

MFL MARMAC 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
MFL MarMac 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 MFL MarMac Community School District, Monona, 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 basic 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 basic 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, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac 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 11 to the financial statements, during the year ended June 30, 2004, MFL MarMac 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 October 18, 2004, on our consideration of MFL MarMac 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 41 through 43 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. However, 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 MFL MarMac 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 unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, 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

October 18, 2004

MFL MarMac Community School District

Management Discussion & Analysis

This section of the MFL MarMac Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the MFL MarMac Community School 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 operations.

Financial Highlights

- The MFL MarMac CSD Board of Directors approved a Property Tax decrease in the General Fund from \$11.88 to \$11.37 per \$1,000 taxable valuation creating a savings to tax payers in the amount of \$93,392. Increased property insurance values and increased workman's compensation premiums along with the anticipation of future early retirements caused the district to increase the levy in the management fund. This caused the overall levy of all funds increase from 13.54 to 13.65, costing taxpayers an additional \$20,143.
- The State of Iowa imposed a 2.5% reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 revenues by \$82,000 in the General Fund.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- The reduction in revenues and the increase in salaries, benefits, utilities and special education placed strain on the district. However, due to reduced expenditures in various areas to counter these strains, the District's General Fund balance still increased by \$247,428.
- The District eliminated the Booster Club Account; the Friends of The Arts, and the Summer Recreation from the Fiduciary Accounts kept in the activity account. These accounts must now be maintained independently by those organizations as to keep in compliance with changes in financial law.
- The following graph shows the districts changing balances using the month of March as a benchmark:

Year	General Fund	All Funds	Enrollment
04-05	1,994,930	2,816,543	953
03-04	1,883,555	2,231,595	998
02-03	1,470,036	1,915,712	1002
01-02	1,184,567	1,459,070	1048

Overview of the Financial Statements

This 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* explain 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-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

Figure A-1

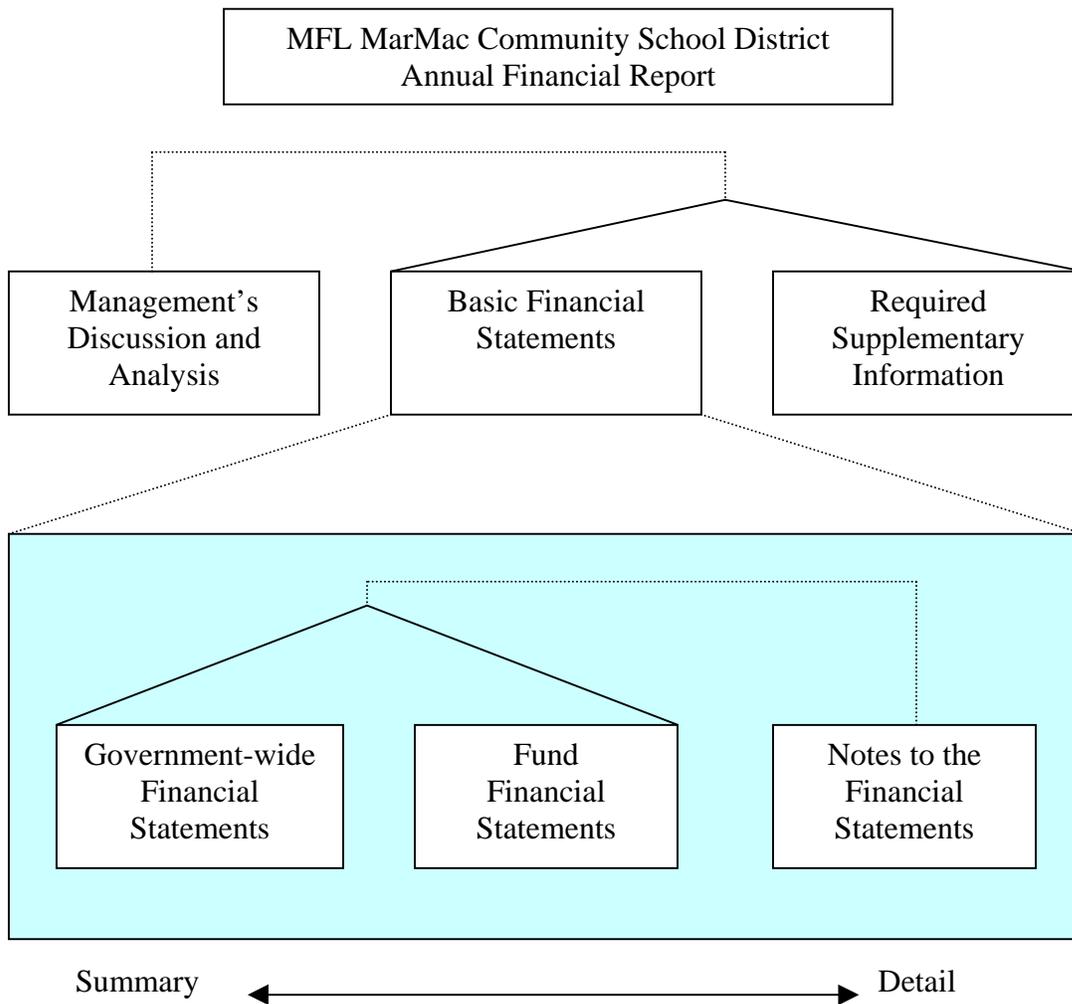


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

*Figure A-2
Major Features of the 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 business: 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow 	<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 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 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 – 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, 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 cover the costs of certain services it provides. The District's food service and preschool programs 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 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:

- *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 you 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 Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these 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.

Financial Analysis of the District as a Whole

Net assets. The District's combined net assets were larger on June 30, 2004, than they were the year before, increasing \$648,378.

Figure A-3

Condensed Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current and other assets	\$6,755,447	\$59,282	\$6,814,729
Capital assets	1,536,477	7,750	1,544,227
Total Assets	8,291,924	67,032	8,358,956
Long-term liabilities	1,202,849	-	1,202,849
Other liabilities	4,143,423	3,497	4,146,920
Total liabilities	5,346,272	3,497	5,349,769
Net Assets:			
Invested in capital assets, net of related debt	526,477	7,750	534,227
Restricted	470,171	-	470,171
Unrestricted	1,949,004	55,785	2,004,789
TOTAL NET ASSETS	\$2,945,652	\$63,535	\$3,009,187

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

Governmental Activities -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$7,667,351 for fiscal year 2004. Total governmental expenditures were \$7,043,748.

In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues in a year when the Board of Directors had lowered the overall District tax rate in the General Fund from \$11.88 per thousand dollars of taxable valuation to \$11.37

Figure A-4

Changes in Net Assets from Operating Results

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program Revenues			
Charges for services	\$489,045	\$244,224	\$733,269
Operating Grants & Contributions	798,559	173,645	972,204
Capital Grants & Contributions	123,859	-	123,859
General Revenues			
Property taxes & other taxes	2,797,226	-	2,797,226
Unrestricted State Grants	3,405,294	-	3,405,294
Unrestricted Investment Earnings	36,795	241	37,036
Other Revenue	16,573	-	16,573
Total Revenues	\$7,667,351	\$418,110	\$8,085,461
Expenses			
Instruction	4,437,835	-	4,437,835
Support Services	2,106,745	-	2,106,745
Non-Instructional Programs	1,748	393,335	395,083
Other Expenses	497,420	-	497,420
Total Expenses	\$7,043,748	\$393,335	\$7,437,083
Transfers	-	-	-
Change in Net Assets	\$623,603	\$24,775	\$648,378

Figure A-5

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Instruction	\$4,437,835	\$3,499,384
Support Services	2,106,745	2,054,566
Non-instructional Programs	1,748	1,748
Other Expenses	497,420	76,587
TOTAL	\$7,043,748	\$5,632,285

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table 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. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$7,043,748.
- Some of the cost was financed by the users of the District's programs (\$489,045).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$922,418).
- Most of the District's costs (\$5,632,285), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,797,226 in **property and other local taxes**, and \$3,458,662 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a slight increase in net assets with revenues exceeding expenses \$24,775 (refer to *Figure A-4*). The Board of Education did not increase school meal prices for fiscal year 2004, but made a decision to increase meal price by five cents (.05) per lunch for fiscal year 2005.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,532,643, slightly less of last year's ending fund balances of \$2,648,794.

Governmental Fund Highlights

The General Fund balance increased from \$1,684,801 to \$1,932,229. We were also able to reduce expenditures to the point that this exceeded negative impact to our budget. The negative impact included declined student enrollment, the governors 2.5% rollback, and the elimination of Phase III funding. We were able to cut expenditures by carefully analyzing our staffing needs, by carefully utilizing District purchasing, and by maximizing the use of the Physical Plant and Equipment Levy for our technology needs.

The Non-major Governmental (Management, Activity, PPEL, Capital Projects, and Debt Service) Funds balance decreased \$363,579 to \$600,414. The decrease was due in large part to increased capital outlay expenditures, and elimination of funds in the activity account.

Proprietary Fund Highlights

The Enterprise Funds net assets increased from \$38,760 at June 30, 2003 to \$63,535 at June 30, 2004. This was due to the reduction of one employee and a five cent increase in meal prices.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. During fiscal year 2004 the District amended the budget once increasing total disbursements by \$1,456,688. The budget was amended to adequately cover additional expenses created by revenues from the local option sales tax. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY04, total revenues were below expectations held when the FY04 budget was assembled in February 2003. Ultimately, budgeted amounts exceeded actual revenue by \$108,200. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled, such as the mid-year 2.5% across the board cut in state funding. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District's total disbursements (\$8,595,200) were larger than total receipts (\$8,097,962) but still below budgeted expenditures of 10,960,000. Disbursements exceeded receipts because proceeds from capital loan notes issued in the prior year were spent in fiscal year 2004.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$1,544,227, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$699,420 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any additional debt in FY04. Capital assets were purchased as revenue became available and included completion of a major remodeling and renovation project.

<i>Figure A-6</i>			
Capital Assets (net of depreciation)			
	Governmental Activities 2004	Business Type Activities 2004	Total School District 2004
Land	10,000	-	10,000
Improvements	1,023,663	-	1,023,663
Buildings	194,778	-	194,778
Equipment & Furniture	308,036	7,750	315,786
TOTAL	1,536,477	7,750	1,544,227



Long-Term Debt

At June 30, 2004, the District had \$1,202,849 in Local Option Sales Tax revenue bonds, general obligation and other long-term debt outstanding (Figure A-7). This represents a decrease of approximately 36,650 from last year. Additional information about the District’s long-term debt is presented in Note 7 to the financial statements.

Figure A-7

<i>Long-Term Debt</i>		
	Balance End of 2004	Due Within One Year
Local option sales tax revenue bonds	165,000	15,000
Capital Loan	845,000	85,000
Early Retirement	192,849	36,366
Total	<u>\$1,202,849</u>	<u>136,366</u>

Factors Bearing on the District’s Future

The District is projected to remain in good financial health far into the future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside of the Board’s control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District’s financial viability.

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 Dr. Dale Crozier, Superintendent, MFL MarMac Community School District, 700 Page Street, Monona, Iowa 52162.

BASIC FINANCIAL STATEMENTS

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,511,248	-	1,511,248
Other	2,417,110	44,051	2,461,161
Receivables:			
Property tax:			
Delinquent	50,660	-	50,660
Succeeding year	2,602,931	-	2,602,931
Accounts	1,114	4,568	5,682
Accrued interest:			
ISCAP	3,604	-	3,604
Other	802	-	802
Due from other governments	167,978		167,978
Inventories	-	10,663	10,663
Capital assets, net of accumulated depreciation	1,536,477	7,750	1,544,227
Total assets	8,291,924	67,032	8,358,956
Liabilities			
Accounts payable	5,237	-	5,237
Accrued interest payable	12,619	-	12,619
Deferred revenue:			
Succeeding year property tax	2,602,931	-	2,602,931
Other	-	3,497	3,497
ISCAP warrants payable	1,514,000	-	1,514,000
ISCAP accrued interest payable	5,465	-	5,465
ISCAP premium	3,171	-	3,171
Long-term liabilities			
Portion due within one year:			
Revenue bonds payable	15,000	-	15,000
Notes payable	85,000	-	85,000
Early retirement	36,366	-	36,366
Portion due after one year:			
Revenue bonds payable	150,000	-	150,000
Notes payable	760,000	-	760,000
Early retirement	156,483	-	156,483
Total liabilities	5,346,272	3,497	5,349,769

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	526,477	7,750	534,227
Restricted for:			
Gifted and talented program	62,606	-	62,606
Capital outlay	310,149	-	310,149
Other special revenue purposes	68,093	-	68,093
Debt service	-	-	-
Unrestricted	<u>1,978,327</u>	<u>55,785</u>	<u>2,034,112</u>
Total net assets	<u><u>2,945,652</u></u>	<u><u>63,535</u></u>	<u><u>3,009,187</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<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	2,914,666	128,638	315,322	-
Special instruction	914,195	14,850	162,012	-
Other instruction	608,974	308,506	9,123	-
	<u>4,437,835</u>	<u>451,994</u>	<u>486,457</u>	<u>-</u>
Support services:				
Student services	277,687	10,000	4,265	-
Instructional staff services	180,711	-	2,040	-
Administration services	834,503	-	8,823	-
Operation and maintenance of plant services	431,087	23,722	-	-
Transportation services	382,757	3,329	-	-
	<u>2,106,745</u>	<u>37,051</u>	<u>15,128</u>	<u>-</u>
Non-instructional programs	<u>1,748</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	96,519	-	-	123,859
Long-term debt interest	30,589	-	-	-
AEA flowthrough	296,974	-	296,974	-
Depreciation (unallocated)*	73,338	-	-	-
	<u>497,420</u>	<u>-</u>	<u>296,974</u>	<u>123,859</u>
Total governmental activities	<u>7,043,748</u>	<u>489,045</u>	<u>798,559</u>	<u>123,859</u>
Business type activities				
Non-instructional programs:				
Food service operations	379,402	225,416	173,645	-
Preschool	13,933	18,808	-	-
Total business type activities	<u>393,335</u>	<u>244,224</u>	<u>173,645</u>	<u>-</u>
Total	<u>7,437,083</u>	<u>733,269</u>	<u>972,204</u>	<u>123,859</u>

General Revenues:

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Local option sales and services tax	
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.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,470,706)	-	(2,470,706)
(737,333)	-	(737,333)
(291,345)	-	(291,345)
<u>(3,499,384)</u>	<u>-</u>	<u>(3,499,384)</u>
(263,422)	-	(263,422)
(178,671)	-	(178,671)
(825,680)	-	(825,680)
(407,365)	-	(407,365)
(379,428)	-	(379,428)
<u>(2,054,566)</u>	<u>-</u>	<u>(2,054,566)</u>
(1,748)	-	(1,748)
27,340	-	27,340
(30,589)	-	(30,589)
-	-	-
(73,338)	-	(73,338)
<u>(76,587)</u>	<u>-</u>	<u>(76,587)</u>
<u>(5,632,285)</u>	<u>-</u>	<u>(5,632,285)</u>
-	19,659	19,659
-	4,875	4,875
<u>-</u>	<u>24,534</u>	<u>24,534</u>
<u>(5,632,285)</u>	<u>24,534</u>	<u>(5,607,751)</u>
2,331,575	-	2,331,575
238,096	-	238,096
92,000	-	92,000
135,555	-	135,555
3,405,294	-	3,405,294
36,795	241	37,036
16,573	-	16,573
<u>6,255,888</u>	<u>241</u>	<u>6,256,129</u>
623,603	24,775	648,378
<u>2,322,049</u>	<u>38,760</u>	<u>2,360,809</u>
<u>2,945,652</u>	<u>63,535</u>	<u>3,009,187</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	1,511,248	-	1,511,248
Other	1,857,439	559,671	2,417,110
Receivables:			
Property tax:			
Delinquent	41,710	8,950	50,660
Succeeding year	1,983,221	619,710	2,602,931
Accounts	235	879	1,114
Accrued interest - ISCAP	3,604	-	3,604
Accrued interest - other	802	-	802
Interfund receivable/payable	29,675	(29,675)	-
Due from other governments	106,730	61,248	167,978
	<u>5,534,664</u>	<u>1,220,783</u>	<u>6,755,447</u>
Total assets			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	4,578	659	5,237
ISCAP warrants payable	1,514,000	-	1,514,000
ISCAP accrued interest payable	5,465	-	5,465
ISCAP premium	3,171	-	3,171
Succeeding year property tax	1,983,221	619,710	2,602,931
Other	92,000	-	92,000
Total liabilities	<u>3,602,435</u>	<u>620,369</u>	<u>4,222,804</u>
Fund balances:			
Reserved for:			
Gifted and talented program	62,606	-	62,606
Debt service	-	1	1
Unreserved	1,869,623	600,413	2,470,036
Total fund balances	<u>1,932,229</u>	<u>600,414</u>	<u>2,532,643</u>
	<u>5,534,664</u>	<u>1,220,783</u>	<u>6,755,447</u>
Total liabilities and fund balances			

MFL MARMAC 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 (Exhibit C)	2,532,643
<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.	1,536,477
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	92,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(12,619)
Long-term liabilities, including bonds payable, notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,202,849)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,945,652</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Nonmajor Governmental	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,224,969	574,301	2,799,270
Tuition	125,357	-	125,357
Other	92,450	324,245	416,695
Intermediate sources	4,265	-	4,265
State sources	3,986,471	335	3,986,806
Federal sources	212,782	123,859	336,641
Total revenues	<u>6,646,294</u>	<u>1,022,740</u>	<u>7,669,034</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,934,875	-	2,934,875
Special instruction	914,195	-	914,195
Other instruction	315,333	293,641	608,974
	<u>4,164,403</u>	<u>293,641</u>	<u>4,458,044</u>
Support services:			
Student services	277,687	-	277,687
Instructional staff services	180,711	-	180,711
Administration services	703,937	129,946	833,883
Operation and maintenance of plant services	429,801	-	429,801
Transportation services	343,605	-	343,605
	<u>1,935,741</u>	<u>129,946</u>	<u>2,065,687</u>
Non-instructional programs	1,748	-	1,748
Other expenditures:			
Facilities acquisition	-	913,215	913,215
Long-term debt:			
Principal	-	15,000	15,000
Interest and fiscal charges	-	34,878	34,878
AEA flowthrough	296,974	-	296,974
	<u>296,974</u>	<u>963,093</u>	<u>1,260,067</u>
Total expenditures	<u>6,398,866</u>	<u>1,386,680</u>	<u>7,785,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,428</u>	<u>(363,940)</u>	<u>(116,512)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	361	361
Operating transfers in	-	49,878	49,878
Operating transfers out	-	(49,878)	(49,878)
Total other financing sources (uses)	<u>-</u>	<u>361</u>	<u>361</u>
Net change in fund balances	247,428	(363,579)	(116,151)
Fund balances beginning of year, as restated	<u>1,684,801</u>	<u>963,993</u>	<u>2,648,794</u>
Fund balances end of year	<u>1,932,229</u>	<u>600,414</u>	<u>2,532,643</u>

See notes to financial statements.

MFL MARMAC 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 (Exhibit E)		(116,151)

**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 outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	877,684	
Depreciation expense	<u>(176,825)</u>	700,859

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.

(2,044)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

15,000

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.

4,289

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		<u>21,650</u>
------------------	--	---------------

Changes in net assets of governmental activities (Exhibit B)623,603

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Enterprise Funds</u>	Governmental
	<u>Nonmajor Funds</u>	Activities - Internal
	\$	Service Fund
		\$
Assets		
Cash and cash equivalents	44,051	-
Accounts receivable	4,568	-
Inventories	10,663	-
Capital assets, net of accumulated depreciation	7,750	-
Total assets	<u>67,032</u>	-
Liabilities		
Deferred revenue	3,497	-
Net assets		
Invested in capital assets, net of related debt	7,750	-
Unrestricted	55,785	-
Total net assets	<u><u>63,535</u></u>	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>Enterprise Funds</u>	Governmental Activities -
	<u>Nonmajor Funds</u>	Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	244,224	5,592
Operating expenses:		
Non-instructional programs:		
Salaries	161,799	-
Benefits	58,387	5,592
Purchased services	3,735	-
Supplies	166,267	-
Depreciation	3,147	-
	<u>393,335</u>	<u>5,592</u>
Operating gain (loss)	<u>(149,111)</u>	-
Non-operating revenue:		
State sources	5,927	-
Federal sources	167,718	-
Interest income	241	-
Total non-operating revenue	<u>173,886</u>	-
Change in net assets	24,775	-
Net assets beginning of year	<u>38,760</u>	-
Net assets end of year	<u><u>63,535</u></u>	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	<u>Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Nonmajor Funds</u>	
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	224,740	-
Cash received from daycare services	18,808	55,592
Cash payments to employees for services	(221,284)	-
Cash payments to suppliers for goods or services	(142,990)	(55,592)
Net cash used by operating activities	<u>(120,726)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	5,927	-
Federal grants received	140,093	-
Net cash provided by non-capital financing activities	<u>146,020</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,708)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>241</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	23,827	-
Cash and cash equivalents at beginning of year	<u>20,224</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>44,051</u></u>	<u><u>-</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(149,111)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	27,625	-
Depreciation	3,147	-
Decrease (increase) in inventories	(613)	-
Decrease (increase) in accounts receivable	(241)	-
(Decrease) increase in salaries and benefits payable	(1,098)	-
(Decrease) increase in deferred revenue	(435)	-
Net cash used in operating activities	<u><u>(120,726)</u></u>	<u><u>-</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$27,625 of federal commodities.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship <u> </u> \$	<u> </u> Agency <u> </u> \$
Assets		
Cash and pooled investments	303	1,530
Liabilities		
Other payables	<u> </u> -	<u> </u> 1,530
Net Assets		
Reserved for scholarships	<u> </u> 303	<u> </u> -

MFL MARMAC COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions	-
Deductions	<u>-</u>
Change in net assets	-
Net assets beginning of year	<u>303</u>
Net assets end of year	<u><u>303</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

MFL MarMac 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 Monona, Farmersburg, Luana, Marquette and McGregor, Iowa and the predominately agricultural territory in a portion of Clayton and Allamakee 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, MFL MarMac 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 MFL MarMac 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 instruction, support and other costs.

The District proprietary funds include the Nonmajor Enterprise, School Nutrition and Preschool Funds. These funds are used to account for the operations of both funds.

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 collection and disbursement of certain fees and charges.

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

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

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

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</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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 did not exceed the amounts 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. **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Special Revenue: Management Fund	39,540
Special Revenue: Physical Plant and Equipment Levy Fund	General Fund	9,865

The interfund receivable/payables are for expenses paid by each fund which will be reimbursed during the next year.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service	Special Revenue: Physical Plant and Equipment Levy Fund	33,629
Debt Service	Capital Projects Fund	16,249

The transfers reflect amounts paid for debt service requirements from each fund.

5. 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. N.A. 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	662,481	3,604	658,000	5,465
2004-05A	6/30/04	6/30/05	848,767		856,000	
Total			<u>1,511,248</u>	<u>3,604</u>	<u>1,514,000</u>	<u>5,465</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 %
2003-04B	2.00	1.310
2004-05A	3.00	2.463

6. 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
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	2,858,531	-	-	2,858,531
Improvements other than buildings	296,853	816,696	-	1,113,549
Furniture and equipment	1,048,652	60,988	-	1,109,640
Total capital assets being deprec.	4,204,036	877,684	-	5,081,720
Less accumulated depreciation for:				
Buildings	2,620,781	42,972	-	2,663,753
Improvements other than buildings	59,520	30,366	-	89,886
Furniture and equipment	698,117	103,487	-	801,604
Total accumulated depreciation	3,378,418	176,825	-	3,555,243
Total capital assets being depreciated, net	825,618	700,859	-	1,526,477
Governmental activities capital assets, net	835,618	700,859	-	1,536,477

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	63,461	1,708	-	65,169
Less accumulated depreciation	<u>54,272</u>	<u>3,147</u>	-	<u>57,419</u>
Business type activities capital assets, net	<u>9,189</u>	<u>(1,439)</u>	-	<u>7,750</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	1,441
Support Services:	
Administration services	620
Operation and maintenance of plant services	1,286
Transportation	<u>100,140</u>
	103,487
Unallocated depreciation	<u>73,338</u>
Total depreciation expense – governmental activities	<u>176,825</u>
Business type activities:	
Food services	<u>3,147</u>

7. 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
	\$	\$	\$	\$	\$
Local option sales and services tax revenue bonds	180,000	-	15,000	165,000	15,000
Capital loan notes	845,000	-	-	845,000	85,000
Early retirement	214,499	37,000	58,650	192,849	36,366
Total	<u>1,239,499</u>	<u>37,000</u>	<u>73,650</u>	<u>1,202,849</u>	<u>136,366</u>

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 **fifteen** years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on insurance costs and cash payments to be made. Early retirement expenditures for the year ended June 30, **2004** totaled \$58,650._

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	5.250	15,000	8,663	23,663
2006	5.250	15,000	7,875	22,875
2007	5.250	15,000	7,087	22,087
2008	5.250	20,000	6,300	26,300
2009	5.250	20,000	5,250	25,250
2010-2013	5.250	80,000	10,500	90,500
		<u>165,000</u>	<u>45,675</u>	<u>210,675</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after [January 1, 2009](#), may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$18,000 of the proceeds from the bond issue should have been placed in a reserve fund. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available. At June 30, 2004 the required amount had not been set aside in the required reserve account

[The District did not comply with all of the provisions during the year ended June 30, 2004. The required amount was not set aside in a reserve account until later into the 2004-2005 fiscal year.](#)

Capital Loan Notes

The District issued \$845,000 of capital loan notes on April 1, 2003. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	2.30	85,000	23,535	108,535
2006	2.35	85,000	21,580	106,580
2007	2.40	90,000	19,582	109,582
2008	2.40	90,000	17,422	107,422
2009	2.60	90,000	15,263	105,263
2010-2013	2.90-3.45	405,000	33,490	438,490
		<u>845,000</u>	<u>130,872</u>	<u>975,872</u>

During the year ended June 30, 2004 the District made interest payments totaling \$25,946 under the note agreements. There is no payment due on principal until fiscal year 2005.

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 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 \$258,771, \$247,086, and \$229,267 respectively, equal to the required contributions for each year.

9. Risk Management

MFL MarMac Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs. The district participates only in the dental and life insurance portion of the plan.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$7,152.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$296,974 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. 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:

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	1,684,801	954,342	2,639,143
GASB Interpretation 6 adjustments	<u>-</u>	<u>9,651</u>	<u>9,651</u>
Net assets, July 1, 2003, as restated for Governmental funds	<u>1,684,801</u>	<u>963,993</u>	2,648,794
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$3,378,418			835,618
Long-term liabilities:			
Bonds			(180,000)
Notes payable			(845,000)
Early retirement			(214,499)
Accrued interest payable			(16,908)
Deferred revenue			<u>94,044</u>
Net assets, July 1, 2003, as restated			<u>2,322,049</u>

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC 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	3,325,492	243,789	3,569,281	3,542,838	3,542,838	26,443
Intermediate sources	4,265	-	4,265	-	-	4,265
State sources	4,008,145	5,927	4,014,072	4,251,324	4,251,324	(237,252)
Federal sources	342,626	167,718	510,344	412,000	412,000	98,344
Total receipts	<u>7,680,528</u>	<u>417,434</u>	<u>8,097,962</u>	<u>8,206,162</u>	<u>8,206,162</u>	<u>(108,200)</u>
Disbursements:						
Instruction	4,728,537	-	4,728,537	5,060,000	5,460,000	731,463
Support services	2,078,924	-	2,078,924	2,580,000	2,800,000	721,076
Non-instructional programs	4,213	393,607	397,820	445,000	500,000	102,180
Other expenditures	1,389,919	-	1,389,919	1,418,312	2,200,000	810,081
Total disbursements	<u>8,201,593</u>	<u>393,607</u>	<u>8,595,200</u>	<u>9,503,312</u>	<u>10,960,000</u>	<u>2,364,800</u>
Excess (deficiency) of receipts over (under) disbursements	(521,065)	23,827	(497,238)	(1,297,150)	(2,753,838)	2,256,600
Other financing sources (uses) net	<u>10,326</u>	<u>-</u>	<u>10,326</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>(1,089,674)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(510,739)	23,827	(486,912)	(197,150)	(1,653,838)	1,166,926
Balance beginning of year	<u>2,927,849</u>	<u>20,224</u>	<u>2,948,073</u>	<u>1,944,643</u>	<u>1,944,643</u>	<u>1,003,430</u>
Balance end of year	<u><u>2,417,110</u></u>	<u><u>44,051</u></u>	<u><u>2,461,161</u></u>	<u><u>1,747,493</u></u>	<u><u>290,805</u></u>	<u><u>2,170,356</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	7,680,528	(11,494)	7,669,034
Expenditures	8,201,593	(416,047)	7,785,546
Net	(521,065)	404,553	(116,512)
Other financing sources (uses) net	10,326	(9,965)	361
Beginning fund balances	2,927,849	(279,055)	2,648,794
Ending fund balances	<u>2,417,110</u>	<u>115,533</u>	<u>2,532,643</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	417,434	676	418,110
Expenditures	393,607	(272)	393,335
Net	23,827	948	24,775
Beginning fund balances	20,224	18,536	38,760
Ending fund balances	<u>44,051</u>	<u>19,484</u>	<u>63,535</u>

MFL MARMAC 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. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,456,688

During the year ended June 30, [2004](#), disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	Equipment	\$	\$	\$
	\$	\$	Levy	\$	\$	\$
Cash and pooled investments	257,735	68,234	183,417	50,284	1	559,671
Receivables:						
Property tax:						
Delinquent	3,976	-	4,974	-	-	8,950
Succeeding year	382,000	-	237,710	-	-	619,710
Accounts	-	518	361	-	-	879
Interfund receivable/payable	(39,540)	-	9,865	-	-	(29,675)
Due from other governments	-	-	-	61,248	-	61,248
Total assets	604,171	68,752	436,327	111,532	1	1,220,783
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	659	-	-	-	659
Deferred revenue:						
Succeeding year property tax	382,000	-	237,710	-	-	619,710
Total liabilities	382,000	659	237,710	-	-	620,369
Fund balances:						
Reserved for debt service	-	-	-	-	1	1
Unreserved fund balance	222,171	68,093	198,617	111,532	-	600,413
Total fund balances	222,171	68,093	198,617	111,532	1	600,414
Total liabilities and fund balances	604,171	68,752	436,327	111,532	1	1,220,783

MFL MARMAC 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	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	Fund	Equipment			\$
	\$	\$	Levy	\$	\$	\$
Revenues:						
Local sources:						
Local tax	200,650	-	238,096	135,555	-	574,301
Other	1,741	296,113	9,756	16,634	1	324,245
State sources	148	-	187	-	-	335
Federal sources	-	-	77,283	46,576	-	123,859
Total revenues	<u>202,539</u>	<u>296,113</u>	<u>325,322</u>	<u>198,765</u>	<u>1</u>	<u>1,022,740</u>
Expenditures:						
Current:						
Instruction:						
Other instruction	-	293,641	-	-	-	293,641
Support services:						
Administration services	129,946	-	-	-	-	129,946
Other expenditures:						
Facilities acquisition	-	-	322,849	590,366	-	913,215
Long-term debt:						
Principal	-	-	-	-	15,000	15,000
Interest and fiscal charges	-	-	-	-	34,878	34,878
Total expenditures	<u>129,946</u>	<u>293,641</u>	<u>322,849</u>	<u>590,366</u>	<u>49,878</u>	<u>1,386,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72,593</u>	<u>2,472</u>	<u>2,473</u>	<u>(391,601)</u>	<u>(49,877)</u>	<u>(363,940)</u>
Other financing sources (uses):						
Compensation for loss of fixed assets	-	-	361	-	-	361
Operating transfers in	-	-	-	-	49,878	49,878
Operating transfers out	-	-	(33,629)	(16,249)	-	(49,878)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(33,268)</u>	<u>(16,249)</u>	<u>49,878</u>	<u>361</u>
Net changes in fund balances	72,593	2,472	(30,795)	(407,850)	1	(363,579)
Fund balances beginning of year, as restated	<u>149,578</u>	<u>65,621</u>	<u>229,412</u>	<u>519,382</u>	<u>-</u>	<u>963,993</u>
Fund balances end of year	<u><u>222,171</u></u>	<u><u>68,093</u></u>	<u><u>198,617</u></u>	<u><u>111,532</u></u>	<u><u>1</u></u>	<u><u>600,414</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance	<u>Revenues</u>	<u>Expenditures</u>	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Fine arts	3,992	24,044	22,264	5,772
Middle school drama	601	1,244	926	919
Band	347	1,257	1,218	386
Girls basketball	-	9,411	9,411	-
General athletics	-	7,399	7,399	-
MS athletic equipment fund balance	299	-	-	299
MS athletic sup. fund balance	-	6,177	6,177	-
MS athletic fundraising fund balance	333	524	-	857
Cross country	-	1,059	1,059	-
Golf	-	852	852	-
Boys basketball	-	10,077	10,077	-
Football	-	10,255	10,255	-
Baseball	-	7,410	7,410	-
Boys track	-	2,808	2,808	-
Wrestling fund balance	-	6,956	6,956	-
Wrestling club fund balance	655	11,313	10,975	993
Volleyball	-	2,314	2,314	-
Bulldog volleyball club balance	142	2,278	2,212	208
Softball	126	6,634	6,760	-
Girls track	-	2,493	2,493	-
Cheerleaders	1,231	1,756	1,790	1,197
Dance team fund balance	(101)	2,112	2,011	-
MS cheerleaders fund balance	(1,197)	2,455	1,063	195
FFA	5,255	13,056	12,955	5,356
Student council	102	9,122	8,042	1,182
Middle school student council	1,473	2,184	2,880	777
Young americans	(218)	1,146	815	113
Middle school peer helpers	46	-	21	25
High school peer helpers	551	518	430	639
Class of 2003	2,593	-	2,593	-
Class of 2004	3,423	1,422	1,858	2,987
Class of 2005	355	20,341	15,680	5,016
Class of 2006	(16)	857	47	794
Class of 2007	46	197	-	243
Class of 2008	1,750	5,647	6,703	694
Class of 2009	6,616	14,651	20,844	423
Class of 2010	-	18,274	14,163	4,111
Music resale	(522)	2,170	1,262	386
Yearbook	(2,897)	16,904	8,449	5,558
Student activity tickets	1,324	6,149	6,085	1,388

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Elem. fund raising	2,942	2,497	4,236	1,203
M.S. fund raising	2,732	4,322	5,054	2,000
HS fund raising	4,329	5,181	5,026	4,484
MS class trips	-	46,640	46,295	345
Resale school supplies	207	-	-	207
Pepsi machine (M)	-	12,789	12,789	-
Pepsi (McG)	-	1,701	1,701	-
FFA savings	19,203	174	-	19,377
Student act. savings	11,175	(11,175)	-	-
Cash on hand	100	-	-	100
Beginning accruals	(1,376)	-	(1,376)	-
Ending accruals	-	518	659	(141)
	<u>65,621</u>	<u>296,113</u>	<u>293,641</u>	<u>68,093</u>
Total	<u>65,621</u>	<u>296,113</u>	<u>293,641</u>	<u>68,093</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Fund

Year ended June 30, 2004

	Athletic Boosters	Revolving	Summer Rec.	Employee Memorial	Bulldog Basketball	Insurance	Friends of the Arts	McGregor Achievement Club	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	16,092	2,305	11,129	-	1,764	-	11,689	718	43,697
Additions:									
Collections	1,587	4,925	4,384	175	4,369	75	(2,493)	-	13,022
Deductions:									
Miscellaneous	17,679	7,230	15,513	75	4,703	75	9,196	718	55,189
Balance end of year	-	-	-	100	1,430	-	-	-	1,530

MFL MARMAC 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	2,799,270	2,433,819	2,231,116	2,164,538
Tuition	125,357	131,466	107,765	126,283
Other	416,695	317,175	314,415	303,701
Intermediate sources	4,265	-	-	-
State sources	3,986,806	4,063,686	4,176,659	4,209,987
Federal sources	336,641	249,296	176,847	163,017
Total revenues	<u>7,669,034</u>	<u>7,195,442</u>	<u>7,006,802</u>	<u>6,967,526</u>
Expenditures:				
Instruction:				
Regular instruction	2,934,875	2,888,217	3,044,393	3,122,847
Special instruction	914,195	868,997	806,824	665,438
Other instruction	608,974	528,104	508,553	471,574
Support services:				
Student services	277,687	261,513	240,057	212,960
Instructional staff services	180,711	163,297	232,778	200,003
Administration services	833,883	808,748	705,168	650,928
Operation and maintenance of plant services	429,801	423,901	582,704	644,322
Transportation services	343,605	311,082	302,752	295,016
Non-instructional programs	1,748	-	-	150
Other expenditures:				
Facilities acquisition	913,215	670,243	22,628	-
Long-term debt:				
Principal	15,000	-	-	-
Interest and other charges	34,878	6,300	-	-
AEA flowthrough	296,974	319,147	321,901	334,573
Total expenditures	<u>7,785,546</u>	<u>7,249,549</u>	<u>6,767,758</u>	<u>6,597,811</u>

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

To the Board of Education of the
MFL MarMac Community School District

We have audited the financial statements of the MFL MarMac Community School District as of and for the year ended June 30, 2004, and have issued our report dated October 18, 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 MFL MarMac 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered MFL MarMac 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 item [04-I-A](#) is a material weakness. 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 [MFL MarMac](#) 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 [MFL MarMac](#) 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

October 18, [2004](#)

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the 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 activities 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.

MFL MARMAC 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 not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget: Disbursement for the year ended June 30, 2004 did not exceed the amounts budgeted.
- 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 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 no transactions requiring Board approval that had not been approved by the Board.
- 04-II-H Certified Enrollment: The number of tuitioned out resident students reported to the Iowa Department of Education for September 2003, was understated by 1 student.
- 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: The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.