

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
[Marcus-Meriden-Cleghorn](#) Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Marcus-Meriden-Cleghorn](#) Community School District, [Marcus](#), Iowa, 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 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, the business type activities, each major fund and the aggregate remaining fund information of [Marcus-Meriden-Cleghorn](#) Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, [Marcus-Meriden-Cleghorn](#) Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated [August 25, 2004](#), on our consideration of [Marcus-Meriden-Cleghorn](#) 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting 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. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise [Marcus-Meriden-Cleghorn](#) 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 the three years ended June 30, 2003, (none of which are presented herein) and expressed qualified opinions on those financial statements because we were unable to audit the general fixed assets account group. The supplemental information included in Schedules 1 through 4, 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

[August 25, 2004](#)

## Management Discussion and Analysis

The Marcus-Meriden-Cleghorn Community School District provides this Management 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 this section.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

### Financial Highlights

- The school building in Meriden was torn down in July, and the land sale finalized in August to finalize the closing of that facility, which is estimated to be saving the district upwards of \$100,000 a year.
- Interest rates remained low; this combined with less cash available for investing resulted in interest earnings in the General Fund continuing to drop from \$32,137 in fiscal year 2002 to \$23,295 in fiscal year 2003 and now to \$16,451 in fiscal year 2004.
- Cherokee County passed the one cent local option sales tax for school infrastructure in February. The school started receiving money from that tax in August of 2004.
- The District spent \$9,666 more than it received; therefore the General Fund ending fund balance went from \$665,939 to \$656,273.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

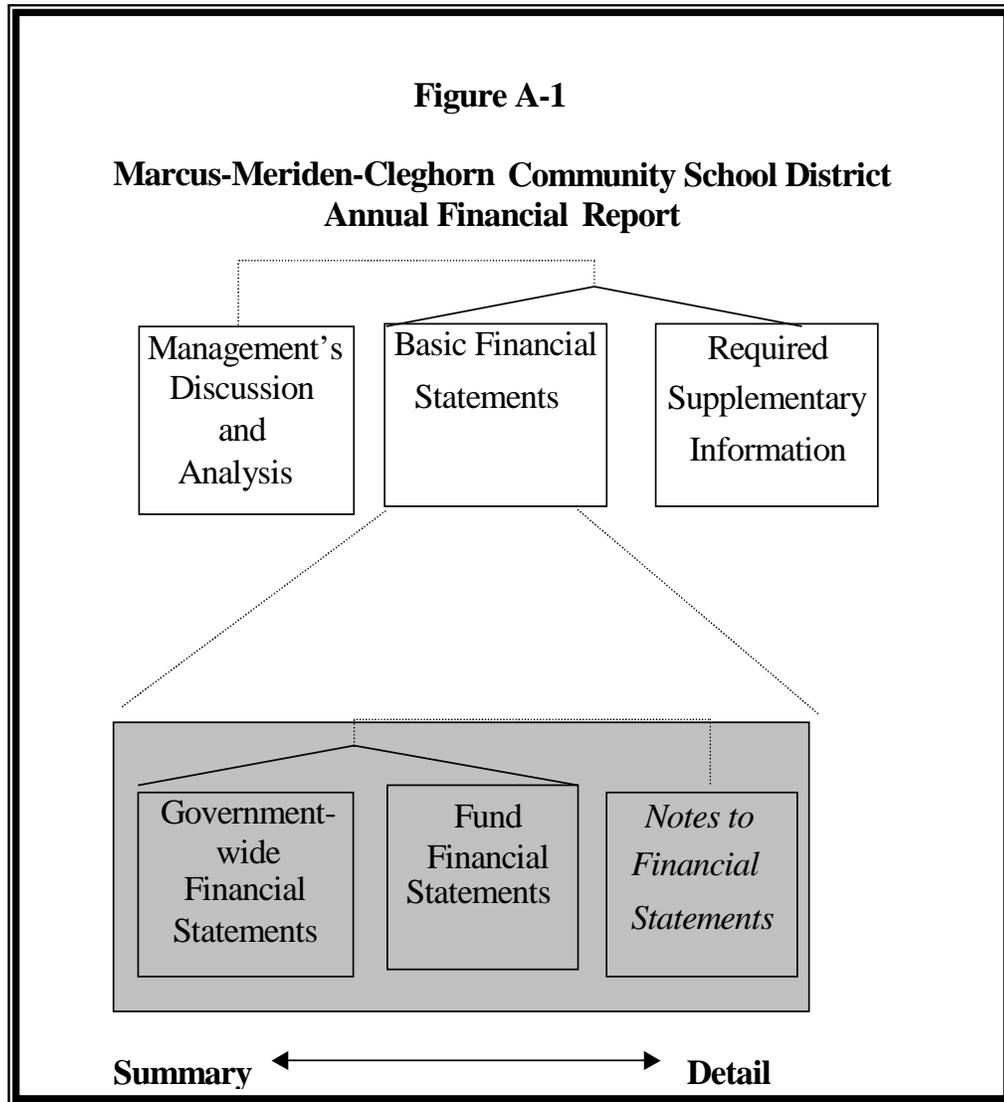


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 and payable	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

## Government-wide Financial Statements

The Government-wide 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 statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is 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 its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not

encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *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 District-wide 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

### **Financial Analysis of the District as a Whole**

**Net assets** – 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 as of June 30, 2004**

	Governmental Activities		Business-type Activities		District Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 4,511,858	\$ 4,217,244	\$ 55,459	\$ 56,067	\$ 4,567,317	\$ 4,273,311
Capital Assets	644,662	787,040	16,394	15,305	661,056	802,345
<b>Total assets</b>	<b>5,156,520</b>	<b>5,004,284</b>	<b>71,853</b>	<b>71,372</b>	<b>5,228,373</b>	<b>5,075,656</b>
Long-term debt outstanding	60,562	66,921	-	-	60,562	66,921
Other liabilities	3,132,822	3,025,171	8,019	12,909	3,140,841	3,038,080
<b>Total liabilities</b>	<b>3,193,384</b>	<b>3,092,092</b>	<b>8,019</b>	<b>12,909</b>	<b>3,201,403</b>	<b>3,105,001</b>
Net Assets:						
Invested in capital assets, net of related debt	644,662	787,040	16,394	15,305	661,056	802,345
Restricted	512,871	344,978	-	-	512,871	344,978
Unrestricted	805,603	780,174	47,440	43,158	853,043	823,332
<b>Total net assets</b>	<b>1,963,136</b>	<b>1,912,192</b>	<b>63,834</b>	<b>58,463</b>	<b>2,026,970</b>	<b>1,970,655</b>

While the overall financial performance of the district remains strong, this year saw a decline in the net assets with an expectation of additional decreases over the next couple of years.

The net asset decline can be attributed in part to the poor condition of the State of Iowa economy. As long as the state continues to experience financial difficulty, the school district will continue to receive inadequate allowable budget growth.

A big factor contributing to the modest net asset decline is the District's growing commitments in the area of special education. This area has required a number of staff members with subsequent ongoing salary and benefit costs.

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

**Figure A-4**

**Changes in Net Assets from Operating Results for the year ended June 30, 2004**

	<b>Governmental Activities <u>2004</u></b>	<b>Business-type Activities <u>2004</u></b>	<b>Total School District <u>2004</u></b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 318,193	\$ 89,800	\$ 407,993
Operating Grants & Contributions	445,785	84,256	530,041
Capital Grants & Contributions	-	-	-
General revenues			
Property taxes	2,298,680	-	2,298,680
Unrestricted state grants	1,494,761	-	1,494,761
Other	<u>183,002</u>	<u>557</u>	<u>183,559</u>
<b>Total revenues</b>	<b>4,740,421</b>	<b>174,613</b>	<b>4,915,034</b>
<b>Expenses</b>			
Instruction	3,221,811	-	3,221,811
Support Services:			
Administrative & Business	483,283	-	483,283
Maintenance & Operations	374,059	-	374,059
Other Support Services	406,966	-	406,966
Non-Instructional Programs	-	179,984	179,984
Other Expenditures	<u>305,246</u>	<u>-</u>	<u>305,246</u>
<b>Total expenses</b>	<b>4,791,365</b>	<b>179,984</b>	<b>4,971,349</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (50,944)</b>	<b>\$ (5,371)</b>	<b>\$ (56,315)</b>

Figure A-5

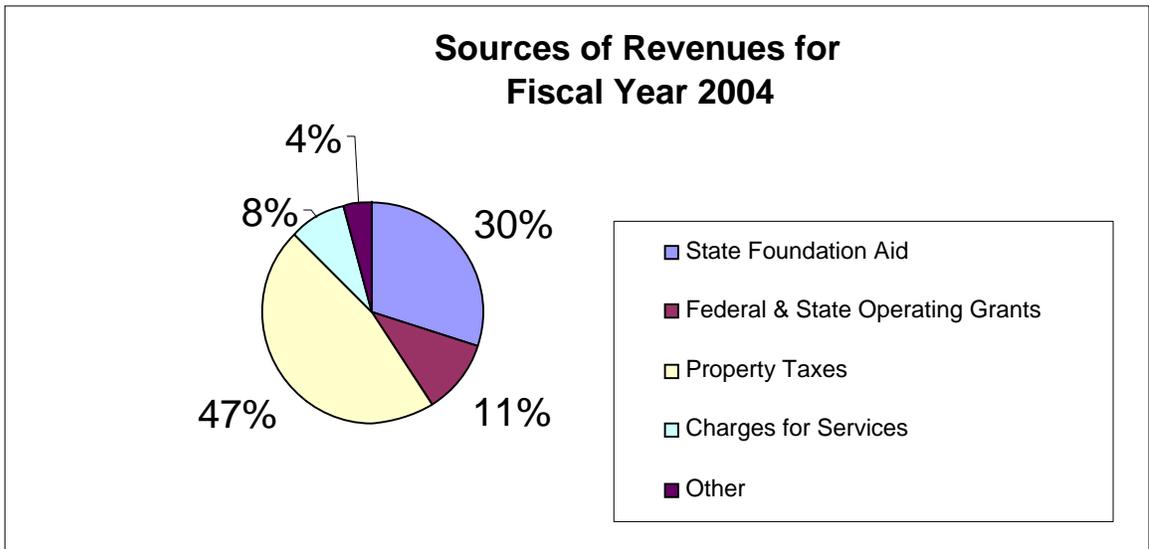
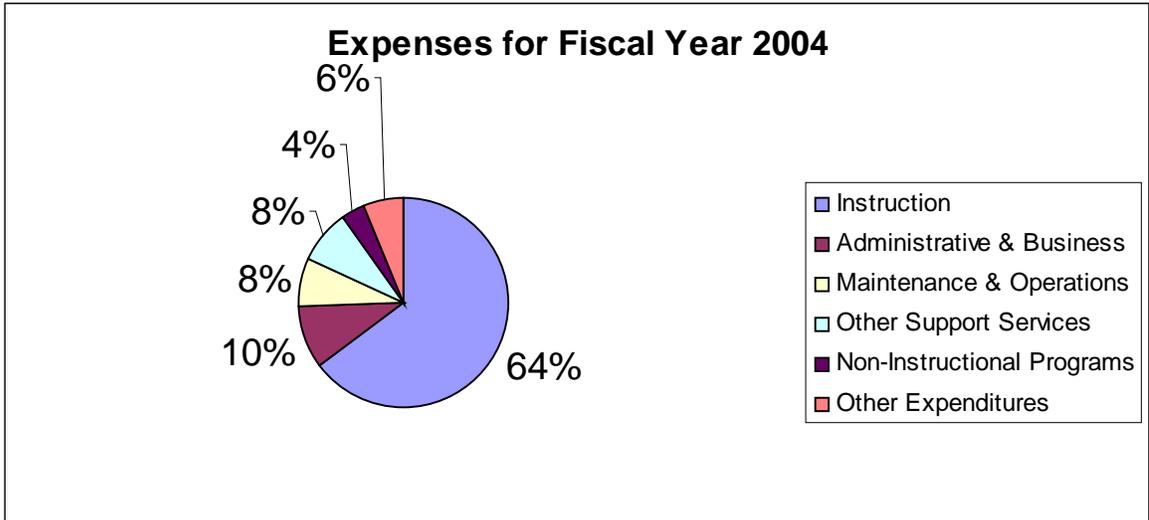


Figure A-6



**Governmental Activities**

Figure A-7 presents the cost of four major district activities: instruction, support services, administrative and business, maintenance and operations, and other. The table also shows each activity’s *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

**Figure A-7**  
**Net Cost of Governmental Activities**

	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
	<hr/>	<hr/>
Instruction	\$ 3,221,811	\$ 2,633,228
Support Services:		
Administration & Business	483,283	483,283
Maintenance & Operations	374,059	374,059
Other Support Services	406,966	402,702
Other Expenditures	305,246	134,115
<b>Total</b>	<hr/> \$ 4,791,365	<hr/> \$ 4,027,387

- The cost of all governmental activities this year was \$4,791,365.
- Some of the cost was financed by the users of the District's programs (see F.A-4)
- The federal and state governments subsidized certain programs with grants and contributions of \$445,785.
- Most of the District's \$4,027,387 of net costs, however were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,298,680 in property taxes, \$1,494,761 of unrestricted state grants based on the statewide finance formula, and investment earnings.

### **Business-Type Activities**

Revenues of the District's business-type activities (school food and nutrition services) totaled \$174,613 and expenses totaled \$179,984. (Refer to Figure A-4.) Factors

contributing to these results are as follows: Business-type activity expenditures exceeded revenue by \$5,371. This deficit was caused primarily by the school food and nutrition services program assuming several costs of operations rather than the costs being paid from general operating funds as has been done in the past. These included all utilities—phone, water, electric and gas, plus certain repairs. There was also a lot of substitute time to be paid due to various work related injuries.

### **Financial Analysis of the District's Funds**

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

The District's General Fund cash position increased significantly due to tight reins on spending and gas costs being significantly below budget.

Spending was up significantly in the area of Instruction, largely due to negotiated raises and an additional special education teacher.

The cash position of the Physical Plant and Equipment Levy decreased significantly due to several large projects including 21 new laptops for High School teachers, new bleachers for the football field, remodeling the High School science labs, tuckpointing at the elementary building, more work on the district's fire alarm systems and a major renovation of the High School's gymnasium which began in June of 2004.

The Management Levy saw a decrease in its cash position despite an increased levy; due to two retirements at the end of the 2003 fiscal year that paid benefits in 2003-2004 and increased insurance costs.

The School Nutrition Fund suffered a \$90,184 operating loss due mainly to increased salaries combined with decreased breakfast and lunch sales. This was offset some by an increase in federal money received which caused the net change in assets to be only a negative \$5,371.

### **General Fund Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on a cash basis. Over the course of the year, the District did not amend its budget as expenditures were not expected to exceed the certified amounts, however it did in fact do so in the other expenditures function.

There was some variance in the District's budget in comparison to actual results. Total actual revenue was .4% more than budgeted, while total actual expenditures were 6.05% less than budgeted. Revenues were less than budgeted in Nutrition Program Sales and in Student Activities and Sales. The expenditures were much less than budgeted in the area

of Instruction and Support Services. Much of this variance is attributable to unspent PPEL money that was being accumulated for major gymnasium renovations that did not occur by the end of June 2004. Detail can be found in the supplementary information section of this report.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2004, the District had invested \$802,345, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, transportation equipment and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year was \$88,209.

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Land	\$ 1,500	\$ 1,000	\$ -	\$ -	\$ 1,500	\$ 1,000
Construction in progress	-	58,720	-	-	-	58,720
Buildings & Improvements	542,070	647,942	-	-	542,070	647,942
Equipment & Furniture	101,092	79,378	16,394	15,305	117,486	94,683
	<b>\$ 644,662</b>	<b>\$ 787,040</b>	<b>\$ 16,394</b>	<b>\$ 15,305</b>	<b>\$ 661,056</b>	<b>\$ 802,345</b>

### Long-Term Debt

At year-end, the District had \$0 in general obligation bonds and \$66,921 in other long-term debt outstanding in Figure A-9 below.

<b>Figure A-9</b>		
<b>Outstanding Long-Term Debt</b>		
	<b>Total</b>	
	<b>School District</b>	
	<b><u>2003</u></b>	<b><u>2004</u></b>
Long-Term Debt	\$ 60,562	\$ 66,921
<b>Total</b>	<b>\$ 60,652</b>	<b>\$ 66,921</b>

### **Factors Bearing on the District's Future**

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

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding growth for public schools for fiscal year 2005, has been set at 4%.
- District enrollment had held fairly steady the last two years but will see a 42 student decrease for 2005 plus a negative 2 student audit adjustment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Jodi B. Mongan, Business Manager, Marcus-Meriden-Cleghorn Community School District, 400 E Fenton St, PO Box 667, Marcus, IA 51035.

## BASIC FINANCIAL STATEMENTS

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	600,753	-	600,753
Other	1,432,652	48,781	1,481,433
Receivables:			
Property tax:			
Delinquent	29,440	-	29,440
Succeeding year	1,979,328	-	1,979,328
Accounts	1,875	-	1,875
Accrued interest:			
ISCAP	2,038	-	2,038
Due from other governments	171,158		171,158
Inventories	-	7,286	7,286
Capital assets, net of accumulated depreciation	787,040	15,305	802,345
<b>Total assets</b>	<b>5,004,284</b>	<b>71,372</b>	<b>5,075,656</b>
<b>Liabilities</b>			
Accounts payable	39,967	244	40,211
Salaries and benefits payable	365,856	9,117	374,973
Deferred revenue:			
Succeeding year property tax	1,979,328	-	1,979,328
Other	35,007	3,548	38,555
ISCAP warrants payable	597,000	-	597,000
ISCAP accrued interest payable	3,099	-	3,099
ISCAP premium	4,914	-	4,914
Long-term liabilities:			
Portion due within one year:			
Early retirement	28,771	-	28,771
Portion due after one year:			
Early retirement	38,150	-	38,150
<b>Total liabilities</b>	<b>3,092,092</b>	<b>12,909</b>	<b>3,105,001</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	787,040	15,305	802,345
Restricted for:			
Iowa early intervention block grant	394	-	394
Physical plant and equipment levy	267,856	-	267,856
Other special revenue purposes	76,728	-	76,728
Unrestricted	<u>780,174</u>	<u>43,158</u>	<u>823,332</u>
<b>Total net assets</b>	<u><u>1,912,192</u></u>	<u><u>58,463</u></u>	<u><u>1,970,655</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,184,081	177,321	191,892	-
Special instruction	642,272	19,595	71,523	-
Other instruction	395,458	121,277	6,975	-
	<u>3,221,811</u>	<u>318,193</u>	<u>270,390</u>	<u>-</u>
Support services:				
Student services	118,156	-	2,941	-
Instructional staff services	85,520	-	1,008	-
Administration services	483,283	-	-	-
Operation and maintenance of plant services	374,059	-	-	-
Transportation services	203,290	-	315	-
	<u>1,264,308</u>	<u>-</u>	<u>4,264</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	87,926	-	-	-
AEA flowthrough	171,131	-	171,131	-
Depreciation (unallocated)*	46,189	-	-	-
	<u>305,246</u>	<u>-</u>	<u>171,131</u>	<u>-</u>
Total governmental activities	4,791,365	318,193	445,785	-
Business type activities				
Non-instructional programs:				
Food service operations	179,984	89,800	84,256	-
Total	<u>4,971,349</u>	<u>407,993</u>	<u>530,041</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,814,868)	-	(1,814,868)
(551,154)	-	(551,154)
(267,206)	-	(267,206)
<u>(2,633,228)</u>	<u>-</u>	<u>(2,633,228)</u>
(115,215)	-	(115,215)
(84,512)	-	(84,512)
(483,283)	-	(483,283)
(374,059)	-	(374,059)
(202,975)	-	(202,975)
<u>(1,260,044)</u>	<u>-</u>	<u>(1,260,044)</u>
(87,926)	-	(87,926)
-	-	-
(46,189)	-	(46,189)
<u>(134,115)</u>	<u>-</u>	<u>(134,115)</u>
(4,027,387)	-	(4,027,387)
<u>-</u>	<u>(5,928)</u>	<u>(5,928)</u>
<u>(4,027,387)</u>	<u>(5,928)</u>	<u>(4,033,315)</u>
2,111,922	-	2,111,922
186,758	-	186,758
141,757	-	141,757
1,494,761	-	1,494,761
30,993	557	31,550
10,252	-	10,252
<u>3,976,443</u>	<u>557</u>	<u>3,977,000</u>
(50,944)	(5,371)	(56,315)
<u>1,963,136</u>	<u>63,834</u>	<u>2,026,970</u>
<u>1,912,192</u>	<u>58,463</u>	<u>1,970,655</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				-
ISCAP	600,753	-	-	600,753
Other	1,018,559	286,988	126,246	1,431,793
Receivables:				
Property tax:				
Delinquent	26,103	2,377	960	29,440
Succeeding year	1,725,195	154,133	100,000	1,979,328
Accounts	1,040	-	835	1,875
Accrued interest - ISCAP	2,038	-	-	2,038
Due from other governments	157,158	14,000	-	171,158
<b>Total assets</b>	<b>3,530,846</b>	<b>457,498</b>	<b>228,041</b>	<b>4,216,385</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	16,961	21,509	1,497	39,967
Salaries and benefits payable	365,856	-	-	365,856
ISCAP warrants payable	597,000	-	-	597,000
ISCAP accrued interest payable	3,099	-	-	3,099
ISCAP premium	4,914	-	-	4,914
Deferred revenue:				
Succeeding year property tax	1,725,195	154,133	100,000	1,979,328
Other	161,548	14,000	-	175,548
Total liabilities	2,874,573	189,642	101,497	3,165,712
Fund balances:				
Reserved for:				
Iowa early intervention block grant	394	-	-	394
Unreserved	655,879	267,856	126,544	1,050,279
Total fund balances	656,273	267,856	126,544	1,050,673
<b>Total liabilities and fund balances</b>	<b>3,530,846</b>	<b>457,498</b>	<b>228,041</b>	<b>4,216,385</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,050,673
<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 reported as assets in the governmental funds.	787,040
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	140,541
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	859
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(66,921)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>1,912,192</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,164,429	200,911	74,891	2,440,231
Tuition	126,867	-	-	126,867
Other	93,098	6,035	123,186	222,319
State sources	1,841,288	191	77	1,841,556
Federal sources	98,990	-	-	98,990
Total revenues	<u>4,324,672</u>	<u>207,137</u>	<u>198,154</u>	<u>4,729,963</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,103,860	29,800	37,973	2,171,633
Special instruction	642,272	-	-	642,272
Other instruction	272,974	-	120,671	393,645
	<u>3,019,106</u>	<u>29,800</u>	<u>158,644</u>	<u>3,207,550</u>
Support services:				
Student services	118,156	-	-	118,156
Instructional staff services	85,520	-	-	85,520
Administration services	476,211	-	2,885	479,096
Operation and maintenance of plant services	291,494	17,487	58,338	367,319
Transportation services	172,820	-	11,468	184,288
	<u>1,144,201</u>	<u>17,487</u>	<u>72,691</u>	<u>1,234,379</u>
Other expenditures:				
Facilities acquisition	-	315,644	-	315,644
AEA flowthrough	171,131	-	-	171,131
	<u>171,131</u>	<u>315,644</u>	<u>-</u>	<u>486,775</u>
Total expenditures	<u>4,334,438</u>	<u>362,931</u>	<u>231,335</u>	<u>4,928,704</u>
Excess (deficiency) of revenues over (under) expenditures	(9,766)	(155,794)	(33,181)	(198,741)
Other financing sources (uses):				
Sales of equipment and real property	100	10,550	-	10,650
Net change in fund balances	(9,666)	(145,244)	(33,181)	(188,091)
Fund balances beginning of year, as restated	665,939	413,100	159,725	1,238,764
Fund balances end of year	<u>656,273</u>	<u>267,856</u>	<u>126,544</u>	<u>1,050,673</u>

See notes to financial statements.

## MARCUS-MERIDEN-CLEGHORN 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(188,091)
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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 outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	227,718	
Depreciation expense	<u>(84,840)</u>	142,878
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		308
Gain on the sale of real property on the Statement of Activities will be reduced for the basis in the property when sold.		
		(500)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(6,359)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>820</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(50,944)</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Enterprise Fund Nonmajor School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	48,781	859
Inventories	7,286	-
Capital assets, net of accumulated depreciation	15,305	-
<b>Total assets</b>	<u>71,372</u>	<u>859</u>
<b>Liabilities</b>		
Accounts payable	244	-
Salaries and benefits payable	9,117	-
Deferred revenue	3,548	-
<b>Total liabilities</b>	<u>12,909</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	15,305	-
Unrestricted	43,158	859
<b>Total net assets</b>	<u><u>58,463</u></u>	<u><u>859</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2004

	Enterprise Funds Nonmajor School Nutrition <u>          </u> \$	Governmental Activities - Internal Service Fund <u>          </u> \$
Operating revenue:		
Local sources:		
Charges for service	89,800	24,582
Operating expenses:		
Non-instructional programs:		
Salaries	73,314	-
Benefits	14,430	23,762
Purchased services	6,423	-
Supplies	82,304	-
Depreciation	3,369	-
Other	144	-
	<u>179,984</u>	<u>23,762</u>
Operating gain (loss)	<u>(90,184)</u>	<u>820</u>
Non-operating revenue:		
State sources	2,944	-
Federal sources	81,312	-
Interest income	557	-
Total non-operating revenue	<u>84,813</u>	<u>-</u>
Change in net assets	(5,371)	820
Net assets beginning of year	<u>63,834</u>	<u>39</u>
Net assets end of year	<u><u>58,463</u></u>	<u><u>859</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	Enterprise Funds Nonmajor School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows form operating activities:		
Cash received from sale of lunches and breakfasts	92,620	-
Cash received from services provided to other funds	-	24,582
Cash payments to employees for services	(82,452)	(23,762)
Cash payments to suppliers for goods or services	(67,940)	
Net cash used by operating activities	<u>(57,772)</u>	<u>820</u>
Cash flows from non-capital financing activities:		
State grants received	2,944	-
Federal grants received	60,405	-
Net cash provided by non-capital financing activities	<u>63,349</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,280)	-
Cash flows from investing activities:		
Interest on investments	557	-
Net increase (decrease) in cash and cash equivalents	3,854	820
Cash and cash equivalents at beginning of year	<u>44,927</u>	<u>39</u>
Cash and cash equivalents at end of year	<u><u>48,781</u></u>	<u><u>859</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(90,184)	820
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	20,907	-
Depreciation	3,369	-
Decrease (increase) in inventories	3,246	-
(Decrease) increase in accounts payable	24	-
(Decrease) increase in salaries and benefits payable	5,292	-
(Decrease) increase in deferred revenue	(426)	-
Net cash used in operating activities	<u>(57,772)</u>	<u>820</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$20,907 of federal commodities.

# MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

Marcus-Meriden-Cleghorn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Marcus, Meriden and Cleghorn Iowa and the predominately agricultural territory in a portion of Cherokee and Plymouth 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, Marcus-Meriden-Cleghorn Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Marcus-Meriden-Cleghorn Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee flexible benefit plan.

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-12 years

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

Deferred 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

[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, disbursements in the [other expenditures](#) function exceeded the amount budgeted.

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

The District's deposits in banks 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.](#)

### 3. **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. NA is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	374,533	2,038	372,000	3,099
2004-05A	6/30/04	6/30/05	226,230	-	225,000	-
Total			<u>600,763</u>	<u>2,038</u>	<u>597,000</u>	<u>3,099</u>

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. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of 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
2003-04B	2.000	1.131
2004-05A	3.000	2.463

#### 4. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	58,720	-	58,720
Land	1,500	-	500	1,000
Total capital assets not being depr.	<u>1,500</u>	<u>58,720</u>	<u>500</u>	<u>59,720</u>
Capital assets being depreciated:				
Buildings	1,768,346	152,061	51,932	1,868,475
Improvements other than buildings	226,982	-	-	226,982
Furniture and equipment	824,039	16,937	3,012	837,964
Total capital assets being deprec.	<u>2,819,367</u>	<u>168,998</u>	<u>54,944</u>	<u>2,933,421</u>
Less accumulated depreciation for:				
Buildings	1,274,465	41,530	51,932	1,264,063
Improvements other than buildings	178,793	4,659	-	183,452
Furniture and equipment	722,947	38,651	3,012	758,586
Total accumulated depreciation	<u>2,176,205</u>	<u>84,840</u>	<u>54,944</u>	<u>2,206,101</u>
Total capital assets being depreciated, net	<u>643,162</u>	<u>84,158</u>	<u>-</u>	<u>727,320</u>
Governmental activities capital assets, net	<u>644,662</u>	<u>142,878</u>	<u>500</u>	<u>787,040</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	55,927	2,280	-	58,207
Less accumulated depreciation	39,533	3,369	-	42,902
Business type activities capital assets, net	<u>16,394</u>	<u>(1,089)</u>	<u>-</u>	<u>15,305</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				6,909
Other				1,813
Support Services:				
Administration services				4,187
Operation and maintenance of plant services				6,740
Transportation				19,002
				<u>38,651</u>
Unallocated depreciation				<u>46,189</u>
Total depreciation expense – governmental activities				<u>84,840</u>
Business type activities:				
Food services				<u>3,369</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Early retirement	60,562	45,247	38,888	66,921	28,771

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed **ten** years of full time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, **2004** totaled **\$38,888**

## 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, **2004**, **2003** and **2002**. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, **2004**, **2003**, and **2002** were **\$154,956**, **\$159,230**, and **\$154,170** respectively, equal to the required contributions for each year.

## 7. Risk Management

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

## 8. 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 **\$171,131** 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.

## 9. Construction Commitment

The District has entered into contracts totaling **\$175,110** for **roof repairs** and **gym improvements**. As of June 30, 2004 costs of **\$58,270** had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

## 10. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended [June 30, 2004](#). The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended [June 30, 2004](#). The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at [July 1, 2003](#) caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	PPEL	Nonmajor	
	\$	\$	\$	\$
Net assets, June 30, 2003, as previously reported	665,939	413,100	135,738	1,214,777
Reclassification of District Support Trust	-	-	2,908	2,908
GASB Interpretation 6 adjustments	-	-	21,079	21,079
Net assets, July 1, 2003, as restated for Governmental funds	<u>665,939</u>	<u>413,100</u>	<u>159,725</u>	1,238,764
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of <a href="#">\$2,176,205</a>				644,662
Net assets and liabilities of Internal Service Fund				39
Long-term liabilities:				
Early retirement				(60,562)
Deferred revenue				<u>140,233</u>
Net assets, July 1, 2003, as restated				<u>1,963,136</u>

REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,784,032	93,177	2,877,209	2,875,825	2,875,825	1,384
Intermediate sources	-	-	-	-	-	-
State sources	1,841,556	2,944	1,844,500	1,911,161	1,911,161	(66,661)
Federal sources	115,735	81,312	197,047	112,000	112,000	85,047
Total receipts	<u>4,741,323</u>	<u>177,433</u>	<u>4,918,756</u>	<u>4,898,986</u>	<u>4,898,986</u>	<u>19,770</u>
Disbursements:						
Instruction	3,075,600	-	3,075,600	3,339,417	3,339,417	263,817
Support services	1,227,008	-	1,227,008	1,583,784	1,583,784	356,776
Non-instructional programs	-	173,579	173,579	185,000	185,000	11,421
Other expenditures	497,834	-	497,834	183,427	183,427	(314,407)
Total disbursements	<u>4,800,442</u>	<u>173,579</u>	<u>4,974,021</u>	<u>5,291,628</u>	<u>5,291,628</u>	<u>317,607</u>
Excess (deficiency) of receipts over (under) disbursements	(59,119)	3,854	(55,265)	(392,642)	(392,642)	337,377
Other financing sources (uses) net	<u>15,530</u>	<u>-</u>	<u>15,530</u>	<u>1,000</u>	<u>1,000</u>	<u>14,530</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(43,589)	3,854	(39,735)	(391,642)	(391,642)	351,907
Balance beginning of year	<u>1,475,382</u>	<u>44,927</u>	<u>1,520,309</u>	<u>993,082</u>	<u>993,082</u>	<u>527,227</u>
Balance end of year	<u><u>1,431,793</u></u>	<u><u>48,781</u></u>	<u><u>1,480,574</u></u>	<u><u>601,440</u></u>	<u><u>601,440</u></u>	<u><u>879,134</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	4,741,323	(11,360)	4,729,963
Expenditures	4,800,442	128,262	4,928,704
Net	(59,119)	(139,622)	(198,741)
Other financing sources (uses) net	15,530	(4,880)	10,650
Beginning fund balances	1,475,382	(236,618)	1,238,764
Ending fund balances	<u>1,431,793</u>	<u>(381,120)</u>	<u>1,050,673</u>

	<u>Proprietary Fund Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	177,433	(2,820)	174,613
Expenditures	173,579	6,405	179,984
Net	3,854	(9,225)	(5,371)
Other financing sources (uses) net	-	-	-
Beginning fund balances	44,927	18,907	63,834
Ending fund balances	<u>48,781</u>	<u>9,682</u>	<u>58,463</u>

MARCUS-MERIDEN-CLEGHORN 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. [The District did not amend its budget during the year.](#)

During the year ended June 30, [2004](#), disbursements in the [other expenditures](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity Fund	Support Trust	
	\$	\$	\$	\$
Cash and pooled investments	48,021	75,317	2,908	126,246
Receivables:				
Property tax:				
Delinquent	960	-	-	960
Succeeding year	100,000	-	-	100,000
Accounts	835	-	-	835
<b>Total assets</b>	<b>149,816</b>	<b>75,317</b>	<b>2,908</b>	<b>228,041</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	1,497	-	1,497
Deferred revenue:				
Succeeding year property tax	100,000	-	-	100,000
Total liabilities	100,000	1,497	-	101,497
Fund balances:				
Unreserved fund balance	49,816	73,820	2,908	126,544
<b>Total liabilities and fund balances</b>	<b>149,816</b>	<b>75,317</b>	<b>2,908</b>	<b>228,041</b>

## MARCUS-MERIDEN-CLEGHORN 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
	Management	Student	District	
	Levy	Activity Fund	Support Trust	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,891	-	-	74,891
Other	798	122,388	-	123,186
State sources	77	-	-	77
Total revenues	<u>75,766</u>	<u>122,388</u>	<u>-</u>	<u>198,154</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	37,973	-	-	37,973
Other instruction	-	120,671	-	120,671
Support services:				
Administration services	2,885	-	-	2,885
Operation and maintenance of plant services	58,338	-	-	58,338
Transportation services	11,468	-	-	11,468
Total expenditures	<u>110,664</u>	<u>120,671</u>	<u>-</u>	<u>231,335</u>
Net change in fund balances	(34,898)	1,717	-	(33,181)
Fund balances beginning of year, as restated	<u>84,714</u>	<u>72,103</u>	<u>2,908</u>	<u>159,725</u>
Fund balances end of year	<u>49,816</u>	<u>73,820</u>	<u>2,908</u>	<u>126,544</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Business club	569	1,046	659	-	956
Boys basketball	4,827	4,097	4,391	-	4,533
Football	9,374	6,208	11,672	-	3,910
Girls basketball	4,512	3,979	2,849	-	5,642
Baseball	(378)	3,733	3,418	-	(63)
Golf	791	-	324	-	467
Boys track	103	2,908	2,315	-	696
Girls track	1,202	2,924	2,631	-	1,495
Wrestling	(113)	9,478	10,728	-	(1,363)
Softball	4,875	9,037	9,573	-	4,339
Volleyball	2,221	1,814	3,485	-	550
Weight room	90	-	-	-	90
Yearbook	(2,126)	4,548	5,667	2,000	(1,245)
Pep/Jazz band	528	-	555	-	(27)
Vocal	1,488	800	3,044	1,000	244
Student council	2,688	17,865	16,367	(157)	4,029
Leadership club	1,808	3,355	2,636	(23)	2,504
PTSA	396	-	16	-	380
TSA	3,413	1,367	1,462	-	3,318
Electrathon	640	-	640	-	-
Speech	2,960	1,322	1,241	-	3,041
Cheerleaders	268	287	111	-	444
Cheerleaders uniforms	580	33	565	-	48
Art club	386	636	930	-	92
Drama club	993	221	458	-	756
Drill team	2,706	1,775	1,857	-	2,624
Spanish club	2,532	50	275	-	2,307
Library club	321	312	480	-	153
Video club	1,198	279	1,171	289	595
National Honor Society	179	1,023	1,252	-	(50)
Home economics	459	408	473	-	394
MMC marketing club	2,388	5,983	6,602	-	1,769
Just say no club	1,060	2,705	190	-	3,575
Lettermans club	7,441	12,172	2,472	(5,700)	11,441
Class of 2003	289	-	-	(289)	-
Class of 2004	1,051	-	1,306	100	(155)
Class of 2005	1,725	814	2,061	25	503
Class of 2006	885	950	-	25	1,860
Class of 2007	-	960	-	30	990
Character counts club	-	164	171	665	658
Interest	665	-	-	(665)	-
Home economics	245	565	568	-	242

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Annual	1,140	597	644	-	1,093
MS vocal	164	-	80	-	84
MS athletics	1,467	469	2,892	2,608	1,652
MS plays	359	-	-	-	359
MS student council	6,421	15,773	13,257	(208)	8,729
Family communication	857	1,273	1,200	-	930
TSA	582	-	-	-	582
Elementary library club	290	458	1,024	-	(276)
Elementary activities	1,167	-	1,045	-	122
Fund balance not spent	-	-	-	300	300
June 30, 2004 accruals	-	-	1,497	-	(1,497)
June 30, 2003 accruals	(5,583)	-	(5,583)	-	-
Totals	72,103	122,388	120,671	-	73,820

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,440,231	2,274,769	2,106,835	2,161,466
Tuition	126,867	129,056	150,269	102,261
Other	222,319	27,001	214,959	242,183
State sources	1,841,556	1,933,219	1,941,351	1,957,162
Federal sources	98,990	102,951	113,684	90,190
Total revenues	<u>4,729,963</u>	<u>4,466,996</u>	<u>4,527,098</u>	<u>4,553,262</u>
Expenditures:				
Instruction:				
Regular instruction	2,171,633	1,946,359	2,052,483	1,969,415
Special instruction	642,272	562,312	580,462	548,893
Other instruction	393,645	352,700	365,875	376,020
Support services:				
Student services	118,156	111,926	106,608	83,612
Instructional staff services	85,520	83,426	93,473	102,748
Administration services	479,096	493,327	495,182	448,508
Operation and maintenance of plant services	367,319	349,449	327,085	370,818
Transportation services	184,288	187,609	225,097	194,089
Other expenditures:				
Facilities acquisition	315,644	142,840	64,688	88,307
Long-term debt:				
AEA flowthrough	171,131	182,522	182,973	188,134
Total expenditures	<u>4,928,704</u>	<u>4,412,470</u>	<u>4,493,926</u>	<u>4,370,544</u>

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

To the Board of Education of the  
[Marcus-Meriden-Cleghorn](#) Community School District:

We have audited the financial statements of the [Marcus-Meriden-Cleghorn](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated [August 25, 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 [Marcus-Meriden-Cleghorn](#) 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.](#)

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, [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 items [04-II-B](#), [04-II-K](#) and [04-II-L](#).

### Internal Control over Financial Reporting

In planning and performing our audit, we considered [Marcus-Meriden-Cleghorn](#) 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 judgement, 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 Part I of the accompanying Schedule of Findings.

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 items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Marcus-Meriden-Cleghorn](#) Community School District and other parties to whom the 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 [Marcus-Meriden-Cleghorn](#) 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

[August 25, 2004](#)

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

**04-I-A**      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

**04-I-B**      Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, who is the other cosigner of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a stamp is used persons writing or cosigning checks should not have access.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

**04-II-A** Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.

Recommendation: The District should increase the maximum dollar amount allowed by its depository resolution so that the maximum will not be exceeded during the times when cash flow of the District is the greatest.

District Response: We will increase the maximum deposit amount allowed by our depository resolution.

Conclusion: Response accepted.

**04-II-B** Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures function.

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.

District Response: We will amend our budget in the future before disbursements exceed the budget.

Conclusion: Response accepted.

**04-II-C** Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**04-II-D** Travel Expenses: 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.

**04-II-E** Business Transactions: We noted no business transactions between the District and District officials or employees.

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

**04-II-G** Board Minutes: We noted that Internal Service Fund payments were not on the lists of bills approved by the board.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. The board, at the next board meeting, should approve any payments made prior to board approval.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

District Response: We will begin including Internal Service Fund payments on the lists of bills for board approval.

Conclusion: Response accepted.

04-II-H Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 6 of the Certified Enrollment Certification Form for September 2003, was overstated by two students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.

04-II-K Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2004.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

04-II-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extra-curricular student activity program. There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We are reviewing the accounts and making the necessary adjustments.

Conclusion: Response accepted.

04-II-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved gymnasium improvements without holding a public hearing.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

03-II-M

Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted \$1,500 of payments for school supplies made from the District directly to parents of two home schooled families.

Recommendation: The District should not be making payments to parents. The District may purchase education supplies for the home school assistance program directly from the vendors. Any supplies purchased for the home school program must be the type of supplies that the District could purchase for use in the public school.

District Response: We are no longer reimbursing parents for supplies. We will monitor the types of supplies that are purchased for the home school assistance program.

Conclusion: Response accepted.