

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

JUNE 30, 2004

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Bill Schwenker	President	2005
Leslie Lawson	Vice President	2004
Anne Pitcher Hawks	Board Member	2005
Mary Bartels	Board Member	2004
David Tabor	Board Member	2003

Board of Education (After September 2003 Election)		
Bill Schwenker	President	2005
Leslie Lawson	Vice President	2004
Anne Pitcher Hawks	Board Member	2005
Mary Bartels	Board Member	2004
Brian Tabor	Board Member	2006

School Officials		
Kim Huckstadt	Superintendent	2004
Barbara A. McKeon	District Secretary/Treasurer and Business Coordinator	2004
Steve Kahler	Attorney	2004

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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
Maquoketa Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

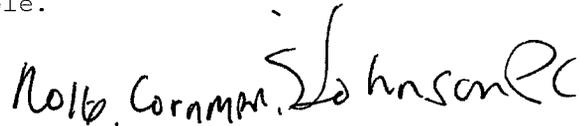
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 9, 2004 on our consideration of the Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

September 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,166,435 in fiscal 2003 to \$13,067,889 in fiscal 2004, while General Fund expenditures decreased from \$12,855,109 in fiscal 2003 to \$12,664,135 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$902,845 in fiscal 2003 to a balance of \$1,316,067 in fiscal 2004, a 46% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in support services. One reason the General Fund balance increased is because the total revenues, despite the decrease, were still more than total expenditures. As a result, the District's General Fund increased.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$44,354 in fiscal year 2003 to \$27,797 in fiscal year 2004.
- The district's General Fund solvency ratio (Unreserved, Undesignated General Fund Balance divided by Actual General Fund Revenues) increased from 6.01% in fiscal 2003 to 9.11% in fiscal 2004. The Iowa Association of School Boards recommends a target range of 5-10%.
- Voters in Clinton, Jackson & Dubuque County passed a Local Option Sales and Service Tax of 1% for ten years, beginning July 1, 2001, 2002 and 2003 consecutively, for the purpose of school infrastructure needs. The district received proceeds of \$670,876 during fiscal year 2004. The resources will be used to finance an office addition to the Middle School, new tennis courts, replace the track, and additional classrooms and restrooms at the High School.

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 Assets and a Statement of Activities. These provide information about the activities of Maquoketa 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 Maquoketa 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 Maquoketa Community School District acts solely as an agent or custodial 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

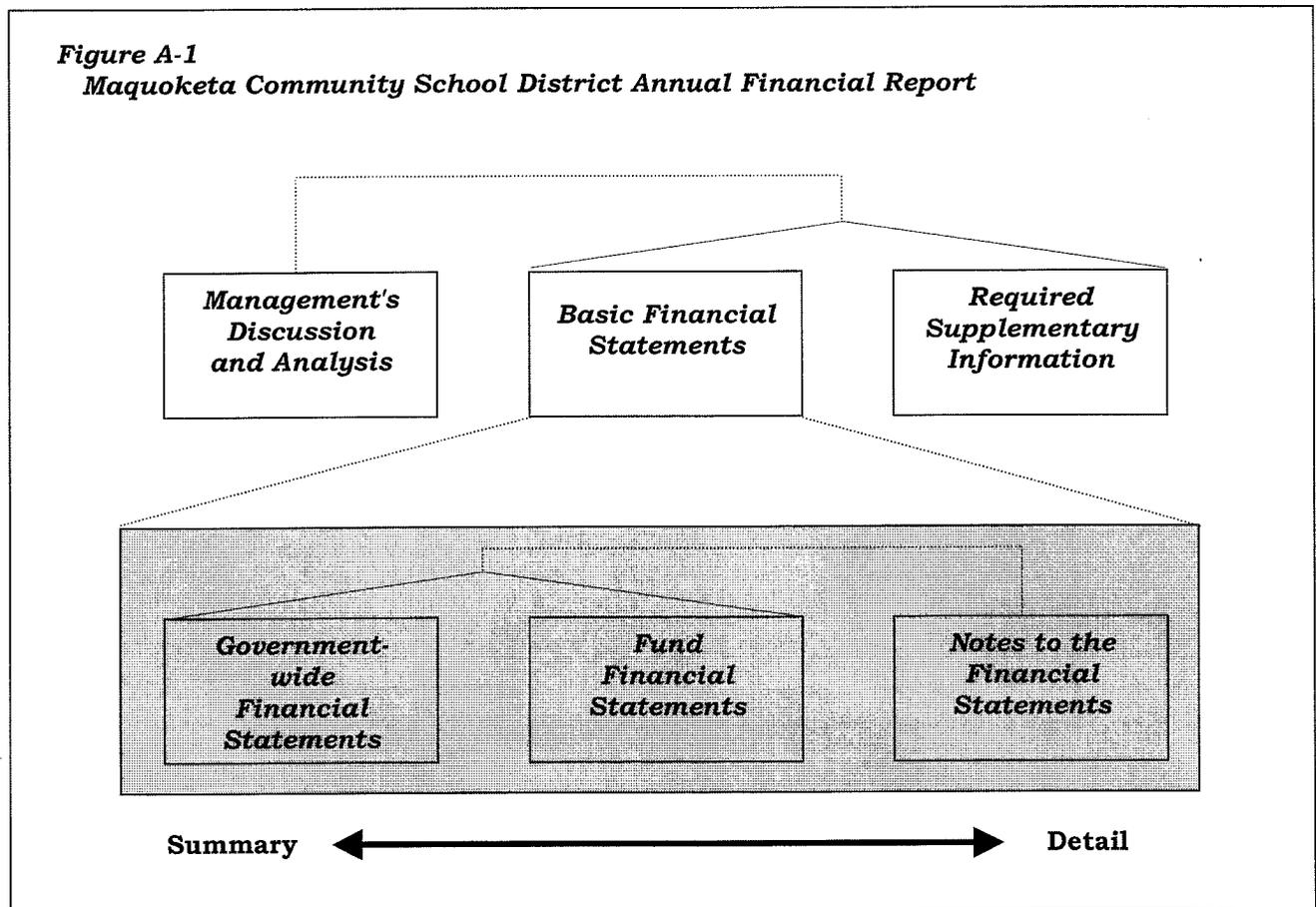


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • 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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise 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 one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds are the Private-Purpose Trust Fund, and the Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for certain revenue collected for other groups.

The District is responsible for ensuring that 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 the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 11,491,794	10,730,444	37,786	38,529	11,529,580	10,768,973	7.06%
Capital assets	5,476,668	5,245,107	48,389	59,482	5,525,057	5,304,589	4.16%
Total assets	16,968,462	15,975,551	86,175	98,011	17,054,637	16,073,562	6.10%
Long-term obligations	2,792,748	1,695,500	0	0	2,792,748	1,695,500	64.72%
Other liabilities	6,292,726	7,712,433	6,344	5,632	6,299,070	7,718,065	-18.39%
Total liabilities	9,085,474	9,407,933	6,344	5,632	9,091,818	9,413,565	-3.42%
Net assets:							
Invested in capital assets, net of related debt	4,763,213	3,668,873	48,389	59,482	4,811,602	3,728,355	29.05%
Restricted	530,612	845,127	0	0	530,612	845,127	-37.22%
Unrestricted	2,589,163	2,053,618	31,442	32,897	2,620,605	2,086,515	25.60%
Total net assets	\$ 7,882,988	6,567,618	79,831	92,379	7,962,819	6,659,997	19.56%

The District's combined net assets increased by 20% or \$1,302,822 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related

debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$314,515 or 37% over the prior year. The decrease was primarily due to the reclassifying of Capital Projects and Debt Service fund balance to the investment in capital assets, net of related debt category.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$534,090 or nearly 26%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Revenues:							
Program revenues:							
Charges for services	\$ 1,872,931	1,770,137	266,738	264,030	2,139,669	2,034,167	5.19%
Operating grants and contributions and restricted interest	2,039,413	2,188,054	337,727	326,020	2,377,140	2,514,074	-5.45%
Capital grants and contributions and restricted interest	228,750	82,801	0	0	228,750	82,801	176.26%
General revenues:							
Property tax	5,181,419	5,303,882	0	0	5,181,419	5,303,882	-2.31%
Unrestricted state grants	5,877,360	5,853,605	0	0	5,877,360	5,853,605	0.41%
Other	47,805	156,080	156	3,936	47,961	160,016	-70.03%
Total revenues	15,247,678	15,354,559	604,621	593,986	15,852,299	15,948,545	-0.60%
Program expenses:							
Governmental activities:							
Instructional	9,137,573	9,339,928	0	0	9,137,573	9,339,928	-2.17%
Support services	3,510,500	3,736,677	0	0	3,510,500	3,736,677	-6.05%
Non-instructional programs	27,039	26,282	617,169	574,554	644,208	600,836	7.22%
Other expenses	1,257,196	1,070,988	0	0	1,257,196	1,070,988	17.39%
Total expenses	13,932,308	14,173,875	617,169	574,554	14,549,477	14,748,429	-1.35%
Changes in net assets	1,315,370	1,180,684	(12,548)	19,432	1,302,822	1,200,116	8.56%
Net assets beginning of year	6,567,618	5,386,934	92,379	72,947	6,659,997	5,459,881	21.98%
Net assets end of year	7,882,988	6,567,618	79,831	92,379	7,962,819	6,659,997	19.56%

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services that account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,247,678 and expenses were \$13,932,308.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,137,573	5,711,149
Support services	3,510,500	3,476,147
Non- instructional	27,039	27,039
Other expenses	1,257,196	576,879
Totals	<u>\$ 13,932,308</u>	<u>9,791,214</u>

- The cost financed by users of the District’s programs was \$1,872,931.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,039,413.
- The net cost of governmental activities was financed with \$5,181,419 in local tax, \$5,877,360 in unrestricted state grants, and \$36,068 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$604,621 and expenses were \$617,169. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,763,507, above last year’s ending fund balances of \$1,727,022. However, the primary reason for the increase was the sale of bonds in the Capital Projects Fund.

Governmental Fund Highlights

- The District’s General Fund balance increased from \$902,845 on June 30, 2003 to \$1,316,067 on June 30, 2004. The District’s improving General Fund financial position is the product of many factors. Increase in the tax levy during the year resulted in an increase in local tax. The decrease in revenues was less than the decrease in General Fund expenditures ensuring the financial position of the District increase.
- The Management fund balance decreased from \$88,252 in 2003, to \$81,288 in 2004, due to the increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$135,324 to \$196,138, due to a decrease in total expenditures for the year.
- The Capital Projects fund balance increased during the current year, from \$374,607 to \$1,912,880. This was a result of the sale of bonds during the year.
- The Debt Service fund balance increased from \$17,090 to \$47,803. This was also result of a sale of bonds during the year.

-
- The Activity and Expendable Trust combined fund balance increased from \$208,904 in 2003, to \$209,331.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$92,379 at June 30, 2003 to \$79,831 at June 30, 2004, representing a decrease of approximately 14%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Maquoketa Community School District amended its annual budget one time to reclassify budgeted expenditures, but in total the budget stayed the same.

The District's revenues were \$212,373 more than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2004 the district did amend their certified budget.

In spite of the District's budgetary practice, the certified budget exceeded in the non-instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$5.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of more than 4% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$382,095.

The original cost of the District's capital assets was \$13,258,674. Governmental funds account for \$13,087,597 with the remainder of \$171,077 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$202,703 at June 30, 2004, compared to \$169,974 reported at June 30, 2003. This increase resulted from the purchases made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
	Land	\$ 190,525	190,525	0	0	190,525	190,525
Buildings	4,486,052	4,285,027	0	0	4,486,052	4,285,027	4.69%
Land improvements	202,703	169,974	0	0	202,703	169,974	19.26%
Machinery and equipment	597,388	599,581	48,389	59,482	645,777	659,063	-2.02%
Total	\$ 5,476,668	5,245,107	48,389	59,482	5,525,057	5,304,589	4.16%

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$2,783,609 in general obligation bonds, revenue bonds, compensated absences, and early retirement. This represents an increase of approximately 64.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,365,000 at June 30, 2004.

The District had revenue bonds payable of \$1,300,000, at June 30, 2004.

The District had compensated absences of \$20,408, at June 30, 2004.

The District also had total outstanding early retirement payable of \$98,201 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 1,365,000	1,570,000	-13.1%
Revenue Bonds	1,300,000	0	100.0%
Early retirement	98,201	125,500	-21.8%
Compensated absences	20,408	0	100.0%
Total	\$ 2,783,609	1,695,500	64.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's certified enrollment is down 7.7 students for funding of fiscal year 2005. Projections indicate the District may have declining enrollment in future years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The District has levied \$350,000 in cash reserve for fiscal year 2005. The district's cash balance will support short term funding shortfalls from the state.

-
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
 - The District has a Whole Grade Sharing Agreement with Delwood Community School, whereby Delwood School sends their 7-12 students to Maquoketa Schools. During fiscal year 2004, Delwood School paid Maquoketa School \$370,609 for regular education services. At this time, the agreement has not been renewed and the agreement is scheduled to end on June 30, 2006. Talks continue between the two districts.
 - During fiscal year 2004, the District entered into a new 28E Sharing Agreement with Delwood School for facility improvements. The agreement identifies Delwood District will send Local Option Sales Tax proceeds it receives on behalf of their students whom are attending Maquoketa Schools to Maquoketa Schools. As of June 30, 2004, \$177,431 has been identified to support facility improvement projects.
 - Local Option Sales and Service Tax proceeds will be used on the following projects: New tennis courts and track at the athletic field, new classrooms and restrooms at the High School and an office addition at the Middle School. The district also borrowed \$1.3 million in revenue bonds to finance the High School addition. The Athletic Boosters have pledged \$150,000 towards the track and tennis courts projects. The District has been awarded up to \$240,000 from the Iowa Demonstration Construction Grant Program, for the Middle School addition.

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 Barbara A. McKeon, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060.

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 634,420	0	634,420
Other	5,794,414	26,884	5,821,298
Receivables:			
Property tax:			
Delinquent	151,618	0	151,618
Succeeding year	4,083,066	0	4,083,066
Income surtax	388,124	0	388,124
Accounts	10,391	2,042	12,433
Accrued interest	352	0	352
Due from other governments	429,409	0	429,409
Inventories	0	8,860	8,860
Capital assets, net of accumulated depreciation (Note 5)	5,476,668	48,389	5,525,057
TOTAL ASSETS	16,968,462	86,175	17,054,637
LIABILITIES			
Accounts payable	81,479	229	81,708
Interest payable	9,139	0	9,139
Salaries and benefits payable	1,283,055	643	1,283,698
ISCAP warrants payable (Note 4)	631,000	0	631,000
ISCAP premiums payable	8,752	0	8,752
Incurred but not reported	205,374	0	205,374
Deferred revenue:			
Succeeding year property tax	4,083,066	0	4,083,066
Other	0	5,472	5,472
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	280,000	0	280,000
Revenue bonds	270,000	0	270,000
Early retirement	73,622	0	73,622
Compensated absences	20,408	0	20,408
Portion due after one year:			
General obligation bonds	1,085,000	0	1,085,000
Revenue bonds	1,030,000	0	1,030,000
Early retirement	24,579	0	24,579
TOTAL LIABILITIES	9,085,474	6,344	9,091,818
NET ASSETS			
Investment in capital assets, net of related debt	4,763,212	48,389	4,811,601
Restricted for:			
Talented and gifted	114,409	0	114,409
Phase III	10,734	0	10,734
Physical plant & equipment levy	196,138	0	196,138
Other special revenue purposes	209,331	0	209,331
Unrestricted	2,589,164	31,442	2,620,606
TOTAL NET ASSETS	\$ 7,882,988	79,831	7,962,819

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,857,465	687,265	1,557,936	0
Special instruction	2,885,715	458,369	0	0
Other instruction	1,394,393	722,854	0	0
	<u>9,137,573</u>	<u>1,868,488</u>	<u>1,557,936</u>	<u>0</u>
Support services:				
Student services	651,186	0	0	0
Instructional staff services	352,734	0	0	0
Administration services	1,072,863	0	0	0
Operation and maintenance of plant services	945,222	0	0	0
Transportation services	488,495	4,443	29,910	0
	<u>3,510,500</u>	<u>4,443</u>	<u>29,910</u>	<u>0</u>
Non-instructional:				
Food service operations	5,564	0	0	0
Community service and education operations	21,475	0	0	0
	<u>27,039</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	463,588	0	0	228,750
Long-term debt interest	118,681	0	0	0
AEA flowthrough	451,567	0	451,567	0
Depreciation(unallocated)*	223,360	0	0	0
	<u>1,257,196</u>	<u>0</u>	<u>451,567</u>	<u>228,750</u>
Total governmental activities	13,932,308	1,872,931	2,039,413	228,750
Business-Type activities:				
Non-instructional programs:				
Nutrition services	617,169	266,738	337,727	0
Total business-type activities	<u>617,169</u>	<u>266,738</u>	<u>337,727</u>	<u>0</u>
Total	\$ 14,549,477	2,139,669	2,377,140	228,750

General Revenues:

Property tax levied for:
 General purposes
 Debt services
 Capital outlay
 Local option sales and service tax
 Unrestricted state grants
 Unrestricted investment earnings
 Compensation for loss of fixed assets
 Sale of equipment and materials
 Other

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,612,264)	0	(2,612,264)
(2,427,346)	0	(2,427,346)
(671,539)	0	(671,539)
(5,711,149)	0	(5,711,149)
(651,186)	0	(651,186)
(352,734)	0	(352,734)
(1,072,863)	0	(1,072,863)
(945,222)	0	(945,222)
(454,142)	0	(454,142)
(3,476,147)	0	(3,476,147)
(5,564)	0	(5,564)
(21,475)	0	(21,475)
(27,039)	0	(27,039)
(234,838)	0	(234,838)
(118,681)	0	(118,681)
0	0	0
(223,360)	0	(223,360)
(576,879)	0	(576,879)
(9,791,214)	0	(9,791,214)
0	(12,704)	(12,704)
0	(12,704)	(12,704)
(9,791,214)	(12,704)	(9,803,918)
\$ 3,935,932	0	3,935,932
304,825	0	304,825
269,786	0	269,786
670,876	0	670,876
5,877,360	0	5,877,360
36,068	156	36,224
8,135	0	8,135
1,333	0	1,333
2,269	0	2,269
11,106,584	156	11,106,740
1,315,370	(12,548)	1,302,822
6,567,618	92,379	6,659,997
\$ 7,882,988	79,831	7,962,819

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP (Note 4)	\$ 634,420	0	0	0	634,420
Other	2,143,128	1,824,986	43,170	517,907	4,529,191
Receivables:					
Property tax					
Delinquent	51,854	87,618	4,633	7,513	151,618
Succeeding year	3,289,568	0	309,006	484,492	4,083,066
Income surtax	388,124	0	0	0	388,124
Accounts	9,535	0	0	856	10,391
Accrued interest	0	276	0	76	352
Due from other governments	429,409	0	0	0	429,409
TOTAL ASSETS	\$ 6,946,038	1,912,880	356,809	1,010,844	10,226,571
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 43,563	0	0	37,818	81,381
Salaries and benefits payable	1,268,964	0	0	1,777	1,270,741
ISCAP warrants payable (Note 4)	631,000	0	0	0	631,000
ISCAP premiums payable	8,752	0	0	0	8,752
Deferred revenue:					
Succeeding year property tax	3,289,568	0	309,006	484,492	4,083,066
Income surtax	388,124	0	0	0	388,124
Total liabilities	5,629,971	0	309,006	524,087	6,463,064
Fund balances:					
Reserved for:					
Debt Service	0	0	47,803	0	47,803
Talented and gifted	114,409	0	0	0	114,409
Phase III	10,734	0	0	0	10,734
Unreserved:					
Undesignated	1,190,924	1,912,880	0	486,757	3,590,561
Total fund balances	1,316,067	1,912,880	47,803	486,757	3,763,507
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,946,038	1,912,880	356,809	1,010,844	10,226,571

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 17)	\$	3,763,507
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		5,476,668
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(9,139)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,047,437
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		388,124
Long-term liabilities, including bonds payable, compensated absences payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(2,783,609)
Net assets of governmental activites (page 14)	\$	<u>7,882,988</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,747,480	0	304,825	489,574	4,541,879
LOSST	0	670,876	0	0	670,876
Tuition	1,145,634	0	0	0	1,145,634
Other	205,643	158,451	1,121	341,363	706,578
Intermediate sources	54,853	0	0	1,934	56,787
State sources	6,932,956	0	1,021	1,473	6,935,450
Federal sources	981,323	0	0	228,750	1,210,073
Total revenues	13,067,889	829,327	306,967	1,063,094	15,267,277
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,843,619	0	0	109,564	4,953,183
Special instruction	2,944,409	0	0	0	2,944,409
Other instruction	1,066,644	0	0	319,366	1,386,010
	8,854,672	0	0	428,930	9,283,602
Support services:					
Student services	625,382	0	0	22,627	648,009
Instructional staff services	348,050	0	0	907	348,957
Administration services	1,037,966	0	0	18,465	1,056,431
Operation and maintenance of plant services	904,795	0	0	57,914	962,709
Transportation services	413,440	0	0	102,509	515,949
Central support services	900	0	0	0	900
	3,330,533	0	0	202,422	3,532,955
Non-instructional:					
Food service operations	0	0	0	5,564	5,564
Community service and education operations	27,363	0	0	0	27,363
	27,363	0	0	5,564	32,927
Other expenditures:					
Facilities acquisitions	0	775,282	0	145,420	920,702
Long-term debt:					
Principal	0	0	1,570,000	0	1,570,000
Interest and fiscal charges	0	17,252	98,524	0	115,776
AEA flowthrough	451,567	0	0	0	451,567
	451,567	792,534	1,668,524	145,420	3,058,045
Total expenditures	12,664,135	792,534	1,668,524	782,336	15,907,529
Excess (deficiency) of revenues over (under) expenditures	403,754	36,793	(1,361,557)	280,758	(640,252)
Other financing sources (uses):					
Transfers in	0	228,750	27,270	2,269	258,289
Transfers out	0	(27,270)	0	(228,750)	(256,020)
Sale of bonds	0	1,300,000	1,365,000	0	2,665,000
Compensation for loss of fixed assets	8,135	0	0	0	8,135
Sale of equipment and materials	1,333	0	0	0	1,333
Total other financing sources (uses)	9,468	1,501,480	1,392,270	(226,481)	2,676,737
Net change in fund balances	413,222	1,538,273	30,713	54,277	2,036,485
Fund balance beginning of year	902,845	374,607	17,090	432,480	1,727,022
Fund balance end of year	\$ 1,316,067	1,912,880	47,803	486,757	3,763,507

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA 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, 2004

Net change in fund balances - total governmental funds (page 19) \$ 2,036,485

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

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

Capital expenditures	\$ 602,563	
Depreciation expense	(371,002)	231,561

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

Issued	\$ (2,665,000)	
Repaid	1,570,000	(1,095,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,905)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 169,674

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ 27,299	
Compensated absences	(20,408)	6,891

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (31,336)

Changes in net assets of governmental activities (page 16) \$ 1,315,370

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 26,884	1,265,223
Receivables:		
Accounts	2,042	0
Inventories	8,860	0
Capital assets, net of accumulated depreciation	48,389	0
TOTAL ASSETS	86,175	1,265,223
LIABILITIES		
Accounts payable	229	98
Salaries and benefits payable	643	12,314
Incurred but not reported claims	0	205,374
Deferred revenues	5,472	0
TOTAL LIABILITES	6,344	217,786
NET ASSETS		
Invested in capital assets, net of related debt	48,389	0
Unrestricted	31,442	1,047,437
TOTAL NET ASSETS	\$ 79,831	1,047,437

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Other local sources:		
Sale of lunches and breakfasts:		
Students	\$ 228,236	0
Adults	23,162	0
A la carte	13,261	0
Miscellaneous	2,079	1,812,744
TOTAL OPERATING REVENUES	266,738	1,812,744
OPERATING EXPENSES:		
Salaries	158,061	0
Benefits	78,033	1,622,934
Services	7,210	10,114
Supplies	362,772	10,022
Depreciation	11,093	0
TOTAL OPERATING EXPENSES	617,169	1,643,070
OPERATING INCOME (LOSS)	(350,431)	169,674
NON-OPERATING REVENUES:		
Interest	156	0
State sources	8,938	0
Federal sources	328,789	0
TOTAL NON-OPERATING REVENUES	337,883	0
Net income (loss)	(12,548)	169,674
Retained earnings at beginning of year	92,379	877,763
Retained earnings end of year	\$ 79,831	1,047,437

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 266,224	0
Cash received from miscellaneous operating activities	2,079	1,824,131
Cash payments to employees for services	(236,257)	(1,602,346)
Cash payments to suppliers for goods or services	(324,935)	(20,561)
Net cash provided by(used in) operating activities	(292,889)	201,224
Cash flows from non-capital financing activities:		
State grants received	8,938	0
Federal grants received	286,826	0
Net cash provided by non-capital financing activities	295,764	0
Cash flows from investing activities:		
Interest on investments	156	0
Net cash provided by investing activities	156	0
Net increase in cash and cash equivalents	3,031	201,224
Cash and cash equivalents at beginning of year	23,853	1,063,999
Cash and cash equivalents at end of year	\$ 26,884	1,265,223
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (350,431)	169,674
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	41,963	0
Depreciation	11,093	0
Decrease in inventories	2,855	0
Decrease in accounts receivable	919	11,387
Increase(decrease) in accounts payable	229	(564)
Increase(decrease) in salaries and benefits payable	(163)	139
Increase in incurred but not reported claims	0	20,588
Increase in deferred revenue	646	0
Net cash provided by(used in) operating activities	\$ (292,889)	201,224
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 26,884	1,265,223
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2004, the District received Federal commodities valued at \$41,963.		

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2004

	Private purpose	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 144,804	1,859
LIABILITIES		
Due to other groups	0	1,859
NET ASSETS		
Reserved for scholarships	\$ 144,804	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2004

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 2,269
Deletions:	
Other financing uses:	
Transfer out	2,269
Change in net assets	0
Net assets beginning of year	144,804
Net assets end of year	\$ 144,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

The Maquoketa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Maquoketa, Iowa, and the predominate agricultural territory in Dubuque, Clinton, and Jackson 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, Maquoketa Community School District has included all funds, organizations, account groups, 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 Maquoketa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide financial statements - The Statement of 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-15 years

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

Deferred Revenue - 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 revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures in the non-instruction functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$83,062 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Transfers

The detail of transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	PPEL	\$ 228,750
Debt Service	Capital Projects	27,270
Expendable Trust	Non-Expendable Trust	2,269
Total		\$ 258,289

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Accrued		Accrued	
			Investments	Interest Receivable	Warrants Payable	Interest Payable
2004-05A	6/30/04	6/30/05	634,420	0	631,000	0
Total			\$ 634,420	0	631,000	0

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in

an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted during the year.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2004-05A	3.000%	2.463%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 190,525	0	0	190,525
Total capital assets not being depreciated	190,525	0	0	190,525
Capital assets being depreciated:				
Buildings	8,970,177	404,433	0	9,374,610
Land improvements	546,294	52,681	0	598,975
Machinery and equipment	2,912,922	145,449	134,884	2,923,487
Total capital assets being depreciated	12,429,393	602,563	134,884	12,897,072
Less accumulated depreciation for:				
Buildings	4,685,150	203,408	0	4,888,558
Land improvements	376,320	19,952	0	396,272
Machinery and equipment	2,313,341	147,642	134,884	2,326,099
Total accumulated depreciation	7,374,811	371,002	134,884	7,610,929
Total capital assets being depreciated, net	5,054,582	231,561	0	5,286,143
Governmental activities capital assets, net \$	5,245,107	231,561	0	5,476,668
Business-type activities:				
Machinery and equipment	\$ 172,522	0	1,445	171,077
Less accumulated depreciation	113,040	11,093	1,445	122,688
Business-type activities capital assets, net \$	59,482	(11,093)	0	48,389

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,339
Other		20,260
Support services:		
Instructional staff services		8,867
Administration services		21,806
Operation and maintenance of plant services		4,373
Transportation		88,997
		147,642
Unallocated depreciation		223,360
Total governmental activities depreciation expense		\$ 371,002
Business-type activities:		
Food services		\$ 11,093

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,570,000	1,365,000	1,570,000	1,365,000	280,000
Revenue bonds	0	1,300,000	0	1,300,000	270,000
Early retirement	125,500	98,318	125,617	98,201	73,622
Compensated absences	0	20,408	0	20,408	20,408
Total	\$ 1,695,500	2,783,726	1,695,617	2,783,609	644,030

General Obligation Bonds Payable

Details of the District's June 30, 2004 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue April 15, 2004		
		Principal	Interest	Total
2005	1.15-1.25 %	\$ 280,000	25,288	305,288
2006	1.45-1.60	285,000	20,608	305,608
2007	1.75-1.95	285,000	16,047	301,047
2008	2.10-2.30	295,000	10,473	305,473
2009	2.45-2.55	220,000	4,152	224,152
Total		\$ 1,365,000	76,568	1,441,568

Revenue Bonds Payable

Details of the District's June 30, 2004 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bonds dated May 3, 2004		
		Principal	Interest	Total
2005	1.95 %	\$ 270,000	29,963	299,963
2006	2.25-2.50	500,000	24,217	524,217
2007	2.75-2.95	530,000	11,855	541,855
Total		\$ 1,300,000	66,035	1,366,035

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's current salary (without extra duty increments, Phase III monies and extended term contracts). The District paid \$125,617 in early retirement benefits during the year ended June 30, 2004. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Advance Refunding

In May 1996, the District defeased certain general obligation bonds by placing the proceeds of new bonds in a irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liabilities for the defeased bonds are not included in the District's financial statements. During the year ended June 30, 2004, the District defeased principle and interest of bonds in the amount of \$1,760,000 and \$109,120, respectively. On June 30, 2004, \$0 of defeased bonds is outstanding.

In April 2004, the District issued \$1,365,000 in refunding bonds to call \$1,340,000 of outstanding general obligation bonds. The expected net present value savings for the District is \$84,864.

(8) 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 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$439,149, \$440,138, and \$437,133, respectively, equal to the required contributions for each year.

(9) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$1,047,437 at June 30, 2004. The incurred but not recorded and unpaid claims liability of \$205,374 reported in the plan at June 30, 2004 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four 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 \$451,567 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, expenditures in the non-instruction functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 7,064,967	266,894
Intermediate sources	56,787	0
State sources	6,935,450	8,938
Federal sources	1,210,073	328,789
Total revenues	<u>15,267,277</u>	<u>604,621</u>
Expenditures:		
Instruction	9,283,602	0
Support services	3,532,955	0
Non-instructional programs	32,927	617,169
Other expenditures	3,058,045	0
Total expenditures	<u>15,907,529</u>	<u>617,169</u>
Excess(deficiency) of revenues over(under) expenditures	(640,252)	(12,548)
Other financing sources, net	<u>2,676,737</u>	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	2,036,485	(12,548)
Balance beginning of year	<u>1,727,022</u>	<u>92,379</u>
Balance end of year	<u>\$ 3,763,507</u>	<u>79,831</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
7,331,861	7,112,164	7,112,164	219,697
56,787	56,200	56,200	587
6,944,388	6,982,137	6,982,137	(37,749)
1,538,862	1,509,024	1,509,024	29,838
15,871,898	15,659,525	15,659,525	212,373
9,283,602	9,698,809	9,600,000	316,398
3,532,955	3,589,107	3,800,000	267,045
650,096	560,000	605,000	(45,096)
3,058,045	3,670,106	3,513,022	454,977
16,524,698	17,518,022	17,518,022	993,324
(652,800)	(1,858,497)	(1,858,497)	1,205,697
2,676,737	2,000,000	2,000,000	6,676,737
2,023,937	141,503	141,503	7,882,434
1,819,401	1,272,407	1,272,407	546,994
3,843,338	1,413,910	1,413,910	8,429,428

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, expenditures in the non-instruction functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Manage-	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 84,392	219,269	115,562	98,684	517,907
Receivables:					
Property tax:					
Current year delinquent	3,416	4,097	0	0	7,513
Succeeding year	220,000	264,492	0	0	484,492
Accounts	0	0	0	856	856
Accrued interest	0	0	76	0	76
TOTAL ASSETS	\$ 307,808	487,858	115,638	99,540	1,010,844
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 6,520	27,228	4,070	0	37,818
Salaries and benefits payable	0	0	1,777	0	1,777
Deferred revenue:					
Succeeding year property tax	220,000	264,492	0	0	484,492
	226,520	291,720	5,847	0	524,087
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	81,288	196,138	109,791	99,540	486,757
Total fund balances	81,288	196,138	109,791	99,540	486,757
TOTAL LIABILITIES AND FUND EQUITY	\$ 307,808	487,858	115,638	99,540	1,010,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Physical Plant & Equip- ment	Levy	Student Activity	Expendable Trust	
REVENUES:					
Local sources:					
Local tax	\$ 219,788	269,786	0	0	489,574
Other	87	1,086	338,691	1,499	341,363
Intermediate sources	0	0	1,934	0	1,934
State sources	570	903	0	0	1,473
Federal sources	0	228,750	0	0	228,750
TOTAL REVENUES	220,445	500,525	340,625	1,499	1,063,094
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	109,564	0	0	0	109,564
Other instruction	0	0	315,516	3,850	319,366
	109,564	0	315,516	3,850	428,930
Support services:					
Student services	22,627	0	0	0	22,627
Instructional staff services	907	0	0	0	907
Administration services	18,465	0	0	0	18,465
Operation and maintenance of plant services	45,576	12,338	0	0	57,914
Transportation services	24,706	53,203	24,600	0	102,509
	112,281	65,541	24,600	0	202,422
Non-instructional:					
Food service operations	5,564	0	0	0	5,564
Other expenditures:					
Facilities acquisition	0	145,420	0	0	145,420
TOTAL EXPENDITURES	227,409	210,961	340,116	3,850	782,336
Excess (deficiency) of revenues over (under) expenditures	(6,964)	289,564	509	(2,351)	280,758
Other financing sources:				0	
Transfers in	0	0	0	2,269	2,269
Transfers out	0	(228,750)	0	0	(228,750)
Total other financing sources	0	(228,750)	0	2,269	(226,481)
Excess (deficiency) of revenues and other financing sources over (under) expenditures other financing sources	(6,964)	60,814	509	(82)	54,277
Fund balance beginning of year	88,252	135,324	109,282	99,622	432,480
Fund balance end of year	\$ 81,288	196,138	109,791	99,540	486,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 18,715	854	694	18,875
Drug testing	1,000	0	0	1,000
Special checks	323	0	0	323
HS activity tickets	436	27	0	463
Athletic control	12,555	100	4,815	7,840
Athletic pass	1,182	1,409	2,054	537
Activities control	9,047	0	3,777	5,270
HS winter concessions	1,023	7,935	8,908	50
Athletic awards	0	811	975	(164)
HS speech	(153)	2,154	1,544	457
HS vocal music	1,452	8,510	8,966	996
Harm helpers	(598)	4,562	2,770	1,194
HS band	9,409	(4,449)	1,911	3,049
HS band tour	(8,257)	32,680	27,016	(2,593)
Winterguard	55	0	0	55
HS boys intramurals	10	0	10	0
Tennis fundraiser	285	1,012	1,258	39
HS boys basketball	686	17,329	15,124	2,891
Boys basketball fundraiser	219	3,152	3,087	284
HS football	(1,454)	23,893	11,324	11,115
Football fundraiser	156	20,083	22,170	(1,931)
HS baseball	(2,595)	4,518	6,434	(4,511)
Baseball fundraiser	(44)	3,257	3,316	(103)
HS boys track	(1,903)	1,013	2,898	(3,788)
Track fundraiser	(207)	2,285	1,696	382
Boys cross country	498	1,023	1,119	402
Boys tennis	235	1,208	1,207	236
HS boys golf	490	1,329	1,359	460
Boys golf fundraiser	1,184	780	357	1,607
HS wrestling	1,805	6,594	7,688	711
Wrestling fundraiser	3,215	10,095	9,179	4,131
HS girls basketball	947	13,296	11,544	2,699
Girls basketball fundraiser	5,117	7,629	4,362	8,384
HS volleyball	(388)	4,007	3,213	406
Volleyball fundraiser	2,371	981	2,733	619
HS softball	(3,329)	3,788	2,383	(1,924)
Softball fundraiser	1,265	7,586	5,966	2,885
HS girls track	(1,124)	1,337	2,029	(1,816)
Girls track fundraiser	1,112	2,405	1,837	1,680
Girls cross country	524	929	1,037	416
Girls tennis	925	1,098	1,806	217
HS girls golf	809	1,625	2,840	(406)
Girls golf fundraiser	563	407	873	97
HS cheerleaders	278	4,811	5,845	(756)
Pom pom squad	(1,015)	2,205	1,232	(42)
HS class of 2002	0	25	23	2
HS class of 2003	733	(733)	0	0
HS class of 2004	1,296	(700)	174	422

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS class of 2005	1,926	12,822	14,712	36
HS class of 2006	2,075	0	0	2,075
HS class of 2007	2,000	0	0	2,000
HS class of 2008	0	2,000	0	2,000
HS post grads	563	733	832	464
HS BPA	2,394	19,007	17,382	4,019
HS MOC	2,602	435	1,575	1,462
FCCLA	320	2,938	2,598	660
FFA	8,119	35,258	35,625	7,752
National honor society	(303)	414	448	(337)
Student senate	1,187	13,728	11,878	3,037
Spanish club	3,598	2,899	3,540	2,957
French club	441	11,492	11,393	540
HS juice	4,109	8,382	8,931	3,560
HS SADD	449	100	50	499
MS chorus	1,901	472	706	1,667
MS band	3,012	10,257	11,075	2,194
MS boys athletics	1,897	2,265	3,468	694
MS mat refurbishing	1,000	0	0	1,000
MS girls athletics	2,024	1,519	1,604	1,939
MS pop sales	7,060	8,272	7,799	7,533
MS student council	3,574	4,772	6,466	1,880
MS magazine sales	481	0	481	0
Total	\$ 109,282	340,625	340,116	109,791

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2004

	Stoddard Scholarship	Zimmerman Schlorship	Bothwell Scholarship	Wendell Scholarship
ASSETS				
Cash and pooled investments	\$ 92,554	2,300	605	1,067
Accounts receivable	44	7	0	736
TOTAL ASSETS	\$ 92,598	2,307	605	1,803
LIABILITES AND FUND EQUITY				
Liabilities:	\$ 0	0	0	0
Fund Equity:				
Unreserved, undesignated	92,598	2,307	605	1,803
TOTAL LIABILITIES AND FUND EQUITY	\$ 92,598	2,307	605	1,803

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Evans Scholarship	Wolf Scholarship	Joiner Scholarship	Schuman Scholarship	Total
372	388	126	1,272	98,684
3	0	10	56	856
375	388	136	1,328	99,540
0	0	0	0	0
375	388	136	1,328	99,540
375	388	136	1,328	99,540

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2004

	Stoddard Scholarship	Zimmerman Scholarship	Bothwell Scholarship	Wendell Scholarship
REVENUES:				
Local sources:				
Interest on investments	\$ 1,100	33	0	0
Contributions and donations	0	0	275	0
	<u>1,100</u>	<u>33</u>	<u>275</u>	<u>0</u>
EXPENDITURES:				
Other instruction:				
Scholarships	0	400	250	2,900
Excess(deficiency) of revenues over(under) expenditures	1,100	(367)	25	(2,900)
OTHER FINANCING SOURCES:				
Transfers in	0	0	0	2,047
Excess(deficiency) of revenues and other financing sources over(under) expenditures	1,100	(367)	25	(853)
Fund balance beginning of year	91,498	2,674	580	2,656
Fund balance end of year	<u>\$ 92,598</u>	<u>2,307</u>	<u>605</u>	<u>1,803</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Evans Scholarship	Wolf Scholarship	Joiner Scholarship	Schuman Scholarship	Total
14	0	0	70	1,217
0	7	0	0	282
14	7	0	70	1,499
0	200	100	0	3,850
14	(193)	(100)	70	(2,351)
0	0	44	178	2,269
14	(193)	(56)	248	(82)
361	581	192	1,080	99,622
375	388	136	1,328	99,540

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND - PRIVATE-PURPOSE TRUST
 YEAR ENDED JUNE 30, 2004

	Wendell Scholarship	Joiner Scholarship	Schuman Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 129,804	5,000	10,000	144,804
TOTAL ASSETS	\$ 129,804	5,000	10,000	144,804
LIABILITIES AND FUND EQUITY				
Liabilities:	\$ 0	0	0	0
Fund Equity:				
Unreserved, undesignated	129,804	5,000	10,000	144,804
TOTAL LIABILITIES AND FUND EQUITY	\$ 129,804	5,000	10,000	144,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FIDUCIARY FUND - PRIVATE-PURPOSE TRUST
 YEAR ENDED JUNE 30, 2004

	Wendell Scholarship	Joiner Scholarship	Schuman Scholarship	Total
REVENUES:				
Local sources:				
Interest on investments	\$ 2,047	44	178	2,269
EXPENDITURES:	0	0	0	0
Excess of revenues over expenditures	2,047	44	178	2,269
OTHER FINANCING USES:				
Transfers out	(2,047)	(44)	(178)	(2,269)
Excess of revenues over expenditures and other financing uses	0	0	0	0
Fund balance beginning of year	129,804	5,000	10,000	144,804
Fund balance end of year	\$ 129,804	5,000	10,000	144,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2004

	Balance			Balance
	Beginning			End
	of Year	Additions	Deletions	of Year
ASSETS				
Cash and pooled investments	\$ 1,344	6,013	5,498	1,859
LIABILITIES				
Due to other groups	\$ 1,344	6,013	5,498	1,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 5,212,755	4,884,422	4,064,961	3,936,513
Tuition	1,145,634	1,192,619	1,138,278	1,021,165
Other	706,578	624,718	518,030	688,221
Intermediate sources	56,787	56,326	52,870	48,489
State sources	6,935,450	7,003,502	6,994,771	7,116,031
Federal sources	1,210,073	1,067,204	920,873	700,846
Total	\$ 15,267,277	14,828,791	13,689,783	13,511,265
Expenditures:				
Instruction:				
Regular instruction	\$ 4,953,183	4,955,125	4,824,693	4,843,785
Special instruction	2,944,409	2,920,883	2,923,500	2,729,853
Other instruction	1,386,010	1,515,386	1,508,076	1,469,348
Support services:				
Student services	648,009	717,514	760,012	711,237
Instructional staff services	348,957	343,134	361,580	371,989
Administration services	1,056,431	1,071,494	1,050,783	989,762
Operation and maintenance of plant services	962,709	924,900	845,197	832,340
Transportation services	515,949	599,421	439,910	461,039
Central support services	900	540	930	1,301
Other	0	0	0	2,639
Non-instructional	32,927	31,988	31,846	31,963
Other expenditures:				
Facilities acquisitions	920,702	280,498	237,695	294,813
Long Term Debt:				
Principal	1,570,000	220,000	210,000	210,000
Interest	115,776	85,510	95,234	105,095
AEA flow-through	451,567	479,573	482,569	495,794
Total	\$ 15,907,529	14,145,966	13,772,025	13,550,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 04	243,174
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ 41,963
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	52,174
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	234,652
			286,826
STATE ADMINISTRITIVE MATCHING GRANTS			
STATE ADMINISTRITIVE MATCHING GRANTS FOR FOOD STAMP PROGRAM(BASIC GARDEN)	10.561	FY 03	154
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	4041-G	277,872
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	4041-GC	15,167
			293,039
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES(TITLE V PROGRAM)	84.298	FY 03	1,159
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 04	10,370
			11,529
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 03	2,587
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	7,469
			10,056
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	92,022
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION GRANT)			
	84.215	FY 03	228,750
GOALS 2000 - STATE AND LOCAL EDUCATION SYSTEMIC IMPROVEMENT GRANTS			
	84.276	FY 04	534
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)			
	84.369	FY 04	2,577
FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING COMMUNITIES PROGRAM)			
	84.215	FY 04	57,309

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	31,079
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	146
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	714
			860
SPECIAL EDUCATION - GRANTS TO STATES (FAM RESOURCE GRANT)	84.027	FY 04	7,000
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	56,951
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID ADMINISTRATION)	93.778	FY 04	13,693
MEDICAL ASSISTANCE PROGRAM (MEDICAID REIMBURSEMENT)	93.778	FY 04	29,065
			42,758
RURAL HEALTH OUTREACH GRANT	93.912	FY04	112,220
TOTAL			\$ 1,518,801

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

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

We have audited the financial statements of Maquoketa Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Maquoketa 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 grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved, except for IV-G-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for items II-A-04, and II-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Community School District and other parties to whom Maquoketa Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 9, 2004

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

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education of
Maquoketa Community School District

Compliance

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maquoketa Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maquoketa Community School District's compliance with those requirements.

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

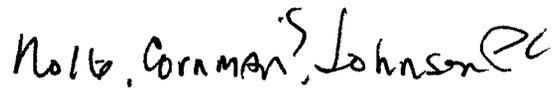
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment could adversely Maquoketa Community School District's ability to administer a major

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federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Community School District and other parties to whom Maquoketa Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

September 9, 2004

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
 - CFDA Number 84.287 - Twenty First Century Community Learning Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did not qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity and the School Nutrition Funds, that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-04 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - Interest should be allocated out at year-end to the remaining activity accounts.

Response - The District has a committee with a broad representation of the District to include a Board Member and Activities Director. The committee solicits needs from organizations within the Activity Fund and makes a recommendation to the Board for approval of awards and expenditures. We will attempt to speed up the process so that all awards can be expensed prior to the end of June.

Conclusion - Response accepted.

II-C-04 Student Activity Fund - We noted during our audit that the Student Activity fund included old class accounts.

Recommendation - The District should review the transactions in these accounts and make the necessary transfers. The old class accounts should be closed out upon graduation.

Response - We will close past graduate accounts. For the most recent graduating class, we will attempt to obtain from them their intent with the balance and expense it prior to June 30th. Due to time constraints, it may be such a balance carries into the next fiscal year.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District expenditures for the year ended June 30, 2004 exceeded the amount budgeted in the non-instruction functional program area.

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

Response - The budget was amended in May, 2004, however enough was not shifted from another functional program area to cover the expenses. The District will be more attentive to this in the future.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tod and Barb Bowman, Teachers Father owns Bowman Oil Company	Gasoline	\$44,831
Joanie Bowman, Teacher Spouse owns Bowman Body Shop	Repairs(per bid)	\$9,680

In accordance with Attorneys General opinion dated November 9, 1976, the transactions with the teachers spouse and father does not appear to be a conflict of interest.

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Board Secretary acknowledges that one meeting did not adhere to the time frame. She will be more attentive to this in the future.

Conclusion - Response accepted.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.