216,642	-	216,642
Succeeding year	16,957,151	-	16,957,151
Accounts	-	10,844	10,844
Internal balances	156,710	(156,710)	-
Due from other governments	1,295,644	89,701	1,385,345
Inventories	42,130	69,546	111,676
Net OPEB asset	76,049	636	76,685
Capital assets, net of accumulated depreciation	60,082,847	332,093	60,414,940
Total assets	107,842,799	754,352	108,597,151
Liabilities			
Accounts payable	4,516,527	23,766	4,540,293
Salaries and benefits payable	5,746,050	-	5,746,050
Accrued interest payable	77,328	-	77,328
Unearned revenue	-	33,709	33,709
Advances from students accounts	55,899	-	55,899
Incurred but not reported claims	843,917	-	843,917
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,525,000	-	1,525,000
Revenue bonds payable	905,000	-	905,000
Capital loan notes payable	100,000	-	100,000
Termination benefits payable	805,038	-	805,038
Compensated absences payable	200,430	2,383	202,813
Portion due after one year:			
General obligation bonds payable	16,465,000	-	16,465,000
Revenue bonds payable	16,995,000	-	16,995,000
Capital loan notes payable	100,000	-	100,000
Qualified zone academy bonds payable	1,700,000	-	1,700,000
Termination benefits payable	1,772,149	-	1,772,149
Total liabilities	51,807,338	59,858	51,867,196
Deferred inflows of resources			
Unavailable property tax revenue	16,957,151	-	16,957,151
Net Position			
Net Investment in capital assets	22,292,847	332,093	22,624,940
Restricted for:			
Categorical funding	1,265,334	-	1,265,334
Debt service	2,140,100	-	2,140,100
Student activities	216,688	-	216,688
Public education and recreation	299,898	-	299,898
School infrastructure	5,913,890	-	5,913,890
Physical plant and equipment	1,294,208	-	1,294,208
Unrestricted	5,655,345	362,401	6,017,746
Total net position	$ 39,078,310	694,494	39,772,804

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 22,773,728	515,606	1,166,202	(21,091,920)	-	(21,091,920)
Special	8,157,873	187,913	787,814	(7,182,146)	-	(7,182,146)
Other	9,024,399	693,532	2,610,242	(5,720,625)	-	(5,720,625)
	39,956,000	1,397,051	4,564,258	(33,994,691)	-	(33,994,691)
Support services:						
Student	2,814,834	-	1,086,402	(1,728,432)	-	(1,728,432)
Instructional staff	2,116,677	-	41,600	(2,075,077)	-	(2,075,077)
Administration	4,296,524	-	-	(4,296,524)	-	(4,296,524)
Operation and maintenance of plant	4,913,329	-	-	(4,913,329)	-	(4,913,329)
Transportation	1,708,701	160,705	23,331	(1,524,665)	-	(1,524,665)
	15,850,065	160,705	1,151,333	(14,538,027)	-	(14,538,027)
Non-instructional programs:						
Community service operations	76,400	-	-	(76,400)	-	(76,400)
Long-term debt interest	1,656,913	-	-	(1,656,913)	-	(1,656,913)
Other expenses:						
AEA flowthrough	2,238,380	-	2,238,380	-	-	-
Depreciation(unallocated)*	1,256,553	-	-	(1,256,553)	-	(1,256,553)
	3,494,933	-	2,238,380	(1,256,553)	-	(1,256,553)
Total governmental activities	61,034,311	1,557,756	7,953,971	(51,522,584)	-	(51,522,584)
Business type activities:						
Non-instructional programs:						
Food service operations	3,204,937	606,300	2,526,387	-	(72,250)	(72,250)
Total	$ 64,239,248	2,164,056	10,480,358	(51,522,584)	(72,250)	(51,594,834)
General Revenues:						
Property tax levied for:						
General purposes				$ 15,993,382	-	15,993,382
Capital outlay				1,007,059	-	1,007,059
Statewide sales, services and use tax				3,161,110	-	3,161,110
Unrestricted state grants				33,798,592	-	33,798,592
Unrestricted investment earnings				108,131	329	108,460
Other				534,531	-	534,531
Total general revenues				54,602,805	329	54,603,134
Change in net position				3,080,221	(71,921)	3,008,300
Net position beginning of year				35,998,089	766,415	36,764,504
Net position end of year				$ 39,078,310	694,494	39,772,804

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	$ 10,443,598	10,999,975	1,217,428	2,083,175	24,744,176
Receivables:					
Property tax:					
Delinquent	186,904	12,789	-	16,949	216,642
Succeeding year	14,665,306	966,588	-	1,325,257	16,957,151
Due from other funds	156,710	-	-	-	156,710
Due from other governments	1,031,366	264,278	-	-	1,295,644
Inventories	42,130	-	-	-	42,130
Total assets	$ 26,526,014	12,243,630	1,217,428	3,425,381	43,412,453
Liabilities, deferrred inflows of resources and fund balances					
Liabilities:					
Accounts payable	$ 1,391,531	3,068,944	-	3,465	4,463,940
Salaries and benefits payable	5,746,050	-	-	-	5,746,050
Advances from student accounts	55,899	-	-	-	55,899
Total liabilities	7,193,480	3,068,944	-	3,465	10,265,889
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	14,665,306	966,588	-	1,325,257	16,957,151
Fund balances:					
Nonspendable	42,130	-	-	-	42,130
Restricted for:					
Categorical funding	1,265,334	-	-	-	1,265,334
Debt service	-	1,000,000	1,217,428	-	2,217,428
Management levy purposes	-	-	-	1,583,119	1,583,119
Student activities	-	-	-	216,688	216,688
Public education and recreation	-	-	-	299,898	299,898
School infrastructure	-	5,913,890	-	-	5,913,890
Physical plant and equipment	-	1,294,208	-	-	1,294,208
Committed for:					
Cell tower projects	68,054	-	-	-	68,054
Anson fuel up to play 60	643	-	-	-	643
Project lead the way	123,201	-	-	-	123,201
Unassigned:					
General	3,167,866	-	-	-	3,167,866
Student activities	-	-	-	(3,046)	(3,046)
Total fund balances	4,667,228	8,208,098	1,217,428	2,096,659	16,189,413
Total liabilities, deferrred inflows of resources and fund balances	$ 26,526,014	12,243,630	1,217,428	3,425,381	43,412,453

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

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

Total fund balances of governmental funds(page 20)	$ 16,189,413
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 in the governmental funds.	60,082,847
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,374,946
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(77,328)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	76,049
Long-term liabilities, including bonds and notes payable, compensated absences payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(40,567,617)
Net position of governmental activities(page 18)	$ 39,078,310

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	$ 14,664,329	1,007,059	-	1,329,053	17,000,441
Tuition	541,623	-	-	-	541,623
Other	1,181,792	23,025	76,287	698,542	1,979,646
Intermediate sources	7,003	-	-	-	7,003
State sources	37,029,336	3,161,672	-	775	40,191,783
Federal sources	4,394,036	-	-	-	4,394,036
Total revenues	57,818,119	4,191,756	76,287	2,028,370	64,114,532
Expenditures:					
Current:					
Instruction:					
Regular	22,956,376	-	-	706,328	23,662,704
Special	8,233,983	-	-	-	8,233,983
Other	8,495,002	-	-	612,858	9,107,860
	39,685,361	-	-	1,319,186	41,004,547
Support services:					
Student	2,865,287	-	-	-	2,865,287
Instructional staff	2,153,722	11,814	-	-	2,165,536
Administration	4,116,673	4,500	-	355,375	4,476,548
Operation and maintenance of plant	4,548,329	-	-	138,064	4,686,393
Transportation	1,570,577	154,426	-	-	1,725,003
	15,254,588	170,740	-	493,439	15,918,767
Non-instructional programs:					
Community service operations	-	-	-	76,400	76,400
Capital outlay	-	9,872,159	-	8,585	9,880,744
Long-term debt:					
Principal		-	18,510,000	-	18,510,000
Interest and other fiscal charges	-	-	1,803,746	-	1,803,746
	-	-	20,313,746	-	20,313,746
Other expenditures:					
AEA flowthrough	2,238,380	-	-	-	2,238,380
Total expenditures	57,178,329	10,042,899	20,313,746	1,897,610	89,432,584
Excess(Deficiency)of revenues over(under)expenditures	639,790	(5,851,143)	(20,237,459)	130,760	(25,318,052)
Other financing sources(uses):					
Transfer in	-	-	3,758,831	-	3,758,831
Transfer out	-	(3,758,831)	-	-	(3,758,831)
Sale of equipment	1,150	-	-	-	1,150
Revenue bond issuance	-	10,000,000	-	-	10,000,000
Total other financing sources(uses)	1,150	6,241,169	3,758,831	-	10,001,150
Change in fund balances	640,940	390,026	(16,478,628)	130,760	(15,316,902)
Fund balances beginning of year	4,026,288	7,818,072	17,696,056	1,965,899	31,506,315
Fund balances end of year	$ 4,667,228	8,208,098	1,217,428	2,096,659	16,189,413

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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

Change in fund balances - total governmental funds(page 22)		$ (15,316,902)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the year are as follows:		
Capital outlay expenditures	$ 10,167,345	
Depreciation expense	(1,841,453)	8,325,892
Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		199,979
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities Statement of Net Position. Current year repayments exceeded issuances, as follows:		
Issued	$ (10,000,000)	
Repaid	18,510,000	8,510,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		146,833
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund, as follows:		
Termination benefits	$ 805,038	
Compensated absences	(4,838)	
Other postemployment benefits	414,219	1,214,419
Changes in net position of governmental activities(page 19)		$ 3,080,221

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Caring Resale	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	$ 365,123	43,119	408,242	4,271,450
Accounts receivable	10,844	-	10,844	-
Due from other governments	89,701	-	89,701	-
Inventories	69,546	-	69,546	-
Total current assets	535,214	43,119	578,333	4,271,450
Noncurrent assets:				
Net OPEB asset	636	-	636	-
Capital assets, net of accumulated depreciation	332,093	-	332,093	-
Total noncurrent assets	332,729	-	332,729	-
Total assets	867,943	43,119	911,062	4,271,450
Liabilities				
Due to other funds	156,710	-	156,710	-
Accounts payable	23,766	-	23,766	52,587
Unearned revenue	33,709	-	33,709	-
Incurred but not reported claims	-	-	-	843,917
Long-term liabilities:				
Compensated absences	2,383	-	2,383	-
Total liabilities	216,568	-	216,568	896,504
Net Position				
Net investment in capital assets	332,093	-	332,093	-
Unrestricted	319,282	43,119	362,401	3,374,946
Total net position	$ 651,375	43,119	694,494	3,374,946

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Caring Resale	Total	Internal Service Fund
Operating revenues:				
Local sources:				
Charges for service	$ 606,300	-	606,300	-
Donations	23,100	-	23,100	-
Miscellaneous	-	-	-	6,874,884
Total operating revenues	629,400	-	629,400	6,874,884
Operating expenses:				
Support services:				
Administration:				
Benefits	-	-	-	6,680,609
Non-instructional programs:				
Food service operations:				
Salaries	1,069,950	-	1,069,950	-
Benefits	197,409	-	197,409	-
Services	7,749	-	7,749	-
Supplies	1,874,122	-	1,874,122	-
Depreciation	54,982	-	54,982	-
Other	725	-	725	-
Total operating expenses	3,204,937	-	3,204,937	6,680,609
Operating income(loss)	(2,575,537)	-	(2,575,537)	194,275
Non-operating revenues				
Interest income	329	-	329	5,704
State sources	26,001	-	26,001	-
Federal sources	2,477,286	-	2,477,286	-
Total non-operating revenues	2,503,616	-	2,503,616	5,704
Change in net position	(71,921)	-	(71,921)	199,979
Net position beginning of year	723,296	43,119	766,415	3,174,967
Net position end of year	$ 651,375	43,119	694,494	3,374,946

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Caring Resale	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	$ 607,389	-	607,389	-
Cash received from miscellaneous operating activities	-	-	-	6,874,884
Cash received from donations	23,100	-	23,100	-
Cash payments to employees for services	(1,276,144)	-	(1,276,144)	-
Cash payments to suppliers for goods or services	(1,693,401)	-	(1,693,401)	(6,617,096)
Net cash provided by(used in) operating activities	(2,339,056)	-	(2,339,056)	257,788
Cash flows from non-capital financing activities:				
Borrowings from General Fund	13,400	-	13,400	-
State grants received	26,001	-	26,001	-
Federal grants received	2,250,133	-	2,250,133	-
Net cash provided by non-capital financing activities	2,289,534	-	2,289,534	-
Cash flows from investing activities:				
Interest on investments	329	-	329	5,704
Cash flows from capital financing activities:				
Purchase of capital assets	(1,299)	-	(1,299)	-
Net increase(decrease) in cash and cash equivalents	(50,492)	-	(50,492)	263,492
Cash and cash equivalents beginning of year	415,615	43,119	458,734	4,007,958
Cash and cash equivalents end of year	$ 365,123	43,119	408,242	4,271,450
Reconciliation of operating loss to net cash used in operating activities:				
Operating income(loss)	$ (2,575,537)	-	(2,575,537)	194,275
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	186,368	-	186,368	-
Depreciation	54,982	-	54,982	-
Decrease in inventories	14,902	-	14,902	-
Decrease in accounts receivable	3,427	-	3,427	-
Increase(Decrease) in accounts payable	(12,075)	-	(12,075)	15,989
Decrease in other postemployment benefits	(3,466)	-	(3,466)	-
Decrease in compensated absences	(5,319)	-	(5,319)	-
Increase in incurred but not reported	-	-	-	47,524
Decrease in unearned revenue	(2,338)	-	(2,338)	-
Net cash provided by(used in) operating activities	$ (2,339,056)	-	(2,339,056)	257,788

Non-cash investing, capital and related financing activities:
During the year ended June 30, 2014, the District received $186,368 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

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

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	$ 94,142
Liabilities	-
Net Position	
Restricted for scholarships	$ 94,142

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	$ 165
Gifts and contributions	2,049
Total additions	2,214
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	5,750
Change in net position	(3,536)
Net position beginning of year	97,678
Net position end of year	$ 94,142

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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.

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Advances from Student Accounts - Proceeds from student registration which have been received by the District but will be spent in a succeeding fiscal year.

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

not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition Fund.

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

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

Nonspendable - Amounts that cannot be spent either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained intact.

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

Committed - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas and in total.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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 which are valued at an amortized cost of $158,745 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	$ 156,710

The School Nutrition Fund is repaying the General Fund for salaries and benefits not repaid to the General Fund before year end.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	$ 3,578,831

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's general obligation, revenue bond and capital loan note indebtedness.

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	$ 35,530,000	-	17,540,000	17,990,000	1,525,000
Revenue bonds	8,770,000	10,000,000	870,000	17,900,000	905,000
Qualified zone academy bonds	1,700,000	-	-	1,700,000	-
Capital loan notes	300,000	-	100,000	200,000	100,000
Termination benefits	3,382,225	-	805,038	2,577,187	805,038
Compensated absences	195,592	200,430	195,592	200,430	200,430
Net OPEB liability	338,170	-	338,170	-	-
Total	$ 50,215,987	10,200,430	19,848,800	40,567,617	3,535,468
Business type activities:					
Compensated absences	$ 7,702	2,383	7,702	2,383	2,383
Net OPEB liability	2,830	-	2,830	-	-
Total	$ 10,532	2,383	10,532	2,383	2,383

General Obligation Bonds

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

Year Ending June 30,	Series A Bond Issue of June 20, 2012			Series B Bond Issue of June 20, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.00	$ -	19,107	2.55	$ 1,525,000	436,560	$ 1,525,000	455,667	1,980,667
2016	2.00	-	19,108	2.55	1,565,000	397,673	1,565,000	416,781	1,981,781
2017	2.00	135,000	19,107	2.55	1,605,000	357,765	1,740,000	376,872	2,116,872
2018	2.15	130,000	16,408	2.55	1,645,000	316,837	1,775,000	333,245	2,108,245
2019	2.25	125,000	13,612	2.55	1,680,000	274,890	1,805,000	288,502	2,093,502
2020-2024	2.25	480,000	31,838	2.55	9,100,000	708,135	9,580,000	739,973	10,319,973
		$ 870,000	119,180		$ 17,120,000	2,491,860	$ 17,990,000	2,611,040	20,601,040

Revenue Bonds Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 7, 2013			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.92%	$ 50,000	290,540	2.15%	$ 855,000	246,267	$ 905,000	536,807	1,441,807
2016	2.92	650,000	289,080	2.40	890,000	227,885	1,540,000	516,965	2,056,965
2017	2.92	650,000	270,100	2.70	930,000	206,525	1,580,000	476,625	2,056,625
2018	2.92	675,000	251,120	3.00	970,000	181,415	1,645,000	432,535	2,077,535
2019	2.92	695,000	231,410	3.20	1,010,000	152,315	1,705,000	383,725	2,088,725
2019-2023	2.92	3,785,000	840,814	3.40-4.00	3,295,000	249,920	7,080,000	1,090,734	8,170,734
2024-2028	2.92	3,445,000	255,062				3,445,000	255,062	3,700,062
		$ 9,950,000	2,428,126		$ 7,950,000	1,264,327	$ 17,900,000	3,692,453	21,592,453

The District has pledged future statewide sales, services and use tax revenues to repay the $10,000,000 of bonds issued in April 2011 and $10,000,000 of bonds issued in October 2013. The bonds were issued for the purpose of financing a portion of various school infrastructure projects. 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 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 46 percent of the statewide sales, services, and use tax revenues. The total principal and interest paid remaining to be paid is $21,592,453. For the current year principal of $870,000 and interest of $453,279 was paid on the bonds and total statewide sales, services and use tax revenues were $3,161,110.

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

a) $1,000,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent.

c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Qualified Zone Academy Bonds

During the year ended June 30, 2008, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual payments of $186,860.23 will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a debt sinking fund to pay the indebtedness due December 2015 of $1,700,000.

Capital Loan Note Payable

Details of the District's June 30, 2014 capital loan note indebtedness paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Note Issue of May 30, 2008			
	Interest Rates	Principal	Interest	Total
2015	4.10%	$ 100,000	8,300	108,300
2016	4.20	100,000	4,200	104,200
		$ 200,000	12,500	212,500

Termination Benefits

The District has in place a voluntary retirement incentive plan, this plan provides that the District shall pay for the cost of the group health insurance coverage on behalf of the retiree, the same amount being paid by the District on behalf of the retiree for the retiree's last full month of insurance coverage in the fiscal year immediately preceding July 1st of the year of retirement. The District will assume up to a 5% increase per year in its contribution toward the cost of such coverage and this incentive will end after a period of 96 months or when the retiree reaches 65 years of age, whichever is earlier. The District will also continue to pay, on behalf of the retiree, the full premium for group term life insurance coverage in the same face amount as in effect for the retiree immediately prior to retirement. These payments will continue for a period of 96 months.

Early retirement benefits paid during the year ended June 30, 2014, totaled $805,038. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	$ 984,723	1,299	44,379	941,643
Less accumulated depreciation	598,947	54,982	44,379	609,550
Business type activities capital assets, net	$ 385,776	(53,683)	-	332,093

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 637,187	-	-	637,187
Construction in progress	3,316,209	9,604,932	4,136,826	8,784,315
Total capital assets not being depreciated	3,953,396	9,604,932	4,136,826	9,421,502
Capital assets being depreciated:				
Buildings	62,569,919	4,136,826	-	66,706,745
Land improvements	1,017,122	8,585	-	1,025,707
Machinery and equipment	6,750,114	553,828	147,332	7,156,610
Total capital assets being depreciated	70,337,155	4,699,239	147,332	74,889,062
Less accumulated depreciation for:				
Buildings	16,813,863	1,212,189	-	18,026,052
Land improvements	287,381	44,364	-	331,745
Machinery and equipment	5,432,352	584,900	147,332	5,869,920
Total accumulated depreciation	22,533,596	1,841,453	147,332	24,227,717
Total capital assets being depreciated, net	47,803,559	2,857,786	-	50,661,345
Governmental activities capital assets, net	$ 51,756,955	12,462,718	4,136,826	60,082,847

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 169,953
Support services:	
Operation and maintenance of plant	30,665
Transportation	384,282
	584,900
Unallocated depreciation	1,256,553
Total governmental activities depreciation expense	$ 1,841,453
Business type activities:	
Food service operations	$ 54,982

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were $2,979,997, $2,898,690 and $2,612,959, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription, dental, vision, and life benefits for employees, retirees and their spouses. There are 748 active and 78 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	$ 571,000
Interest on net OPEB obligation	15,345
Adjustment to annual required contribution	(13,030)
Annual OPEB cost	573,315
Contributions made	(991,000)
Increase in net OPEB obligation	(417,685)
Net OPEB obligation beginning of year	341,000
Net OPEB obligation end of year	$ (76,685)

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 $991,000 to the medical/prescription, dental, vision, and life plans. Plan members eligible for benefits contributed $700,000, or 41.40% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 1,449,319	85.01 %	$ 700,319
2013	575,681	162.42	341,000
2014	573,315	172.85	(76,685)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $6,464,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $6,464,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $28,868,452 and the ratio of the UAAL to covered payroll was 22.39%. 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, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10% and the projected dental and vision trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000, projected to 2015, Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are $668 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 15 years.

(9) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was $3,374,946 at June 30, 2014. The incurred but not recorded and unpaid claims liability of $843,917 reported in the plan at June 30, 2014 based on the requirements of GASB Statement Number 10 is set up as a liability on the Statement of Net Position.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $2,238,380 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.

(11) Construction Commitment

The District has entered into various contracts totaling $14,639,368 for school infrastructure improvements for the Marshalltown Roundhouse, Middle School renovation and the construction of an administration building. As of June 30, 2014, costs of $8,784,315 had been incurred against the contracts. The balance remaining of $5,855,053 will be paid as work on the projects progresses.

(12) Deficit Fund Balance

The District had six individual Student Activity Fund accounts with deficit unassigned fund balances totaling $3,046.

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the non-instructional programs, other expenditures functional area and in total exceeded the certified budget.

(14) Categorical Funding

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

Program	Amount
Four-year-old preschool state aid	$ 424,299
Teacher salary supplement	77,623
Professional development for model core curriculum	510,955
Professional development	65,868
Market factor incentives	3,831
Textbook aid for nonpublic students	3,150
Successful progression for early readers	51,097
Teacher leadership grant	21,294
Governors advisory council STEM scale-up programs	107,217
Total	$ 1,265,334

(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.

(16) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment In Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	$ -	2,217,428	1,583,119	3,164,820
Net investment in capital assets	60,082,847	-	-	-
General obligation bond capitalized indebtedness	(17,990,000)	-	-	-
Revenue bond capitalized indebtedness	(17,900,000)	-	-	-
Capital loan note capitalized indebtedness	(200,000)	-	-	-
QZAB capitalized indebtedness	(1,700,000)	-	-	-
Termination benefits	-	-	(1,583,119)	(994,068)
Compensated absences	-	-	-	(200,430)
Accrued interest payable	-	(77,328)	-	-
Internal service fund	-	-	-	3,374,946
Net OPEB asset	-	-	-	76,049
Nonspendable fund balance	-	-	-	42,130
Committed fund balances	-	-	-	191,898
Net position (Exhibit A)	$ 22,292,847	2,140,100	-	5,655,345

Marshalltown Community School District

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 19,521,710	629,729	20,151,439	24,520,901	24,520,901	(4,369,462)
Intermediate sources	7,003	-	7,003	2,500	2,500	4,503
State sources	40,191,783	26,001	40,217,784	35,977,529	35,977,529	4,240,255
Federal sources	4,394,036	2,477,286	6,871,322	7,493,872	7,493,872	(622,550)
Total revenues	64,114,532	3,133,016	67,247,548	67,994,802	67,994,802	(747,254)
Expenditures/Expenses:						
Instruction	41,004,547	-	41,004,547	41,833,667	41,833,667	829,120
Support services	15,918,767	-	15,918,767	16,743,964	16,743,964	825,197
Non-instructional programs	76,400	3,204,937	3,281,337	3,075,222	3,075,222	(206,115)
Other expenditures	32,432,870	-	32,432,870	16,625,392	16,625,392	(15,807,478)
Total expenditures/expenses	89,432,584	3,204,937	92,637,521	78,278,245	78,278,245	(14,359,276)
Deficiency of revenues under expenditures/expenses	(25,318,052)	(71,921)	(25,389,973)	(10,283,443)	(10,283,443)	(15,106,530)
Other financing sources, net	10,001,150	-	10,001,150	17,000,000	17,000,000	44,035,150
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(15,316,902)	(71,921)	(15,388,823)	6,716,557	6,716,557	28,928,620
Balances beginning of year	31,506,315	766,415	32,272,730	36,813,197	36,813,197	(4,540,467)
Balances end of year	$ 16,189,413	694,494	16,883,907	43,529,754	43,529,754	24,388,153

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2014, the expenditures in the non-instructional programs, other expenditures functional areas and in total exceeded the certified budget.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	$ 7,613,000	7,613,000	0.00%	$ 26,552,674	28.67%
2010	July 1, 2008	-	7,613,000	7,613,000	0.00	24,526,604	31.04
2011	July 1, 2010	-	11,564,000	11,564,000	0.00	25,754,952	44.90
2012	July 1, 2010	-	11,564,000	11,564,000	0.00	25,333,628	45.65
2013	July 1, 2012	-	6,464,000	6,464,000	0.00	26,531,152	24.36
2014	July 1, 2012	-	6,464,000	6,464,000	0.00	28,868,452	22.39

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

Schedule 1

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

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	$ 1,567,827	217,107	298,241	2,083,175
Receivables:				
Property tax:				
Delinquent	15,292	-	1,657	16,949
Succeeding year	1,199,998	-	125,259	1,325,257
Total assets	$ 2,783,117	217,107	425,157	3,425,381
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	$ -	3,465	-	3,465
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,199,998	-	125,259	1,325,257
Fund balances:				
Restricted for:				
Management levy purposes	1,583,119	-	-	1,583,119
Student activities	-	216,688	-	216,688
Public education and recreation	-	-	299,898	299,898
Unassigned	-	(3,046)	-	(3,046)
Total fund balances	1,583,119	213,642	299,898	2,096,659
Total liabilities, deferred inflows of resources and fund balances	$ 2,783,117	217,107	425,157	3,425,381

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

MARSHALLTOWN COMMUNITY 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	Total
Revenues:				
Local sources:				
Local tax	$ 1,199,131	-	129,922	1,329,053
Other	52,774	645,457	311	698,542
State sources	700	-	75	775
Total revenues	1,252,605	645,457	130,308	2,028,370
Expenditures:				
Current:				
Instruction:				
Regular	706,328	-	-	706,328
Other	-	612,858	-	612,858
Support services:				
Administration	355,375	-	-	355,375
Operation and maintenance of plant	138,064	-	-	138,064
Non-instructional programs:				
Community service operations	-	-	76,400	76,400
Capital outlay	-	-	8,585	8,585
Total expenditures	1,199,767	612,858	84,985	1,897,610
Excess of revenues over expenditures	52,838	32,599	45,323	130,760
Fund balances beginning of year	1,530,281	181,043	254,575	1,965,899
Fund balances end of year	$ 1,583,119	213,642	299,898	2,096,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 9,709,437	1,290,538	10,999,975
Receivables:			
Property tax:			
Delinquent	-	12,789	12,789
Succeeding year	-	966,588	966,588
Due from other governments	264,278	-	264,278
Total assets	$ 9,973,715	2,269,915	12,243,630
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	$ 3,059,825	9,119	3,068,944
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	966,588	966,588
Fund balances:			
Restricted for:			
Debt service	1,000,000	-	1,000,000
School infrastructure	5,913,890	-	5,913,890
Physical plant and equipment	-	1,294,208	1,294,208
Total fund balances	6,913,890	1,294,208	8,208,098
Total liabilities, deferred inflows of resources and fund balances	$ 9,973,715	2,269,915	12,243,630

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	1,007,059	1,007,059
Other	17,820	5,205	23,025
State sources	3,161,110	562	3,161,672
Total revenues	3,178,930	1,012,826	4,191,756
Expenditures:			
Current:			
Support services:			
Instructional staff	-	11,814	11,814
Administration	4,500	-	4,500
Transportation	-	154,426	154,426
Capital outlay	9,024,246	847,913	9,872,159
Total expenditures	9,028,746	1,014,153	10,042,899
Deficiencyof revenues under expenditures	(5,849,816)	(1,327)	(5,851,143)
Other financing sources(uses):			
Transfer out	(3,758,831)	-	(3,758,831)
Revenue bond issuance	10,000,000	-	10,000,000
Total other financing sources(uses):	6,241,169	-	6,241,169
Change in fund balances	391,353	(1,327)	390,026
Fund balances beginning of year	6,522,537	1,295,535	7,818,072
Fund balances end of year	$ 6,913,890	1,294,208	8,208,098

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

MARSHALLTOWN COMMUNITY 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
Senior High School	$	89,993	529,367	491,297	128,063
Miller Middle School		35,787	74,175	79,238	30,724
Anson Elementary School		1,419	2	505	916
Fisher Elementary School		10,731	3,340	2,687	11,384
Franklin Elementary School		1,193	758	456	1,495
Hoglan Elementary School		11,971	1,133	601	12,503
Rogers Elementary School		859	208	713	354
Woodbury Elementary School		30,149	405	2,367	28,187
Lenihan School		(1,059)	36,069	34,994	16
Total	$	181,043	645,457	612,858	213,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

MARSHALLTOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
PRIVATE PUROSE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
Kiser Memorial	$ 5,972	-	-	5,972
White Memorial	14,018	1	3,000	11,019
Supinger Memorial	34,942	162	500	34,604
Wilkins Memorial	2,385	-	-	2,385
Warrington Memorial	1,791	-	500	1,291
Forman Scholarship	18,779	1	1,000	17,780
Drama Award	250	-	250	-
Mann Scholarship	8,001	1,002	500	8,503
Hoop Scholarship	10,000	1	-	10,001
Wilson Memorial	1,540	1,047	-	2,587
	$ 97,678	2,214	5,750	94,142

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	$ 17,000,441	21,031,966	19,965,384	19,077,440	18,991,634	18,480,477	17,944,565	17,338,396	16,221,358	14,959,584
Tuition	541,623	511,382	520,212	615,127	620,278	884,833	690,049	786,543	763,379	658,440
Other	1,979,646	1,374,398	1,591,790	1,696,419	1,615,686	1,856,905	2,000,495	2,105,819	1,982,435	1,956,450
Intermediate sources	7,003	-	1,544	-	12,677	3,000	-	-	-	-
State sources	40,191,783	35,554,763	34,382,794	32,450,180	27,135,151	31,849,930	29,525,104	27,891,472	25,374,838	24,175,261
Federal sources	4,394,036	4,569,742	6,037,941	5,144,022	5,654,814	2,794,429	2,687,752	4,082,428	2,530,261	2,986,008
Total	$ 64,114,532	63,042,251	62,499,665	58,983,188	54,030,240	55,869,574	52,847,965	52,204,658	46,872,271	44,735,743
Expenditures:										
Instruction:										
Regular	$ 23,662,704	21,795,143	22,985,566	21,271,530	21,034,796	20,060,964	18,726,781	16,356,028	15,410,271	16,448,312
Special	8,233,983	8,126,989	7,799,537	7,793,197	7,391,297	7,044,662	7,236,665	5,579,883	6,481,420	5,691,633
Other	9,107,860	9,517,911	8,377,947	7,760,462	7,026,144	7,164,887	6,464,219	6,549,435	5,635,206	4,333,260
Support services:										
Student	2,865,287	3,149,677	3,234,778	2,805,043	2,103,723	1,908,107	1,991,004	1,846,262	1,690,065	2,425,533
Instructional staff	2,165,536	2,293,463	1,691,437	1,678,659	2,270,085	2,142,918	1,794,691	2,272,949	2,119,595	1,603,247
Administration	4,476,548	4,373,022	4,085,615	3,884,942	3,728,482	3,834,695	3,900,824	4,611,452	4,555,965	3,533,077
Operation and maintenance of plant	4,686,393	4,496,125	4,268,969	4,402,034	4,203,737	3,956,726	4,043,697	3,750,599	3,352,581	2,837,917
Transportation	1,725,003	1,798,759	1,676,681	1,659,213	1,683,260	1,484,621	1,521,172	1,346,938	1,085,648	1,044,119
Central support	-	-	-	-	-	-	-	-	-	507,834
Non-instructional programs:										
Community service operations	76,400	63,308	53,420	67,803	56,138	165,550	120,319	95,017	100,334	133,200
Capital outlay	9,880,744	4,546,813	7,019,895	2,499,292	530,603	2,789,759	3,368,510	7,386,945	14,855,639	5,721,204
Long Term Debt:										
Principal	18,510,000	2,025,000	2,570,000	1,165,000	1,115,000	1,075,000	940,000	900,000	1,557,000	735,000
Interest and other fiscal charges	1,803,746	1,625,764	1,416,160	1,109,755	1,163,755	1,204,542	1,215,005	1,246,434	1,250,195	1,054,408
Other expenditures:										
AEA flow-through	2,238,380	2,152,426	2,124,025	2,296,118	2,192,875	1,921,715	1,833,651	1,712,160	1,569,129	1,493,820
Total	$ 89,432,584	65,964,400	67,304,030	58,393,048	54,499,895	54,754,146	53,156,538	53,654,102	59,663,048	47,562,564

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Marshalltown Community School District

Schedule 8

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 14	$ 49,439
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 14	1,064,171
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	547,820
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	1,742,180 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	84,586
			2,374,586
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	102,700
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 14	85,824
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	979,189
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES(CARRYOVER)	84.010	FY 14	164,742
			1,229,755
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 14	330,128
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 14	285,396
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 14	183,143
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 14	26,488
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 14	283,213
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	28,744
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 14	92,845

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:			
IOWA STATE UNIVERSITY:			
AEROSPACE EDUCATION SERVICES PROGRAM	43.001	FY 14	10,669
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS AND TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	85
ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION AND CONTROL	93.945	FY 14	4,157
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF PUBLIC HEALTH:			
AFFORDABLE CARE ACT(ACA) ABSTINENCE EDUCATION PROGRAM	93.235	FY 14	17,989
TOTAL			$ 6,083,508

* - Includes $186,368 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marshalltown Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Marshalltown Community School District's Responses to Findings

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

Purpose of this Report

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

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of Marshalltown Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2015
Newton, Iowa

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

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

(a) Unmodified opinions were issued on the financial statements.

(b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.

(e) An unmodified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:

- Nutrition Cluster:
  - CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.559 - Summer Food Service Program for Children

- Title I Cluster:
  - CFDA Number 84.010 - Title I Schools in Need of Assistance
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies

- CFDA Number 84.011 - Migrant Education - State Grant Program

- CFDA Number 84.184 - Safe and Drug-Free Schools and Communities - National Programs

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Marshalltown Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site. We noted in the Student Activity Fund that collections, receipting and deposit preparation duties were performed by the same individual.

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

Response - The District will continue to investigate ways to achieve segregation of duties with the limited number of office employees.

Conclusion - Response accepted.

II-B-14 Supporting Documents for Payments - During our fieldwork, we noted that the District made a payment to Electric Supply of Marshalltown for $1,549, but did not have a supporting invoice or any other documentation to support the payment.

Recommendation - The District should review its procedures to ensure that all payments have supporting documentation to support the purchase.

Response - The District will make the effort to be more conscientious of filing invoices in its AP system.

Conclusion - Response accepted.

Other Matters:

II-C-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District reviews negative lunch balances and continues to send notes home, mail past due invoices, places phone calls and implements a cheese lunch process. Continued review will ensue.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-14 (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 in the School Nutrition Fund that collections, receipting, recording and deposit preparation duties were all done by one individual at each specific site.

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

Response - The District will continue to investigate ways to achieve segregation of duties with the limited number of office employees.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional programs, other expenditures functional areas and in total.

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

Response - The District will review its process of estimating future expenditures and will amend its budget if needed in the future.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted a purchase of an iPad, Blu-Ray DVD player and an LED HD TV to be given as prizes to individual students who were top sellers of a fundraiser. Prizes for top sellers of fundraisers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The District will continue to remind principals that prizes for top sellers of fundraising is not permissible.

Conclusion - Response accepted.

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 are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Adland, Bus Driver Owner of Adland Engraving Co.	Engraving Services	$17,069
Sherm Welker, Board President Owner of Welker Construction	Repair Services	$6,356

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

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board member appears to represent a conflict of interest.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over $2,500. The District should contact legal counsel in regard to related party transactions with the board member.

Response - The District makes every effort to involve all businesses in its functions. We will consult with legal counsel in future matters that may arise.

Conclusion - Response accepted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students which were reported was overstated by 1.0 student.

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

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on behalf of the District to resolve the variance in certified enrollment.

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

IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds. However, we noted during our audit that the District has excessive carryover categorical funding balances for preschool state aid and professional development for model core curriculum.

Recommendation - The District should review these categorical funding carryover balances and develop a plan for spending down these balances.

Response - The District is using a substantial amount of preschool funding on playgrounds. The District will review its use of PD Core Curriculum.

Conclusion - Response accepted.

IV-L-14 Financial Condition - We noted 6 individual accounts within the Student Activity Fund with deficit balances totaling $3,046.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit fund balances.

Response - The District will review deficit balances with building administrators.

Conclusion - Response accepted.

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance		$ 6,522,537
Revenues:		
Sales tax revenues	$ 3,161,110	
Other local revenues	17,820	
Sale of long-term debt	10,000,000	13,178,930
		19,701,467
Expenditures/transfer out:		
School infrastructure construction	$ 9,024,246	
Other	4,500	
Transfer to another fund:		
Debt service fund	3,758,831	12,787,577
Ending balance		$ 6,913,890

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

	Rate of Levy Reduction Per $1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 2.54528	$ 2,567,668

IV-N-14 Student Activity Fund - During our audit issues arose about the properness of certain revenues and expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). We noted timed reading books being paid for from within the Student Activity Fund.

Recommendation - Timed reading books appear to be instructional in nature and therefore should be paid for from the General Fund.

Response - We will remind Miller Administration that educational materials are not an appropriate use of Activity Funds.

Conclusion - Response accepted.

IV-O-14 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will amend payroll documents from employees to include authorization in the future.

Conclusion - Response accepted.