

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Martensdale - St. Mary's Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Nicole Bunch	President	2015
David Schutt	Vice President	2013
Dean Furness	Board Member	2015
Wade Gibson	Board Member	2013
Amy Harper	Board Member	2013
(After September 2013 Election)		
Nicole Bunch	President	2015
Wade Gibson	Vice President	2017
Ralph DiCesare	Board Member	2017
Dean Furness	Board Member	2015
Dawn Reeves	Board Member	2015
School Officials		
Tom Wood	Superintendent	2014
Jill Gavin	District Secretary/Treasurer and Business Manager	2014
Ahlers & Cooney	Attorney	2014

Martensdale-St. Marys 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 Martensdale-St. Marys 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 Martensdale-St. Marys Community School District, Martensdale, 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 Martensdale-St. Marys Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 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 the 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 required supplementary 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 Martensdale-St. Marys 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. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2015 on our consideration of Martensdale-St. Marys 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 reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Martensdale-St. Marys 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 \$5,587,882 in fiscal 2013 to \$5,691,883 in fiscal 2014, while General Fund expenditures increased from \$5,419,337 in fiscal 2013 to \$5,551,030 in fiscal 2014. The District's General Fund balance increased from \$2,145,257 at June 30, 2013 to \$2,286,110 at June 30, 2014, a 6.57% increase from the prior year.
- The increase in General Fund revenues was largely attributable to an increase in state sources and other local sources in fiscal 2014. The increase in expenditures was due primarily to an increase of negotiated salaries and benefits paid in fiscal 2013.
- As of June 30, 2014, the District's solvency ratio was 38.77% compared to 37.79% for the year ended June 30, 2013.

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 Martensdale-St. Marys 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 Martensdale-St. Marys 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 Martensdale-St. Marys Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Martensdale-St. Marys Community School District Annual Financial Report

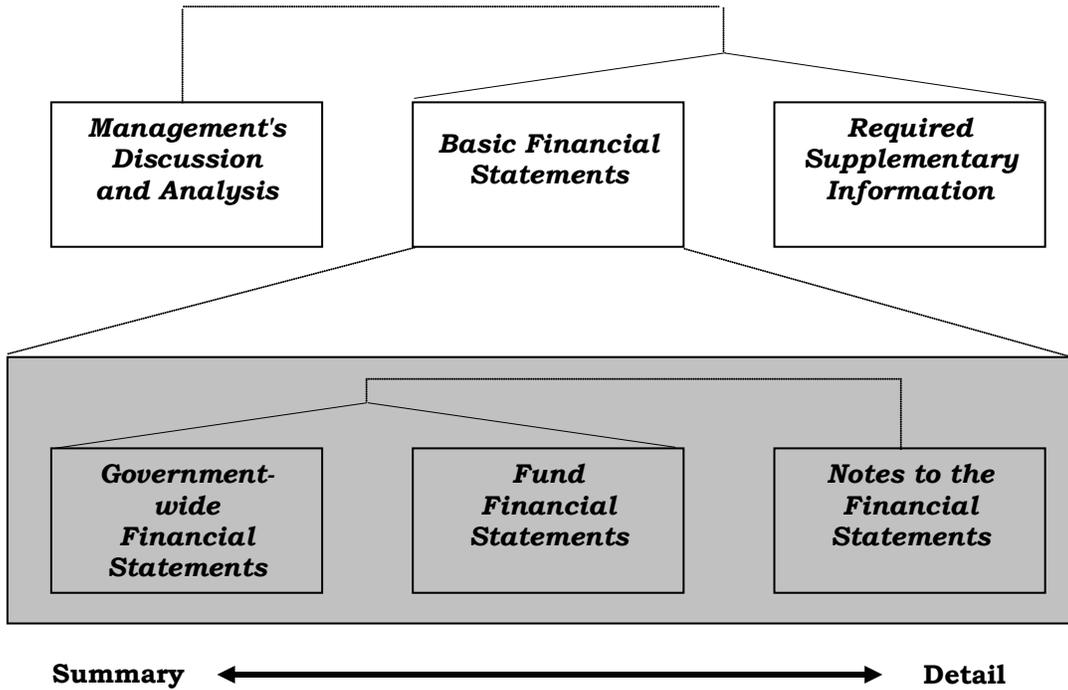


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service, child care program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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 and child care are 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 Debt Service Funds and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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 Day Care Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,008,448	6,510,068	90,489	88,159	7,098,937	6,598,227	7.59%
Capital assets	7,110,007	7,100,874	33,714	24,206	7,143,721	7,125,080	0.26%
Total assets	14,118,455	13,610,942	124,203	112,365	14,242,658	13,723,307	3.78%
Long-term liabilities	5,134,553	5,378,344	-	-	5,134,553	5,378,344	-4.53%
Other liabilities	636,952	675,509	7,476	6,917	644,428	682,426	-5.57%
Total liabilities	5,771,505	6,053,853	7,476	6,917	5,778,981	6,060,770	-4.65%
Deferred inflows of Resources	2,407,880	2,382,403	-	-	2,407,880	2,382,403	1.07%
Net position:							
Net investment in capital assets	2,345,007	2,055,874	33,714	24,206	2,378,721	2,080,080	14.36%
Restricted	1,793,883	1,363,879	-	-	1,793,883	1,363,879	31.53%
Unrestricted	1,800,180	1,754,933	83,013	81,242	1,883,193	1,836,175	2.56%
Total net position	\$ 5,939,070	5,174,686	116,727	105,448	6,055,797	5,280,134	14.69%

The District's combined net position increased by 14.69%, or \$775,663, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$430,004 or 31.53% from the prior year. The increase was primarily related to an increase in fund balance of the Debt service fund:

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$47,018 or 2.56% from the prior year, due primarily to the increased balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 as 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 services	\$ 948,754	953,037	216,441	170,626	1,165,195	1,123,663	3.70%
Operating grants, contributions, and restricted interest	461,027	438,443	107,585	102,246	568,612	540,689	5.16%
General revenues:							
Property tax	2,383,315	2,298,340	-	-	2,383,315	2,298,340	3.70%
Income surtax	27,340	39,088	-	-	27,340	39,088	-30.06%
Statewide sales, services and use tax	465,857	446,383	-	-	465,857	446,383	4.36%
Unrestricted state grants	2,806,104	2,646,487	-	-	2,806,104	2,646,487	6.03%
Unrestricted interest earnings	120	1,589	-	-	120	1,589	-92.45%
Other general revenue	45,091	37,321	-	-	45,091	37,321	20.82%
Total revenues	<u>7,137,608</u>	<u>6,860,688</u>	<u>324,026</u>	<u>272,872</u>	<u>7,461,634</u>	<u>7,133,560</u>	<u>4.60%</u>
Program expenses:							
Governmental activities:							
Instruction	4,104,003	3,984,884	-	-	4,104,003	3,984,884	2.99%
Support services	1,697,427	1,585,276	1,052	527	1,698,479	1,585,803	7.11%
Non-instructional programs	-	-	311,695	277,595	311,695	277,595	12.28%
Other expenses	571,794	559,345	-	-	571,794	559,345	2.23%
Total expenses	<u>6,373,224</u>	<u>6,129,505</u>	<u>312,747</u>	<u>278,122</u>	<u>6,685,971</u>	<u>6,407,627</u>	<u>4.34%</u>
Change in net position	764,384	731,183	11,279	(5,250)	775,663	725,933	6.85%
Net position beginning of year	<u>5,174,686</u>	<u>4,443,503</u>	<u>105,448</u>	<u>110,698</u>	<u>5,280,134</u>	<u>4,554,201</u>	<u>15.94%</u>
Net position end of year	<u>\$ 5,939,070</u>	<u>5,174,686</u>	<u>116,727</u>	<u>105,448</u>	<u>6,055,797</u>	<u>5,280,134</u>	<u>14.69%</u>

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$7.46 million, of which approximately \$7.14 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.60% increase in revenues and a 4.34% increase in expenses. Income surtax revenue decreased \$11,748. The decrease in expenses was related to a decrease in expenses from debt service.

Governmental Activities

Revenues for governmental activities were \$7,137,608 and expenses were \$6,373,224 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 and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,104,003	3,984,884	2.99%	2,905,300	2,793,832	3.99%
Support services	1,697,427	1,585,276	7.07%	1,690,614	1,578,370	7.11%
Other expenses	571,794	559,345	2.23%	367,529	365,823	0.47%
Total	<u>\$ 6,373,224</u>	<u>6,129,505</u>	<u>3.98%</u>	<u>4,963,443</u>	<u>4,738,025</u>	<u>4.76%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$948,754.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$461,027.
- The net cost of governmental activities was financed with \$2,383,315 in property tax, \$27,340 in income surtax, \$465,857 in statewide, sales services and use tax, \$2,806,104 in unrestricted state grants, \$120 in interest income, and \$45,091 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$324,026 and expenses were \$312,747. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,021,182, above last year's ending fund balances of \$3,513,361. This increase was mainly the result of the improved fund balance in the General Fund and Debt service.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The District did increase spending on instruction by \$231,529 compared to the prior year. Despite this increase the General Fund balance increased from \$2,145,257 to \$2,286,110.

-
- The Capital Project Accounts balance decreased from a balance of \$590,780 at the end of fiscal year 2013 to \$579,639 at the end of fiscal year 2014. The balance decreased in part due to the increase in facilities acquisitions expenditures. The Capital Projects: Statewide Sales, Services and Use Tax Fund revenues increased \$19,474 and expenses and transfers increased \$70,414 when compared to the previous year. The Capital Projects: Physical Plant and Equipment Levy Fund revenues increased \$8,655 and expenses and transfers decreased \$52,605 when compared to the previous year.
 - The Debt Service Fund balance increased from \$597,041 for fiscal year 2013 to \$982,076 in fiscal year 2014.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$65,432 at June 30, 2013 to \$80,806 at June 30, 2014, representing an increase of 23.50%. The Day Care Fund net position decreased from \$40,016 at June 30, 2013 to \$35,920 at June 30, 2014, representing a decrease of 10.24%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time to reflect increased expenses associated with the nutrition program and costs associated with ongoing construction.

The District's revenues were \$355,198 more than budgeted revenues, a variance of 4.99%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7,143,721, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$260,471.

The original cost of the District's capital assets was \$10,536,785. Governmental funds account for \$10,365,352 with the remainder of \$171,433 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvement categories. The District's land improvement totaled \$92,770 at June 30, 2013, compared to \$228,880 reported at June 30, 2014. This increase is a result of work installing an irrigation system for the softball field and lighting at the baseball field.

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	\$ 431,172	431,172	-	-	431,172	431,172	0.00%
Construction in progress	23,765	50,198	-	-	23,765	50,198	-52.66%
Land improvements	228,880	92,770	-	-	228,880	92,770	146.72%
Buildings and improvements	6,226,299	6,344,995	-	-	6,226,299	6,344,995	-1.87%
Machinery and equipment	199,891	181,739	33,714	24,206	233,605	205,945	13.43%
Total	\$ 7,110,007	7,100,874	33,714	24,206	7,143,721	7,125,080	0.26%

Long-Term Debt

At June 30, 2014, the District had \$5,134,553 in total long-term debt outstanding. This represents a decrease of 4.53% 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 \$1,350,000 at June 30, 2014.
- The District had total outstanding revenue bonds payable of \$3,415,000 at June 30, 2014.
- The District had total outstanding early retirement from the Management Levy Fund of \$16,675 at June 30, 2014.
- The District had a Net OPEB liability of \$352,878 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General Obligation Bonds	\$ 1,350,000	1,490,000	-9.40%
Revenue Bonds	3,415,000	3,555,000	-3.94%
Early Retirement	16,675	25,344	-34.21%
Net OPEB liability	352,878	308,000	14.57%
Total	\$ 5,134,553	5,378,344	-4.53%

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:

- Continued concerns in the economy and discussion at the state level regarding allowable growth will continue play an important factor in meeting the needs of our district. Although the District has a healthy unspent balance and cash reserve, these funds could quickly be depleted.
- MSTM has maintained enrollment, which has not allowed for additional dollars to fund programs. Student growth continues to present many challenges for the district.

-
- Although we are unsure of unemployment numbers for the area, we have had several reports of layoffs in the community and in areas our community members work.
 - Future increases to teachers' salaries are tied to the allowable growth set by the state, which allows for a positive situation for the district. The State Percent of Growth is two percent for FY14 and four percent for FY15. The supplemental state aid amount per pupil for FY14 is \$120 and for FY15 is \$245. The difference between the new term "Supplemental state aid" and the prior term "allowable growth" is that this increased aid is entirely state funding with no property tax impact. There was a one-time "School District Funding Supplement" for the FY14 that is equal to two percent of the Regular Program State Cost per pupil for the 2012-13 school year times the budget enrollment for FY14. This school district funding supplement is miscellaneous income; carryover does not revert, and it is paid in the same manner as foundation aid beginning with the September 2013 state aid payment.
 - Turnover in administration allowed the district to combine the elementary principal and superintendent position while also hiring a new secondary principal/curriculum director. The district also combined the activity director/P.E. position along with a secondary English instructor/technology integrationist. Ongoing discussions with the board indicate interest to add more staff in order to increase course offerings and opportunities for teacher leadership.
 - Over the past several years, the District's open enrollment in and out numbers have stayed relatively the same and have increased slightly. The District will need to be careful of funding ongoing expenditures with funds as variable as open enrollment. The District needs to continue to foster open enrollment to the extent that facilities allow.
 - The District's average of enrollment over the past ten years is 526 students. The highest has been 533.7 in FY10 and the lowest has been 485.70 in FY06. It is prudent for the District to plan for growth of 10-15 students per year.
 - Although current facilities are in good condition, there has been an increasing need for annual facility maintenance funds, as District facilities are no longer under warranty and starting to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.
 - There is not a rapid addition of facilities due to the lack of significant residential and commercial taxable valuation growth. This will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.
 - Ongoing discussions of increasing the residential property and improving the sewer system of Martensdale have been made.
 - The Education Reform measures passed by the Iowa State Legislature in 2013 will require the District to consider additional expenditures to meet those requirements. Some of these requirements will need to be met in the FY14 and FY15 school years, while others will not take effect until FY17. This may include additional spending for materials, summer school design, and additional staff members.
 - As we learn more about how Health Care Reform will affect our employees and budget management, additional funding may be required to meet these regulations.

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- Teacher Leadership and Compensation plan will be pursued in the next two years. While this could result in additional state funding, the requirements included will most likely use all of those funds. The District will explore obtaining this grant in the FY15.
 - The district received the Early Literacy Implementation Grant which provided money to staff members to help guide the district through new legislation.
 - The Iowa Department of Education will conduct a comprehensive school site visit during the FY15 school year. The findings of this visit could result in local reforms that will cost the District.
 - The district continues to offer early retirement incentive for certified staff but will most likely discontinue this in the future.

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 Jill Gavin, Business Manager, Martensdale-St. Marys Community School District, PO Box 350, Martensdale, Iowa, 50160.

Martensdale-St Mary Community School District

Basic Financial Statements

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 4,183,609	82,387	4,265,996
Receivables:			
Property tax:			
Delinquent	15,279	-	15,279
Succeeding year	2,407,880	-	2,407,880
Income surtax	25,544	-	25,544
Due from other governments	376,136	-	376,136
Inventories	-	8,102	8,102
Capital assets, net of accumulated depreciation	7,110,007	33,714	7,143,721
Total assets	14,118,455	124,203	14,242,658
Liabilities			
Accounts payable	100,248	1,996	102,244
Salaries and benefits payable	453,594	-	453,594
Interest payable	83,110	-	83,110
Unearned revenue	-	5,480	5,480
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	145,000	-	145,000
Revenue bonds	145,000	-	145,000
Termination benefits	4,764	-	4,764
Portion due after one year:			
General obligation bonds	1,205,000	-	1,205,000
Revenue bonds	3,270,000	-	3,270,000
Termination benefits	11,911	-	11,911
Net OPEB liability	352,878	-	352,878
Total liabilities	5,771,505	7,476	5,778,981
Deferred inflows of Resources			
Unavailable property tax revenue	2,407,880	-	2,407,880
Net Position			
Net investment in capital assets	2,345,007	33,714	2,378,721
Restricted for:			
Categorical funding	158,596	-	158,596
Debt service	898,966	-	898,966
Management levy purposes	89,572	-	89,572
Student activities	67,110	-	67,110
School infrastructure	514,972	-	514,972
Physical plant and equipment	64,667	-	64,667
Unrestricted	1,800,180	83,013	1,883,193
Total net position	\$ 5,939,070	116,727	6,055,797

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,591,819	643,053	66,147	(1,882,619)	-	(1,882,619)
Special	826,657	142,621	39,744	(644,292)	-	(644,292)
Other	685,527	163,080	144,058	(378,389)	-	(378,389)
	<u>4,104,003</u>	<u>948,754</u>	<u>249,949</u>	<u>(2,905,300)</u>	<u>-</u>	<u>(2,905,300)</u>
Support services:						
Student	132,466	-	-	(132,466)	-	(132,466)
Instructional staff	63,371	-	-	(63,371)	-	(63,371)
Administration	703,386	-	-	(703,386)	-	(703,386)
Operation and maintenance of plant	538,004	-	-	(538,004)	-	(538,004)
Transportation	260,200	-	6,813	(253,387)	-	(253,387)
	<u>1,697,427</u>	<u>-</u>	<u>6,813</u>	<u>(1,690,614)</u>	<u>-</u>	<u>(1,690,614)</u>
Long-term debt interest	187,018	-	-	(187,018)	-	(187,018)
Other expenses:						
AEA flowthrough	204,265	-	204,265	-	-	-
Depreciation(unallocated)*	180,511	-	-	(180,511)	-	(180,511)
	<u>384,776</u>	<u>-</u>	<u>204,265</u>	<u>(180,511)</u>	<u>-</u>	<u>(180,511)</u>
Total governmental activities	<u>6,373,224</u>	<u>948,754</u>	<u>461,027</u>	<u>(4,963,443)</u>	<u>-</u>	<u>(4,963,443)</u>
Business type activities:						
Support services:						
Administration	96	-	-	-	(96)	(96)
Transportation	956	-	-	-	(956)	(956)
Non-instructional programs:						
Food service operations	240,630	148,419	107,585	-	15,374	15,374
Day care operations	71,065	68,022	-	-	(3,043)	(3,043)
Total business type activities	<u>312,747</u>	<u>216,441</u>	<u>107,585</u>	<u>-</u>	<u>11,279</u>	<u>11,279</u>
Total	<u>\$ 6,685,971</u>	<u>1,165,195</u>	<u>568,612</u>	<u>(4,963,443)</u>	<u>11,279</u>	<u>(4,952,164)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,699,339	-	1,699,339
Debt service				546,445	-	546,445
Capital outlay				137,531	-	137,531
Income surtax				27,340	-	27,340
Statewide sales, services and use tax				465,857	-	465,857
Unrestricted state grants				2,806,104	-	2,806,104
Unrestricted investment earnings				120	-	120
Other general revenues				45,091	-	45,091
Total general revenues				<u>5,727,827</u>	<u>-</u>	<u>5,727,827</u>
Change in net position				764,384	11,279	775,663
Net position beginning of year				5,174,686	105,448	5,280,134
Net position end of year				<u>\$ 5,939,070</u>	<u>116,727</u>	<u>6,055,797</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,758,140	270,778	978,573	176,118	4,183,609
Receivables:					
Property tax:					
Delinquent	10,118	882	3,503	776	15,279
Succeeding year	1,588,115	139,455	550,310	130,000	2,407,880
Income surtax	25,544	-	-	-	25,544
Due from other governments	67,711	307,979	-	446	376,136
Total assets	\$ 4,449,628	719,094	1,532,386	307,340	7,008,448
Liabilities, Deferred inflows of resources and fund balance					
Liabilities:					
Accounts payable	\$ 96,265	-	-	3,983	100,248
Salaries and benefits payable	453,594	-	-	-	453,594
Total liabilities	549,859	-	-	3,983	553,842
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,588,115	139,455	550,310	130,000	2,407,880
Income surtax	25,544	-	-	-	25,544
Total deferred inflows of resources	1,613,659	139,455	550,310	130,000	2,433,424
Fund balances:					
Restricted for:					
Categorical funding	147,233	-	-	-	147,233
Debt service	-	-	982,076	-	982,076
Management levy purposes	-	-	-	106,247	106,247
Student activities	-	-	-	67,110	67,110
School infrastructure	-	514,972	-	-	514,972
Physical plant and equipment	-	64,667	-	-	64,667
Unassigned	2,138,877	-	-	-	2,138,877
Total fund balances	2,286,110	579,639	982,076	173,357	4,021,182
Total liabilities, deferred inflows of resources and fund balances	\$ 4,449,628	719,094	1,532,386	307,340	7,008,448

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS 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 22) \$ 4,021,182

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,110,007

Accounts receivable income surtax, are not yet available to finance expenditures of the current period, and, therefore, are recognized as deferred inflows of resources in the governmental funds. 25,544

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, are deferred in the governmental funds. (83,111)

Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (5,134,552)

Net position of governmental activities(page 20) \$ 5,939,070

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS 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	\$ 1,604,495	137,531	546,445	121,066	2,409,537
Tuition	706,663	-	-	-	706,663
Other	116,242	7,809	6	165,501	289,558
State sources	3,097,202	465,924	266	59	3,563,451
Federal sources	167,281	-	-	-	167,281
Total revenues	<u>5,691,883</u>	<u>611,264</u>	<u>546,717</u>	<u>286,626</u>	<u>7,136,490</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,553,851	14,984	-	10,160	2,578,995
Special	820,194	-	-	-	820,194
Other	505,285	-	-	164,586	669,871
	<u>3,879,330</u>	<u>14,984</u>	<u>-</u>	<u>174,746</u>	<u>4,069,060</u>
Support services:					
Student	128,808	-	-	-	128,808
Instructional staff	36,943	-	-	8,669	45,612
Administration	573,921	81,903	-	42,684	698,508
Operation and maintenance of plant	478,628	12,025	-	62,956	553,609
Transportation	249,135	20,784	-	4,497	274,416
	<u>1,467,435</u>	<u>114,712</u>	<u>-</u>	<u>118,806</u>	<u>1,700,953</u>
Capital outlay	-	184,853	-	-	184,853
Other expenditures:					
Principal	-	-	280,000	-	280,000
Interest and fiscal charges	-	-	189,538	-	189,538
AEA flowthrough	204,265	-	-	-	204,265
	<u>204,265</u>	<u>-</u>	<u>469,538</u>	<u>-</u>	<u>673,803</u>
Total expenditures	<u>5,551,030</u>	<u>314,549</u>	<u>469,538</u>	<u>293,552</u>	<u>6,628,669</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>140,853</u>	<u>296,715</u>	<u>77,179</u>	<u>(6,926)</u>	<u>507,821</u>
Other financing sources(uses):					
Transfer in	-	-	307,856	-	307,856
Transfer out	-	(307,856)	-	-	(307,856)
Total other financing sources(uses)	<u>-</u>	<u>(307,856)</u>	<u>307,856</u>	<u>-</u>	<u>-</u>
Change in fund balances	140,853	(11,141)	385,035	(6,926)	507,821
Fund balances beginning of year	<u>2,145,257</u>	<u>590,780</u>	<u>597,041</u>	<u>180,283</u>	<u>3,513,361</u>
Fund balances end of year	<u>\$ 2,286,110</u>	<u>579,639</u>	<u>982,076</u>	<u>173,357</u>	<u>4,021,182</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 24)		\$ 507,821
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year are as follows:</p>		
Expenditures for capital assets	\$ 262,876	
Depreciation expense	<u>(253,743)</u>	<u>9,133</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		280,000
Interest on long-term debt in the Statement of Activites 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.		2,520
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		1,118
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	\$ 8,670	
Other postemployment benefits	<u>(44,878)</u>	<u>(36,208)</u>
Change in net position of governmental activities(page 21)		<u><u>\$ 764,384</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activites:		
	Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 44,470	37,917	82,387
Inventories	8,102	-	8,102
Total assets	<u>52,572</u>	<u>37,917</u>	<u>90,489</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	33,714	-	33,714
Total assets	<u>86,286</u>	<u>37,917</u>	<u>124,203</u>
Liabilities			
Accounts payable	-	1,996	1,996
Unearned revenue	5,480	-	5,480
Total liabilities	<u>5,480</u>	<u>1,996</u>	<u>7,476</u>
Net Position			
Net Investment in capital assets	33,714	-	33,714
Unrestricted	47,092	35,921	83,013
Total net position	<u>\$ 80,806</u>	<u>35,921</u>	<u>116,727</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 148,419	68,022	216,441
Operating expenses:			
Support services:			
Administration:			
Services	-	96	96
Transportation:			
Services	-	956	956
Non-instructional programs:			
Food service operations:			
Salaries	86,195	-	86,195
Benefits	14,369	-	14,369
Supplies	131,529	-	131,529
Other	1,809	-	1,809
Depreciation	6,728	-	6,728
	240,630	-	240,630
Community service operations:			
Salaries	-	47,271	47,271
Benefits	-	7,305	7,305
Supplies	-	16,489	16,489
Total non-instructional programs	240,630	71,065	71,065
Total operating expenses	240,630	72,117	312,747
Operating loss	(92,211)	(4,095)	(96,306)
Non-operating revenues:			
State sources	2,264	-	2,264
Federal sources	105,321	-	105,321
Total non-operating revenues	107,585	-	107,585
Change in net position	15,374	(4,095)	11,279
Net position beginning of year	65,432	40,016	105,448
Net position end of year	\$ 80,806	35,921	116,727

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Typre Activities: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 148,159	-	148,159
Cash received from daycare operating activities	-	68,022	68,022
Cash payments to employees for services	(100,564)	(54,576)	(155,140)
Cash payments to suppliers for goods or services	(118,638)	(16,722)	(135,360)
Net cash provided by(used in) operating activities	<u>(71,043)</u>	<u>(3,276)</u>	<u>(74,319)</u>
Cash flows from non-capital financing activities:			
State grants received	2,264	-	2,264
Federal grants received	87,535	-	87,535
Net cash provided by non-capital financing activities	<u>89,799</u>	<u>-</u>	<u>89,799</u>
Cash flows from capital and other financing activities:			
Acquisition of assets	(16,236)	-	(16,236)
Net cash used in capital and other financing activities	<u>(16,236)</u>	<u>-</u>	<u>(16,236)</u>
Net increase (decrease) in cash and cash equivalents	2,520	(3,276)	(756)
Cash and cash equivalents at beginning of year	<u>41,950</u>	<u>41,193</u>	<u>83,143</u>
Cash and cash equivalents at end of year	<u>\$ 44,470</u>	<u>37,917</u>	<u>82,387</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating (loss)	\$ (92,211)	(4,095)	(96,306)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	17,786	-	17,786
Depreciation	6,728	-	6,728
Increase in inventories	(3,086)	-	(3,086)
Increase in accounts payable	-	819	819
Increase in deferred revenue	(260)	-	(260)
Net cash provided by (used in) operating activities	<u>\$ (71,043)</u>	<u>(3,276)</u>	<u>(74,319)</u>

Non-cash investing, capital and other related financing activities:

During the year ended June 30, 2014, the District received \$17,786 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 78,015
Liabilities	-
Net Position	
Restricted for scholarships	78,015
Total net position	<u>\$ 78,015</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ -
Interest income	1,026
Total additions	<u>1,026</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>2,000</u>
Change in net position	(974)
Net position beginning of year	<u>78,989</u>
Net position end of year	<u>\$ 78,015</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(1) **Summary of Significant Accounting Policies**

The Martensdale-St. Marys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of Martensdale and St. Marys, Iowa, and the predominate agricultural territories in Warren and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Martensdale-St. Marys 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 Martensdale-St. Marys 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 Warren and Madison Counties 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 three categories:

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

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

legislation did not result any restricted net position.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 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 Capital Projects accounts are utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

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

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

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

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

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

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

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

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

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

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 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Intangibles	25,000
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

Deferred 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 consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

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

(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 Direct Obligations Portfolio which are valued at an amortized cost of \$2,515,695 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 & Poor's Financial Services.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service: Debt Service	Capital Projects: Capital Project Fund	<u>\$ 307,856</u>

The transfer from Capital Projects: Capital Project Fund to the Debt Service: was needed for principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 431,172	-	-	431,172
Construction in progress	50,198	23,765	50,198	23,765
Total capital assets not being depreciated	<u>481,370</u>	<u>23,765</u>	<u>50,198</u>	<u>454,937</u>
Land improvements	127,397	150,008	-	277,405
Buildings and improvements	8,518,671	47,917	-	8,566,588
Machinery and equipment	975,038	91,384	-	1,066,422
Total capital assets being depreciated	<u>9,621,106</u>	<u>289,309</u>	<u>-</u>	<u>9,910,415</u>
Less accumulated depreciation for:				
Land improvements	34,627	13,898	-	48,525
Buildings and improvements	2,173,676	166,613	-	2,340,289
Machinery and equipment	793,299	73,232	-	866,531
Total accumulated depreciation	<u>3,001,602</u>	<u>253,743</u>	<u>-</u>	<u>3,255,345</u>
Total capital assets being depreciated, net	<u>6,619,504</u>	<u>35,566</u>	<u>-</u>	<u>6,655,070</u>
Governmental activities capital assets, net	<u>\$ 7,100,874</u>	<u>59,331</u>	<u>50,198</u>	<u>7,110,007</u>
Business type activities:				
Machinery and equipment	\$ 155,197	16,236	-	171,433
Less accumulated depreciation	130,991	6,728	-	137,719
Business type activities capital assets, net	<u>\$ 24,206</u>	<u>9,508</u>	<u>-</u>	<u>33,714</u>

Depreciation expense was charged by the District as follows:

Instruction:		
Regular		\$ 8,665
Other		10,849
Support services:		
Student		2,593
Instructional staff		15,261
Administration		2,812
Operation and maintenance of plant		6,335
Transportation		26,717
		<u>73,232</u>
Unallocated depreciation		<u>180,511</u>
		<u>\$ 253,743</u>
Business type activities:		
Food service		<u>\$ 6,728</u>

(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
General Obligation Bonds	\$ 1,490,000	-	140,000	1,350,000	145,000
Revenue Bonds	3,555,000	-	140,000	3,415,000	145,000
Early Retirement	25,344	-	8,669	16,675	4,764
Net OPEB liability	308,000	44,878	-	352,878	-
Total	<u>\$ 5,378,344</u>	<u>44,878</u>	<u>288,669</u>	<u>5,134,553</u>	<u>294,764</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 25, 2012			
	Interest Rates	Principal	Interest	Total
2015	0.60 %	\$ 145,000	20,310	165,310
2016	1.00	145,000	19,440	164,440
2017	1.00	145,000	17,990	162,990
2018	1.45	145,000	16,540	161,540
2019	1.45	150,000	14,438	164,438
2020-2023	1..80-2.15	620,000	32,037	652,037
Total		<u>\$ 1,350,000</u>	<u>120,755</u>	<u>1,470,755</u>

Revenue 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 May 21, 2009				
	Interest Rates		Principal	Interest	Total
2015	3.50	% \$	145,000	160,301	305,301
2016	4.00		155,000	154,663	309,663
2017	4.00		160,000	148,362	308,362
2018	4.00		165,000	141,862	306,862
2019	4.13		175,000	134,953	309,953
2020-2024	4.38-5.00		1,005,000	543,289	1,548,289
2025-2029	5.00-5.25		1,305,000	255,925	1,560,925
2030	5.25		305,000	8,006	313,006
Total			\$ 3,415,000	1,547,361	4,962,361

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,755,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 68 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,962,361. For the current year, \$140,000 in principal and \$165,288 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$465,857.

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

- a) \$321,237 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which was required to be approved by the Board of Education. Employees participating in the early retirement plan are eligible to continue participation in the District’s group insurance plan by meeting the requirements of the insurer. The District will pay the cost of the single premium at the level it was when the employee retired. The employee is responsible for paying any increase in premium costs. Early retirement benefits paid during the year ended June 30, 2014, totaled \$8,669.

(6) Operating Lease Obligations

The District leases four copiers and one printer on a monthly basis. The lease contract for the four copiers extends through April 30, 2014. The lease contract for the printer extends through August 31, 2014. Annual payments for the copier and printer leases are \$23,484 and \$11,460 respectively.

(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 \$264,321, \$253,964 and \$212,179, 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 and prescription drug benefits for employees, retirees and their spouses. There are 51 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, 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	\$	82,000
Interest on net OPEB obligation		13,860
Adjustment to annual required contribution		(10,982)
Annual OPEB cost		<u>84,878</u>
Contributions made		(40,000)
Increase in net OPEB obligation		<u>44,878</u>
Net OPEB obligation beginning of year		<u>308,000</u>
Net OPEB obligation end of year	\$	<u><u>352,878</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of the 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 \$40,000, to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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
2011	136,632	33.7%	189,632
2012	137,210	43.7%	266,842
2013	84,158	51.1%	308,000
2014	84,878	52.9%	352,878

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 \$617,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$617,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,091,538 and the ratio of the UAAL to covered payroll was 19.9%. 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, presents 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 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%. The ultimate medical 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 Group Annuity Mortality Table, applied on a gender-specific basis. Assumed percentage of employees who participate in the postemployment health plan upon retirement is 50%.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(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 \$204,265 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) Categorical Funding

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

Program	Amount
Weighted At-Risk Programs	\$ 42,297
Beginning Teacher Mentoring and Induction Program	3,789
Teacher Salary Supplement	26,620
Market Factor	449
Iowa Early Intervention Block Grant	9,736
Professional Development for Model Core Curriculum	4,252
Professional Development	44,370
Market Factor Incentives	3,764
Successful Progression of Early Readers	11,956
Total	<u>\$ 147,233</u>

(12) Construction Commitment

As of June 30, 2014 the District has entered into contracts for an irrigation project for the softball field baseball lights and a press box for the baseball field and Wireless upgrade, for a total contract amount of \$205,521. As of June 30, 2014, costs of \$153,545 have been incurred and paid. The balance of \$31,748 remaining at June 30, 2014 will be paid as work on the projects progress.

(13) Special Investigation

The District requested the Office of Auditor of State to perform a special investigation of the District as a result of concerns identified with the Student Activity Softball Account. The Special investigation is covered the period July 1, 2009 through April 30, 2014

The Auditor of State's special investigation report was released on January 16, 2015. Copies of the special investigation report are available at the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1430-4122-BE00.pdf>

(14) 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.

Martensdale-St. Marys Community School District

Required Supplementary Information

MARTENSDALE-ST. MARYS 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	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Types Actual		Original	Final	
Revenues:						
Local sources	\$ 3,405,758	216,441	3,622,199	3,878,458	3,878,458	(256,259)
State sources	3,563,451	2,264	3,565,715	2,975,360	2,975,360	590,355
Federal sources	167,281	105,321	272,602	251,500	251,500	21,102
Total revenues	<u>7,136,490</u>	<u>324,026</u>	<u>7,460,516</u>	<u>7,105,318</u>	<u>7,105,318</u>	<u>355,198</u>
Expenditures/Expenses:						
Instruction	4,069,060	-	4,069,060	3,994,000	5,100,000	1,030,940
Support services	1,700,953	1,052	1,702,005	1,908,000	2,500,000	797,995
Non-instructional programs	-	311,695	311,695	315,000	500,000	188,305
Other expenditures	858,656	-	858,656	656,041	2,000,000	1,141,344
Total expenditures/expenses	<u>6,628,669</u>	<u>312,747</u>	<u>6,941,416</u>	<u>6,873,041</u>	<u>10,100,000</u>	<u>3,158,584</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	507,821	11,279	519,100	232,277	(2,994,682)	3,513,782
Other financing sources(uses), net	-	-	-	(38,000)	(38,000)	38,000
Excess(Deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	507,821	11,279	519,100	194,277	(3,032,682)	3,551,782
Balances beginning of year	<u>3,513,361</u>	<u>105,448</u>	<u>3,618,809</u>	<u>3,432,179</u>	<u>3,432,179</u>	<u>2,719,136</u>
Balances end of year	<u>\$ 4,021,182</u>	<u>116,727</u>	<u>4,137,909</u>	<u>3,626,456</u>	<u>399,497</u>	<u>6,270,918</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,226,959.

MARTENSDALE-ST. MARYS 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)			
2010	July 1, 2009	-	\$ 725,000	725,000	0.0%	\$ 2,330,014	31.1%
2011	July 1, 2009	-	725,000	725,000	0.0%	1,994,896	36.3%
2012	July 1, 2009	-	725,000	725,000	0.0%	2,030,917	35.7%
2013	July 1, 2012	-	617,000	617,000	0.0%	2,127,149	29.0%
2014	July 1, 2012	-	617,000	617,000	0.0%	3,091,538	20.0%

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

Supplementary Information

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 105,471	70,647	176,118
Receivables:			
Property tax:			
Delinquent	776	-	776
Succeeding year	130,000	-	130,000
Intergovernmental receivables	-	446	446
Total assets	\$ 236,247	71,093	307,340
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	3,983	3,983
Total liabilities	-	3,983	3,983
Deferred inflow of resources:			
Unavailable revenues:			
Succeeding year property tax	130,000	-	130,000
Total deferred inflows of resources	130,000	-	130,000
Fund balances:			
Restricted for:			
Management levy purposes	106,247	-	106,247
Student activities	-	67,110	67,110
Total fund balances	106,247	67,110	173,357
Total Liabilities, Deferred Inflows of Resources and Fund balances	\$ 236,247	71,093	307,340

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS 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	Total
Revenues:			
Local sources:			
Local tax	\$ 121,066	-	121,066
Other	2,420	163,081	165,501
State sources	59	-	59
Total revenues	<u>123,545</u>	<u>163,081</u>	<u>286,626</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,160	-	10,160
Other	-	164,586	164,586
Support services:			
Instructional staff	8,669	-	8,669
Administration	42,684	-	42,684
Operation and maintenance of plant	62,956	-	62,956
Transportation	4,497	-	4,497
Total expenditures	<u>128,966</u>	<u>164,586</u>	<u>293,552</u>
Change in fund balances	(5,421)	(1,505)	(6,926)
Fund balances beginning of year	<u>111,668</u>	<u>68,615</u>	<u>180,283</u>
Fund balances end of year	<u>\$ 106,247</u>	<u>67,110</u>	<u>173,357</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS 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	\$ 206,993	63,785	270,778
Receivables:			
Property tax:			
Delinquent	-	882	882
Succeeding year	-	139,455	139,455
Due from other governments	307,979	-	307,979
Total assets	\$ 514,972	204,122	719,094
Liabilities, Deferred inflows of Resources and Fund Balances			
Liabilities:			
Total liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	139,455	139,455
Total deferred inflows or resources	-	139,455	139,455
Fund balances:			
Restricted for:			
School infrastructure	514,972	-	514,972
Physical plant and equipment	-	64,667	64,667
Total fund balances	514,972	64,667	579,639
Total liabilities, deferred inflows of resources and fund balances	\$ 514,972	204,122	719,094

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS 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	\$ -	137,531	137,531
Other	-	7,809	7,809
State sources	465,857	67	465,924
Total revenues	<u>465,857</u>	<u>145,407</u>	<u>611,264</u>
Expenditures:			
Instruction:			
Regular	-	14,984	14,984
Support services:			
Administration	80,186	1,717	81,903
Operation and maintenance of plant	-	12,025	12,025
Transportation	-	20,784	20,784
Capital outlay	83,000	101,853	184,853
Total expenditures	<u>163,186</u>	<u>151,363</u>	<u>314,549</u>
Excess (Deficiency) of revenues over (under) expenditures	302,671	(5,956)	296,715
Other financing uses:			
Transfer out	<u>(307,856)</u>	-	<u>(307,856)</u>
Change in fund balances	(5,185)	(5,956)	(11,141)
Fund balaces beginning year	<u>520,157</u>	<u>70,623</u>	<u>590,780</u>
Fund balaces end of year	<u>\$ 514,972</u>	<u>64,667</u>	<u>579,639</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2014

	Debt Service	Debt Sinking	Total
Assets			
Cash and pooled investments	\$ 430,912	547,661	978,573
Receivables:			
Property tax:			
Delinquent	3,503	-	3,503
Succeeding year	550,310	-	550,310
Total assets	\$ 984,725	547,661	1,532,386
Liabilities, Deferred inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Succeeding year property tax	550,310	-	550,310
Fund balances:			
Restricted for:			
Debt service	434,415	547,661	982,076
Total liabilities and fund balances	\$ 984,725	547,661	1,532,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 546,445	-	546,445
Other	-	6	6
State sources	266	-	266
Total revenues	<u>546,711</u>	<u>6</u>	<u>546,717</u>
Expenditures:			
Other expenditures:			
Long-term debt:			
Principal	140,000	140,000	280,000
Interest and fiscal charges	22,750	166,788	189,538
Total expenditures	<u>162,750</u>	<u>306,788</u>	<u>469,538</u>
Excess (deficiency) of revenues (over) under expenditures	383,961	(306,782)	77,179
Other financing sources:			
Transfer in	-	307,856	307,856
Change in fund balances	383,961	1,074	385,035
Fund balances beginning of year	<u>50,454</u>	<u>546,587</u>	<u>597,041</u>
Fund balances end of year	<u>\$ 434,415</u>	<u>547,661</u>	<u>982,076</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 551	4,336	3,987	-	901
Vocal Music	1,006	2,696	2,688	-	1,014
Instrumental Music	1,121	2,633	2,206	-	1,548
Music Resale	1,950	100	191	-	1,859
Band	424	-	-	-	424
Boys Basketball	1,598	5,074	5,478	-	1,194
Athletics	7,168	49,338	53,372	(715)	2,419
Golf	-	4,760	4,328	-	432
Girls Basketball	3,779	10,462	12,661	715	2,295
Elementary Student Council	481	978	1,188	-	271
Volleyball	652	7,570	4,850	-	3,372
Boys Track	55	1,297	1,026	-	326
Football	928	3,943	4,271	-	600
Cross Country	469	-	-	-	469
Baseball	4,501	8,743	9,210	-	4,034
Girls Track	510	1,511	1,575	-	446
Wrestling	2,875	132	138	-	2,869
Softball	580	4,462	3,665	-	1,377
Junior High Student Council	621	561	1,182	-	-
Pop	1,958	691	2,384	558	823
Student Council	7	1,901	1,382	-	526
Shop	1,793	140	370	-	1,563
Pictures Interest	207	-	-	-	207
N.Bunch Donations	731	2,323	236	-	2,818
Home Ec	671	-	-	-	671
Art	535	2,298	-	-	2,833
Knickerbocker Donation	212	-	212	-	-
National Honor Society	90	-	90	-	-
Dance	1,339	4,681	4,201	-	1,818
Linn Grove	329	1,660	1,989	-	-
Math Resale	174	77	77	-	174
Class of 2019	158	571	-	(158)	571
Class of 2014	126	1,143	1,427	158	-
Class of 2015	1,483	7,778	8,032	-	1,229
Class of 2016	794	-	-	-	794
Class of 2017	622	-	-	-	622
Class of 2018	517	-	69	-	448
Teresa King Donation Fund	5,000	5,500	3,720	-	6,780
Annual	19,294	5,748	8,084	-	16,958
Wrestling Cheerleaders	735	-	153	-	582
FB/BB Cheerleaders	1,598	5,793	6,329	-	1,062
Pink Out	558	-	-	(558)	-
General Activities	50	-	50	-	-
Spick Memorial	365	-	-	-	365
Mexico Trip/Spanish Club	-	14,181	13,765	-	416
Total	\$ 68,615	163,081	164,586	0	67,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
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	\$ 2,409,537	2,974,551	2,880,710	2,751,364	2,382,621	2,199,499	2,104,531	2,020,429	1,828,027	1,782,209
Tuition	706,663	743,517	558,232	527,169	685,781	608,670	500,882	346,166	268,793	193,115
Other	289,557	250,853	349,084	342,290	333,415	287,204	299,851	277,391	257,101	274,261
State sources	3,563,452	2,906,925	2,839,119	2,776,430	2,393,631	2,718,850	2,653,668	2,535,980	2,256,776	2,278,432
Federal sources	167,281	175,582	242,275	290,887	457,552	222,901	141,168	163,723	387,275	304,235
Total	\$ 7,136,490	7,051,428	6,869,420	6,688,140	6,253,000	6,037,124	5,700,100	5,343,689	4,997,972	4,832,252
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,578,995	2,620,633	2,565,491	2,410,146	2,676,284	2,560,160	2,196,803	2,091,929	1,919,119	1,802,790
Special	820,194	744,317	629,813	687,416	690,996	758,459	632,249	524,806	592,288	645,026
Other	669,871	614,196	579,381	570,249	363,336	314,631	487,519	405,925	346,799	358,071
Support services:										
Student	128,808	122,406	121,256	113,896	92,463	134,847	142,225	140,778	103,331	93,793
Instructional staff	45,612	52,566	68,333	49,383	33,212	37,821	42,106	41,249	58,315	60,109
Administration	698,508	639,300	624,560	534,354	726,635	831,298	558,761	573,015	522,627	461,959
Operation and maintenance of plant	553,609	498,376	543,102	480,177	496,783	647,045	529,581	607,604	442,073	418,060
Transportation	274,416	283,175	276,662	260,133	289,384	395,251	293,594	271,562	264,664	208,206
Other expenditures:										
Capital outlay	184,853	219,198	25,325	56,352	3,487,168	241,349	104,111	179,494	390,091	2,501,314
Long-term debt:										
Principal	280,000	605,000	230,000	125,000	120,000	115,000	110,000	105,000	100,000	47,985
Interest and fiscal charges	189,538	197,197	278,639	267,323	203,369	100,722	105,673	110,398	115,646	176,478
AEA flow-through	204,265	193,522	186,330	204,930	203,315	178,130	170,406	159,775	141,717	140,879
Total	\$ 6,628,669	6,789,886	6,128,892	5,759,359	9,382,945	6,314,713	5,373,028	5,211,535	4,996,670	6,914,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(A Professional Corporation)

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

To the Board of Education of the
Martensdale-St Marys Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Martensdale-St Marys Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martensdale-St Marys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martensdale-St Marys Community School district's internal control. Accordingly, we do not express an opinion on the effectiveness of Martensdale-St Marys 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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

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

Compliance and Other Matters

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

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.

Martensdale-St. Marys Community School District's Responses to Findings

Martensdale-St Marys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Martensdale-St Marys Community School District's responses 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 Martensdale-St Marys Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2015
Newton, Iowa

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-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.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response – We will continue to investigate available alternatives. Mrs. Gavin was part of the committee that put together the *IASBO Segregation of Financial Duties in the Smaller Public School to Improve Financial Internal Controls*. We continue to work off of these suggestions so no more than one person is required to complete any task. We understand the importance of segregation of duties and continue to provide checks and balances in all areas of reporting to eliminate insufficient internal controls and segregation of duties comments in our annual district financial audit. The Business manager reviews reports, payroll and all financial reporting with the Superintendent.

Conclusion – Response accepted

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – District disbursements for the year ended June 30, 2014 did not exceed that mount budgeted.

II-B-14 Questionable Disbursements – We noted during our audit a disbursement for magazine fundraiser prizes being awarded. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an 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 has reviewed procedures in place in regards to the magazine fundraiser prizes that were awarded to students and made the necessary adjustments to comply with the Attorney General’s opinion dated April 25, 1979

Conclusion - Response accepted

II-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.

II-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wade Gibson, Board Member Board member hired as a coach	Services	\$2,262

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member Wade Gibson do not appear to represent a conflict of interest

II-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.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the district was not referencing Iowa Code when entering into close session.

Recommendation – The District should reference that they are going into closed session and cite the exemption under Iowa Code 21.5.

Response – Going forward the District will reference Iowa Code 21.5 in the board minutes when going into closed session.

Conclusion – Response accepted

II-G-14 Certified Enrollment – We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 2. Additionally, the District did not meet the October 15th deadline for certifying enrollment for fall of 2012, as required by Iowa Code 257.6 (7b).

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

Response – The district’s auditor will contact the Iowa Department of Education and the Department of Management to resolve this matter. The district has corrected its aid and levy to show the adjustment.

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-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.

II-J-14 Certified Annual Report - The Certified Annual Report was filed timely to the Iowa Department of Education.

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

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

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

Beginning Balance		\$	520,157
Revenues:			
Sales tax revenues			465,857
			<u>986,014</u>
Expenditures/transfer out:			
Equipment	\$	83,000	
Other		80,186	
Transfer to other funds:			
Debt service fund		307,856	471,042
			<u>471,042</u>
Ending Balance		\$	<u><u>514,972</u></u>

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