

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

JUNE 30, 2005

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Bill Schwenker	President	2005
Leslie Lawson	Vice President	2004
Anne Pitcher Hawks	Board Member	2005
Mary Bartels	Board Member	2004
Brian Tabor	Board Member	2006
Board of Education (After September 2004 Election)		
Leslie Lawson	President	2007
Mary Bartels	Vice President	2007
Anne Pitcher Hawks	Board Member	2005
Bill Schwenker	Board Member	2005
Brian Tabor	Board Member	2006
School Officials		
Kim Huckstadt	Superintendent	2005
Barbara A. McKeon	District Secretary/Treasurer and Business Coordinator	2005
Steve Kahler	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

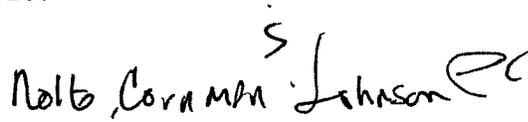
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District at June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our reports dated September 14, 2005 on our consideration of Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.


NOLTE, CORNMAN & JOHNSON, P.C.

September 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,067,889 in fiscal 2004 to \$13,235,353 in fiscal 2005, while General Fund expenditures increased from \$12,664,135 in fiscal 2004 to \$12,886,042 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$1,316,067 in fiscal 2004 to a balance of \$1,645,688 in fiscal 2005, a 25% increase from the prior year.
- The increase in General Fund revenues was attributable to a increase in state revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in instructional services.
- The district's General Fund solvency ratio (Unreserved, Undesignated General Fund Balance divided by Actual General Fund Revenues) increased from 9.11% in fiscal 2004 to 11.49% in fiscal 2005. The Iowa Association of School Boards recommends a target range of 5-10%.
- Voters in Clinton, Jackson & Dubuque County passed a Local Option Sales and Service Tax of 1% for ten years, beginning July 1, 2001, 2002 and 2003 consecutively, for the purpose of school infrastructure needs. The district received proceeds of \$610,231 during fiscal year 2005. The resources were used to finance an office addition to the Middle School, new tennis courts, replace the track, and additional classrooms and restrooms at the High School.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

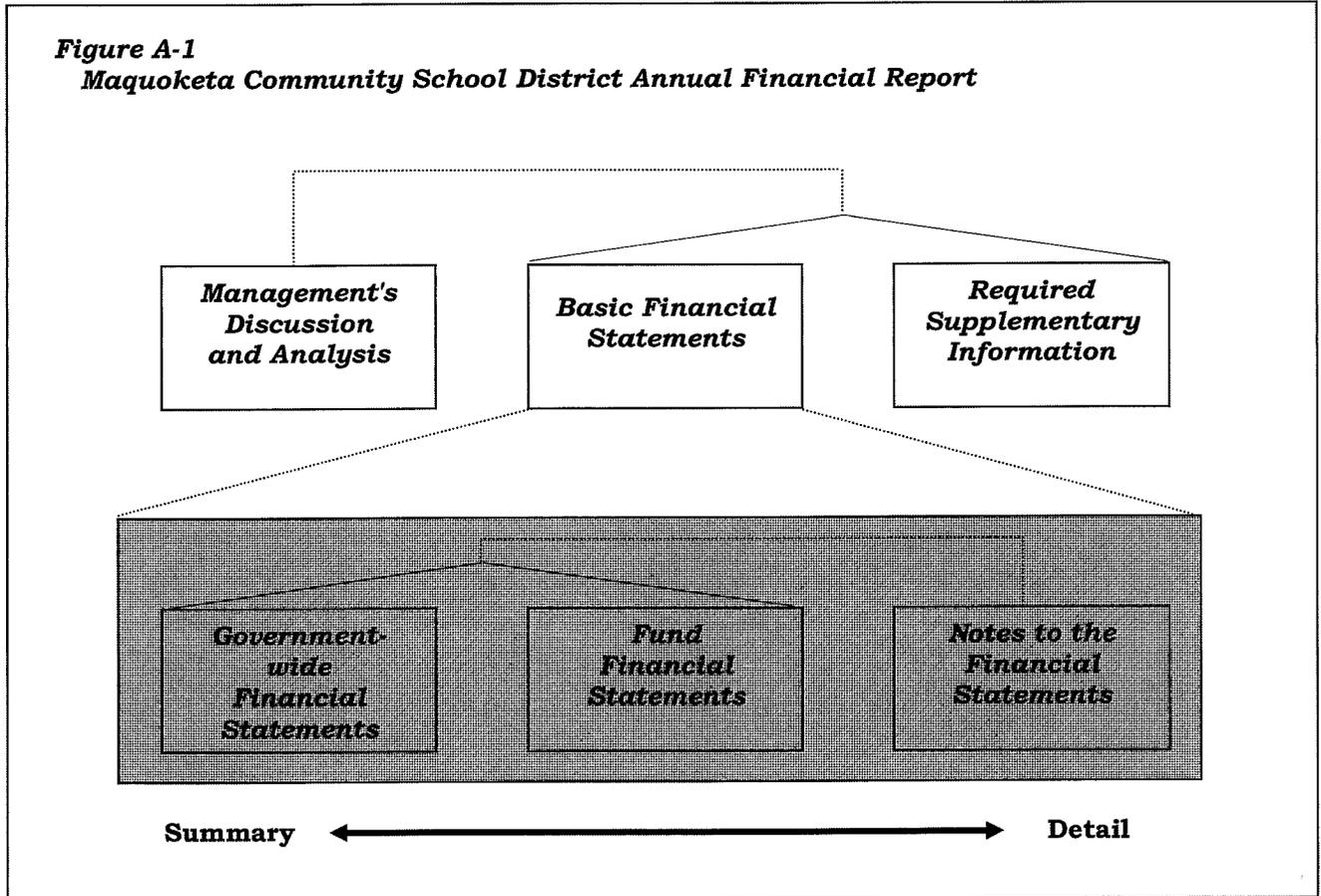


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

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

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

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 10,319,782	11,491,794	17,078	37,786	10,336,860	11,529,580	-10.34%
Capital assets	7,868,255	5,476,668	54,221	48,389	7,922,476	5,525,057	43.39%
Total assets	18,188,037	16,968,462	71,299	86,175	18,259,336	17,054,637	7.06%
Long-term obligations	2,190,528	2,792,748	0	0	2,190,528	2,792,748	-21.56%
Other liabilities	5,695,242	6,292,726	7,418	6,344	5,702,660	6,299,070	-9.47%
Total liabilities	7,885,770	9,085,474	7,418	6,344	7,893,188	9,091,818	-13.18%
Net assets:							
Invested in capital assets, net of related debt	6,261,443	4,763,213	54,221	48,389	6,315,664	4,811,602	31.26%
Restricted	671,770	530,612	0	0	671,770	530,612	26.60%
Unrestricted	3,369,054	2,589,163	9,660	31,442	3,378,714	2,620,605	28.93%
Total net assets	\$ 10,302,267	7,882,988	63,881	79,831	10,366,148	7,962,819	30.18%

The District's combined net assets increased by 30% or \$2,403,329 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt.

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

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$141,158 or 26.6% over the prior year. The increase was primarily due to the increase in the fund balance of the Special Revenue, Physical Plant and Equipment Levy Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$758,109 or nearly 29%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 2,049,852	1,872,931	286,782	266,738	2,336,634	2,139,669	9.21%
Operating grants and contributions and restricted interest	1,762,641	2,039,413	342,674	337,727	2,105,315	2,377,140	-11.43%
Capital grants and contributions and restricted interest	258,000	228,750	0	0	258,000	228,750	12.79%
General revenues:							
Property tax	4,476,168	4,510,543	0	0	4,476,168	4,510,543	-0.76%
Local option sales and service tax	610,231	670,876	0	0	610,231	670,876	-9.04%
Unrestricted state grants	6,120,931	5,877,360	0	0	6,120,931	5,877,360	4.14%
Other	100,294	47,805	104	156	100,398	47,961	109.33%
Total revenues	15,378,117	15,247,678	629,560	604,621	16,007,677	15,852,299	0.98%
Program expenses:							
Governmental activities:							
Instructional	9,003,452	9,137,573	0	0	9,003,452	9,137,573	-1.47%
Support services	3,209,309	3,510,500	0	0	3,209,309	3,510,500	-8.58%
Non-instructional programs	5,256	27,039	647,306	617,169	652,562	644,208	1.30%
Other expenses	740,821	1,257,196	0	0	740,821	1,257,196	-41.07%
Total expenses	12,958,838	13,932,308	647,306	617,169	13,606,144	14,549,477	-6.48%
Excess(deficiency) of revenues over (under) expenses before capital contributions	2,419,279	1,315,370	(17,746)	(12,548)	2,401,533	1,302,822	84.33%
Capital contributions	0	0	1,796	0	1,796	0	100.00%
Changes in net assets	2,419,279	1,315,370	(15,950)	(12,548)	2,403,329	1,302,822	84.47%
Net assets beginning of year	7,882,988	6,567,618	79,831	92,379	7,962,819	6,659,997	19.56%
Net assets end of year	\$ 10,302,267	7,882,988	63,881	79,831	10,366,148	7,962,819	30.18%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services that account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,378,117 and expenses were \$12,958,838.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,003,452	5,699,382
Support services	3,209,309	3,154,592
Non- instructional	5,256	5,256
Other expenses	740,821	29,115
Totals	<u>\$ 12,958,838</u>	<u>8,888,345</u>

- The cost financed by users of the District's programs was \$2,049,852.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,020,641.
- The net cost of governmental activities was financed with \$4,476,168 in local tax, \$610,231 in local option sales and service tax, \$6,120,931 in unrestricted state grants, and \$89,552 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$629,560 and expenses were \$647,306. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,763,426, below last year's ending fund balances of \$3,763,507. However, the primary reason for the decrease was the increase of expenditures in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,316,067 on June 30, 2004 to \$1,645,688 on June 30, 2005. The District's improving General Fund financial position is the product of many factors. An increase in the state grant and tuition revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Revenues still exceeded expenditures ensuring the increase in the District's financial position.
- The Management fund balance increased from \$81,288 in 2004, to \$100,713 in 2005, due to the decrease in expenditures.

-
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$196,138 to \$270,044, due to a decrease in total expenditures for the year.
 - The Capital Projects fund balance decreased during the current year, from \$1,912,880 to \$392,572. This resulted from an increase of the construction related expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$79,831 at June 30, 2004 to \$63,881 at June 30, 2005, representing a decrease of approximately 20%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$145,701 more than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2005 the district did amend their certified budget. In total the budget stayed the same, but expenditures were moved from one functional area to another.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$7.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of more than 43% from last year. Capital projects included the following: Six new tennis courts; track was constructed; land purchased near the Middle School for a parking lot; Middle School addition for the relocation of the office; and an addition at the High School for classrooms and restrooms. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$433,524.

The original cost of the District's capital assets was \$15,880,585. Governmental funds account for \$15,708,529 with the remainder of \$172,056 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$595,797 at June 30, 2005, compared to \$202,703 reported at June 30, 2004. This increase resulted from the purchases made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Land	\$ 234,026	190,525	0	0	234,026	190,525
Buildings	6,495,893	4,486,052	0	0	6,495,893	4,486,052	44.80%
Land improvements	595,797	202,703	0	0	595,797	202,703	193.93%
Machinery and equipment	542,539	597,388	54,221	48,389	596,760	645,777	-7.59%
Total	\$ 7,868,255	5,476,668	54,221	48,389	7,922,476	5,525,057	43.39%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$2,190,528 in general obligation bonds, revenue bonds, compensated absences, and early retirement. This represents a decrease of approximately 21.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,085,000 at June 30, 2005. The Debt Service pays for these bonds with local tax revenues.

At June 30, 2005, the District had revenue bonds payable of \$1,030,000. These bonds are paid with local option sales and service tax revenues through the Capital Projects Fund.

The District had compensated absences of \$22,112, at June 30, 2005.

The Management Fund is responsible for the outstanding early retirement payable at June 30, 2005, in the amount of \$53,416.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2005	2004	Change
General obligation bonds	\$ 1,085,000	1,365,000	-20.5%
Revenue Bonds	1,030,000	1,300,000	-20.8%
Early retirement	53,416	98,201	-45.6%
Compensated absences	22,112	20,408	8.3%
Total	\$ 2,190,528	2,783,609	-21.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's certified enrollment is down 14.5 students for funding of fiscal year 2005. Projections indicate the District may have declining enrollment in future years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.

-
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
 - The District has a Whole Grade Sharing Agreement with Delwood Community School, whereby Delwood School sends their 7-12 students to Maquoketa Schools. During fiscal year 2005, Delwood School paid Maquoketa School \$401,712 for regular education service. The agreement has been renewed and the tuition per student increases from 85% to 92% of the States District Cost per Pupil, beginning with the 2006-07 school year. The contract is for three years, annually renewing for a three year term.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara A. McKeon, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060.

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,208,181	7,122	5,215,303
Receivables:			
Property tax:			
Delinquent	87,922	0	87,922
Succeeding year	4,055,640	0	4,055,640
Income surtax	388,124	0	388,124
Accounts	48,781	400	49,181
Due from other governments	531,134	0	531,134
Inventories	0	9,556	9,556
Capital assets, net of accumulated depreciation (Note 4)	7,868,255	54,221	7,922,476
TOTAL ASSETS	18,188,037	71,299	18,259,336
LIABILITIES			
Accounts payable	\$ 82,655	635	83,290
Interest payable	8,109	0	8,109
Salaries and benefits payable	1,374,379	732	1,375,111
Incurred but not reported	174,459	0	174,459
Deferred revenue:			
Succeeding year property tax	4,055,640	0	4,055,640
Other	0	6,051	6,051
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	285,000	0	285,000
Revenue bonds	500,000	0	500,000
Early retirement	34,192	0	34,192
Compensated absences	22,112	0	22,112
Portion due after one year:			
General obligation bonds	800,000	0	800,000
Revenue bonds	530,000	0	530,000
Early retirement	19,224	0	19,224
TOTAL LIABILITIES	7,885,770	7,418	7,893,188
NET ASSETS			
Investment in capital assets, net of related debt	6,261,443	54,221	6,315,664
Restricted for:			
Talented and gifted	123,745	0	123,745
Management levy	47,297	0	47,297
Physical plant & equipment levy	270,044	0	270,044
Other special revenue purposes	230,684	0	230,684
Unrestricted	3,369,054	9,660	3,378,714
TOTAL NET ASSETS	\$ 10,302,267	63,881	10,366,148

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,624,387	856,606	1,271,781	0
Special instruction	2,541,854	488,349	0	0
Other instruction	1,837,211	687,334	0	0
	<u>9,003,452</u>	<u>2,032,289</u>	<u>1,271,781</u>	<u>0</u>
Support services:				
Student services	449,187	0	0	0
Instructional staff services	411,409	0	0	0
Administration services	1,079,054	0	0	0
Operation and maintenance of plant services	703,004	0	0	0
Transportation services	566,655	17,563	37,154	0
	<u>3,209,309</u>	<u>17,563</u>	<u>37,154</u>	<u>0</u>
Non-instructional:				
Food service operations	5,256	0	0	0
Other expenditures:				
Facilities acquisitions	0	0	0	258,000
Long-term debt interest	54,651	0	0	0
AEA flowthrough	453,706	0	453,706	0
Depreciation (unallocated)*	232,464	0	0	0
	<u>740,821</u>	<u>0</u>	<u>453,706</u>	<u>258,000</u>
Total governmental activities	12,958,838	2,049,852	1,762,641	258,000
Business-Type activities:				
Non-instructional programs:				
Nutrition services	647,306	286,782	342,674	0
Total business-type activities	<u>647,306</u>	<u>286,782</u>	<u>342,674</u>	<u>0</u>
Total	<u>\$ 13,606,144</u>	<u>2,336,634</u>	<u>2,105,315</u>	<u>258,000</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt services
 Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of equipment and materials

Total general revenues

Excess of revenues over expenses before capital contributions

Capital contributions

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,496,000)	0	(2,496,000)
(2,053,505)	0	(2,053,505)
(1,149,877)	0	(1,149,877)
(5,699,382)	0	(5,699,382)
(449,187)	0	(449,187)
(411,409)	0	(411,409)
(1,079,054)	0	(1,079,054)
(703,004)	0	(703,004)
(511,938)	0	(511,938)
(3,154,592)	0	(3,154,592)
(5,256)	0	(5,256)
258,000	0	258,000
(54,651)	0	(54,651)
0	0	0
(232,464)	0	(232,464)
(29,115)	0	(29,115)
(8,888,345)	0	(8,888,345)
0	(17,850)	(17,850)
0	(17,850)	(17,850)
(8,888,345)	(17,850)	(8,906,195)
\$ 3,902,627	0	3,902,627
309,029	0	309,029
264,512	0	264,512
610,231	0	610,231
6,120,931	0	6,120,931
89,552	104	89,656
10,742	0	10,742
11,307,624	104	11,307,728
2,419,279	(17,746)	2,401,533
0	1,796	1,796
2,419,279	(15,950)	2,403,329
7,882,988	79,831	7,962,819
\$ 10,302,267	63,881	10,366,148

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments:	\$ 2,543,029	318,894	711,677	3,573,600
Receivables:				
Property tax				
Delinquent	70,209	0	17,713	87,922
Succeeding year	3,260,048	0	795,592	4,055,640
Income surtax	388,124	0	0	388,124
Accounts	10,834	0	3,196	14,030
Due from other governments	457,456	73,678	0	531,134
TOTAL ASSETS	\$ 6,729,700	392,572	1,528,178	8,650,450
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 77,349	0	5,144	82,493
Salaries and benefits payable	1,358,491	0	2,276	1,360,767
Deferred revenue:				
Succeeding year property tax	3,260,048	0	795,592	4,055,640
Income surtax	388,124	0	0	388,124
Total liabilities	5,084,012	0	803,012	5,887,024
Fund balances:				
Reserved for:				
Debt Service	0	0	123,725	123,725
Talented and gifted	123,745	0	0	123,745
Unreserved:				
General	1,521,943	0	0	1,521,943
Capital projects	0	392,572	0	392,572
Management levy	0	0	100,713	100,713
Physical plant and equipment levy	0	0	270,044	270,044
Other special revenue	0	0	230,684	230,684
Total fund balances	1,645,688	392,572	725,166	2,763,426
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,729,700	392,572	1,528,178	8,650,450

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 2,763,426
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	7,868,255
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,109)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,481,099
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	388,124
Long-term liabilities, including bonds payable, compensated absences payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,190,528)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 10,302,267</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,682,539	0	793,629	4,476,168
LOSST	0	610,231	0	610,231
Tuition	1,344,955	0	0	1,344,955
Other	264,079	141,560	326,119	731,758
Intermediate sources	60,991	0	1,700	62,691
State sources	7,189,198	0	783	7,189,981
Federal sources	693,591	240,000	18,000	951,591
Total revenues	<u>13,235,353</u>	<u>991,791</u>	<u>1,140,231</u>	<u>15,367,375</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,946,571	0	85,340	5,031,911
Special instruction	2,546,452	0	0	2,546,452
Other instruction	1,509,183	0	326,651	1,835,834
	<u>9,002,206</u>	<u>0</u>	<u>411,991</u>	<u>9,414,197</u>
Support services:				
Student services	469,037	0	16,313	485,350
Instructional staff services	423,133	0	1,004	424,137
Administration services	1,120,897	0	17,783	1,138,680
Operation and maintenance of plant services	934,516	0	65,633	1,000,149
Transportation services	482,547	0	44,060	526,607
	<u>3,430,130</u>	<u>0</u>	<u>144,793</u>	<u>3,574,923</u>
Non-instructional:				
Food service operations	0	0	5,256	5,256
Other expenditures:				
Facilities acquisitions	0	2,142,657	181,778	2,324,435
Long-term debt:				
Principal	0	0	550,000	550,000
Interest and fiscal charges	0	0	55,681	55,681
AEA flowthrough	453,706	0	0	453,706
	<u>453,706</u>	<u>2,142,657</u>	<u>787,459</u>	<u>3,383,822</u>
Total expenditures	<u>12,886,042</u>	<u>2,142,657</u>	<u>1,349,499</u>	<u>16,378,198</u>
Excess (deficiency) of revenues over (under) expenditures	349,311	(1,150,866)	(209,268)	(1,010,823)
Other financing sources (uses):				
Transfers in	0	0	399,874	399,874
Transfers out	(30,432)	(369,442)	0	(399,874)
Compensation for loss of fixed assets	6,438	0	0	6,438
Sale of equipment and materials	4,304	0	0	4,304
Total other financing sources (uses)	<u>(19,690)</u>	<u>(369,442)</u>	<u>399,874</u>	<u>10,742</u>
Net change in fund balances	329,621	(1,520,308)	190,606	(1,000,081)
Fund balance beginning of year	<u>1,316,067</u>	<u>1,912,880</u>	<u>534,560</u>	<u>3,763,507</u>
Fund balance end of year	<u>\$ 1,645,688</u>	<u>392,572</u>	<u>725,166</u>	<u>2,763,426</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	Business-Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activites:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and cash equivalents	\$ 7,122	1,634,581
Receivables:		
Accounts	400	34,751
Inventories	9,556	0
Capital assets, net of accumulated depreciation	54,221	0
TOTAL ASSETS	71,299	1,669,332
LIABILITIES		
Accounts payable	635	162
Salaries and benefits payable	732	13,612
Incurred but not reported claims	0	174,459
Deferred revenues	6,051	0
TOTAL LIABILITES	7,418	188,233
NET ASSETS		
Invested in capital assets, net of related debt	54,221	0
Unrestricted	9,660	1,481,099
TOTAL NET ASSETS	\$ 63,881	1,481,099

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	Business-Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Other local sources:		
Sale of lunches and breakfasts:		
Students	\$ 250,556	0
Adults	21,854	0
A la carte	12,290	0
Miscellaneous	2,082	1,879,695
TOTAL OPERATING REVENUES	286,782	1,879,695
OPERATING EXPENSES:		
Salaries	163,497	0
Benefits	88,641	1,429,725
Services	8,831	9,000
Supplies	378,819	7,308
Depreciation	7,518	0
TOTAL OPERATING EXPENSES	647,306	1,446,033
OPERATING INCOME (LOSS)	(360,524)	433,662
NON-OPERATING REVENUES:		
Interest	104	0
State sources	8,783	0
Federal sources	333,891	0
TOTAL NON-OPERATING REVENUES	342,778	0
Net income(loss) before capital contribution	(17,746)	433,662
Capital contributions	1,796	0
Change in net assets	(15,950)	433,662
Net assets at beginning of year	79,831	1,047,437
Net assets end of year	\$ 63,881	1,481,099

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 286,921	0
Cash received from miscellaneous operating activities	2,082	1,879,695
Cash payments to employees for services	(252,049)	(1,463,178)
Cash payments to suppliers for goods or services	(346,011)	(47,159)
Net cash provided by(used in) operating activities	(309,057)	369,358
Cash flows from non-capital financing activities:		
State grants received	8,783	0
Federal grants received	291,962	0
Net cash provided by non-capital financing activities	300,745	0
Cash flows from investing activities:		
Interest on investments	104	0
Net cash provided by investing activities	104	0
Cash flows from capital financing activities:		
Purchase of assets	(11,554)	0
Net cash used by financing activities	(11,554)	0
Net increase(decrease) in cash and cash equivalents	(19,762)	369,358
Cash and cash equivalents at beginning of year	26,884	1,265,223
Cash and cash equivalents at end of year	\$ 7,122	1,634,581
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (359,755)	433,662
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	41,929	0
Depreciation	7,518	0
Increase in inventories	(696)	0
Decrease(increase) in accounts receivable	1,642	(34,751)
Increase in accounts payable	406	64
Increase in salaries and benefits payable	89	1,298
Decrease in incurred but not reported claims	0	(30,915)
Increase in deferred revenue	579	0
Net cash provided by(used in) operating activities	\$ (308,288)	369,358
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 7,122	1,634,581
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received Federal commodities valued at \$41,929.		
During the year ended June 30, 2005, the District received capital contributions valued at \$1,796.		

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2005

	<u>Private purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 144,804	1,462
LIABILITIES		
Due to other groups	0	1,462
NET ASSETS		
Reserved for scholarships	<u>\$ 144,804</u>	<u>0</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	<u>\$ 0</u>
Deletions:	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>144,804</u>
Net assets end of year	<u>\$ 144,804</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require

income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax

accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

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

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

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

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 91,458

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Investments are stated at fair value. Bonds are traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

The District's investments at June 30, 2005, are as follows:

	Fair Value
United States Savings Bonds	\$ 11,000

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 369,442
Special Revenue, Student Activity	General	30,432
Total		\$ 399,874

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 171,077	13,350	12,371	172,056
Less accumulated depreciation	122,688	7,518	12,371	117,835
Business-type activities capital assets, net	\$ 48,389	5,832	0	54,221

	Balance			Balance
	Beginning of		Decreases	End
	Year	Increases		of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 190,525	43,501	0	234,026
Total capital assets not being depreciated	190,525	43,501	0	234,026
Capital assets being depreciated:				
Buildings	9,374,610	2,203,383	3,305	11,574,688
Land improvements	598,975	433,063	35,335	996,703
Machinery and equipment	2,923,487	137,646	158,021	2,903,112
Total capital assets being depreciated	12,897,072	2,774,092	196,661	15,474,503
Less accumulated depreciation for:				
Buildings	4,888,558	193,542	3,305	5,078,795
Land improvements	396,272	39,969	35,335	400,906
Machinery and equipment	2,326,099	192,495	158,021	2,360,573
Total accumulated depreciation	7,610,929	426,006	196,661	7,840,274
Total capital assets being depreciated, net	5,286,143	2,348,086	0	7,634,229
Governmental activities capital assets, net	\$ 5,476,668	2,391,587	0	7,868,255

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 35,482
Other		1,377
Support services:		
Instructional staff services		9,449
Administration services		53,538
Operation and maintenance of plant services		5,967
Transportation		87,729
		<u>193,542</u>
Unallocated depreciation		232,464
Total governmental activities depreciation expense		<u>\$ 426,006</u>
Business-type activities:		
Food services		<u>\$ 7,518</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
General obligation bonds	\$ 1,365,000	0	280,000	1,085,000	285,000
Revenue bonds	1,300,000	0	270,000	1,030,000	500,000
Early retirement	98,201	38,450	83,235	53,416	34,192
Compensated absences	20,408	22,112	20,408	22,112	22,112
Total	\$ 2,783,609	60,562	653,643	2,190,528	841,304

General Obligation Bonds Payable

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue April 15, 2004		
		Principal	Interest	Total
2006	1.45-1.60 %	\$ 285,000	20,608	305,608
2007	1.75-1.95	285,000	16,047	301,047
2008	2.10-2.30	295,000	10,473	305,473
2009	2.45-2.55	220,000	4,152	224,152
Total		\$ 1,085,000	51,280	1,136,280

Revenue Bonds Payable

Details of the District's June 30, 2005 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bonds dated May 3, 2004		
		Principal	Interest	Total
2006	2.25-2.50 %	\$ 500,000	24,217	524,217
2007	2.75-2.95	530,000	11,855	541,855
Total		\$ 1,030,000	36,072	1,066,072

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's current salary (without extra duty increments, Phase III monies and extended term contracts). The District paid \$83,235 in early retirement benefits during the year ended June 30, 2005. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$440,068, \$439,149, and \$440,138, respectively, equal to the required contributions for each year.

(7) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$1,265,223 at June 30, 2005. The incurred but not recorded and unpaid claims liability of \$174,459 reported in the plan at June 30, 2005 based on the requirements of GASB Statement Number 10, is set up as a liability.

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$453,706 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 7,163,112	286,886	7,449,998
Intermediate sources	62,691	0	62,691
State sources	7,189,981	8,783	7,198,764
Federal sources	951,591	333,891	1,285,482
Total revenues	<u>15,367,375</u>	<u>629,560</u>	<u>15,996,935</u>
Expenditures:			
Instruction	9,414,197	0	9,414,197
Support services	3,574,923	0	3,574,923
Non-instructional programs	5,256	647,306	652,562
Other expenditures	3,383,822	0	3,383,822
Total expenditures	<u>16,378,198</u>	<u>647,306</u>	<u>17,025,504</u>
Excess(deficiency) of revenues over(under) expenditures	(1,010,823)	(17,746)	(1,028,569)
Other financing sources, net	<u>10,742</u>	<u>1,796</u>	<u>12,538</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(1,000,081)	(15,950)	(1,016,031)
Balance beginning of year	<u>3,763,507</u>	<u>79,831</u>	<u>3,843,338</u>
Balance end of year	<u>\$ 2,763,426</u>	<u>63,881</u>	<u>2,827,307</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
7,362,932	7,362,932	87,066
54,000	54,000	8,691
7,270,715	7,270,715	(71,951)
1,163,587	1,163,587	121,895
<u>15,851,234</u>	<u>15,851,234</u>	<u>145,701</u>
9,511,959	9,662,689	248,492
3,815,654	3,815,654	240,731
648,885	723,885	71,323
4,045,208	3,819,478	435,656
<u>18,021,706</u>	<u>18,021,706</u>	<u>996,202</u>
(2,170,472)	(2,170,472)	1,141,903
1,000	1,000	14,538
(2,169,472)	(2,169,472)	1,156,441
3,646,129	3,646,129	197,209
<u>1,476,657</u>	<u>1,476,657</u>	<u>1,353,650</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 reclassifying budgeted expenditures from the support services function to the non-instructional function.

OTHER SUPPLEMENTAL INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue				
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 96,441	264,084	133,086	101,304	594,915
Receivables:					
Property tax:					
Current year delinquent	4,790	5,960	0	0	10,750
Succeeding year	220,000	269,584	0	0	489,584
Accounts	0	0	1,632	1,564	3,196
TOTAL ASSETS	\$ 321,231	539,628	134,718	102,868	1,098,445
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 518	0	4,626	0	5,144
Salaries and benefits payable	0	0	2,276	0	2,276
Deferred revenue:					
Succeeding year property tax	220,000	269,584	0	0	489,584
	220,518	269,584	6,902	0	497,004
Fund equity:					
Fund balances:					
Reserved:					
Debt Service	0	0	0	0	0
Unreserved:					
Undesignated	100,713	270,044	127,816	102,868	601,441
Total fund balances	100,713	270,044	127,816	102,868	601,441
TOTAL LIABILITIES AND FUND EQUITY	\$ 321,231	539,628	134,718	102,868	1,098,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 1

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
116,762	711,677
6,963	17,713
306,008	795,592
0	3,196
<u>429,733</u>	<u>1,528,178</u>
0	5,144
0	2,276
<u>306,008</u>	<u>795,592</u>
<u>306,008</u>	<u>803,012</u>
123,725	123,725
0	601,441
<u>123,725</u>	<u>725,166</u>
<u>429,733</u>	<u>1,528,178</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 220,088	264,512	0	0	484,600
Other	4,128	3,288	310,244	5,628	323,288
Intermediate sources	0	0	1,700	0	1,700
State sources	224	258	0	0	482
Federal sources	0	18,000	0	0	18,000
TOTAL REVENUES	224,440	286,058	311,944	5,628	828,070
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	85,340	0	0	0	85,340
Other instruction	0	0	324,351	2,300	326,651
	<u>85,340</u>	<u>0</u>	<u>324,351</u>	<u>2,300</u>	<u>411,991</u>
Support services:					
Student services	16,313	0	0	0	16,313
Instructional staff services	1,004	0	0	0	1,004
Administration services	17,783	0	0	0	17,783
Operation and maintenance of plant services	51,059	14,574	0	0	65,633
Transportation services	28,260	15,800	0	0	44,060
	<u>114,419</u>	<u>30,374</u>	<u>0</u>	<u>0</u>	<u>144,793</u>
Non-instructional:					
Food service operations	5,256	0	0	0	5,256
Other expenditures:					
Facilities acquisition	0	181,778	0	0	181,778
Long-term debt:					
Principle	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
	<u>0</u>	<u>181,778</u>	<u>0</u>	<u>0</u>	<u>181,778</u>
TOTAL EXPENDITURES	205,015	212,152	324,351	2,300	743,818
Excess (deficiency) of revenues over (under) expenditures	19,425	73,906	(12,407)	3,328	84,252
Other financing sources:					
Transfers in	0	0	30,432	0	30,432
Excess of revenues and other financing sources over expenditures	19,425	73,906	18,025	3,328	114,684
Fund balance beginning of year	81,288	196,138	109,791	99,540	486,757
Fund balance end of year	<u>\$ 100,713</u>	<u>270,044</u>	<u>127,816</u>	<u>102,868</u>	<u>601,441</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Debt Service	Total Nonmajor Governmental Funds
309,029	793,629
2,831	326,119
0	1,700
301	783
0	18,000
<u>312,161</u>	<u>1,140,231</u>
0	85,340
0	326,651
<u>0</u>	<u>411,991</u>
0	16,313
0	1,004
0	17,783
0	65,633
0	44,060
<u>0</u>	<u>144,793</u>
0	5,256
0	181,778
550,000	550,000
55,681	55,681
<u>605,681</u>	<u>787,459</u>
<u>605,681</u>	<u>1,349,499</u>
(293,520)	(209,268)
<u>369,442</u>	<u>399,874</u>
75,922	190,606
47,803	534,560
<u>123,725</u>	<u>725,166</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 18,875	790	6,984	12,681
Drug testing	1,000	0	0	1,000
Special checks	323	0	0	323
HS activity tickets	463	(132)	0	331
Athletic control	7,840	8,025	3,765	12,100
Athletic pass	537	1,140	1,222	455
Activities control	5,270	0	(436)	5,706
HS winter concessions	50	8,194	8,154	90
Athletic awards	(164)	1,015	789	62
HS speech	457	6,282	6,702	37
HS vocal music	996	14,264	11,277	3,983
Harm helpers	1,194	13,778	13,724	1,248
HS band	3,049	330	4,229	(850)
HS band tour	(2,593)	2,996	595	(192)
Winterguard	55	0	55	0
Tennis fundraiser	39	1,488	1,791	(264)
HS boys basketball	2,891	9,634	11,080	1,445
Boys basketball fundraiser	284	119	152	251
HS football	11,115	21,285	26,423	5,977
Football fundraiser	(1,931)	19,059	23,923	(6,795)
HS baseball	(4,511)	3,640	2,213	(3,084)
Baseball fundraiser	(103)	1,742	4,219	(2,580)
HS boys track	(3,788)	1,699	(497)	(1,592)
Track fundraiser	382	1,555	1,594	343
Boys cross country	402	860	929	333
Boys tennis	236	1,090	1,244	82
HS boys golf	460	1,398	2,056	(198)
Boys golf fundraiser	1,607	965	1,747	825
HS wrestling	711	4,996	6,793	(1,086)
Wrestling fundraiser	4,131	5,718	7,465	2,384
HS girls basketball	2,699	7,270	7,918	2,051
Girls basketball fundraiser	8,384	4,127	5,120	7,391
HS volleyball	406	4,471	5,300	(423)
Volleyball fundraiser	619	874	1,126	367
HS softball	(1,924)	3,235	3,968	(2,657)
Softball fundraiser	2,885	3,311	3,783	2,413
HS girls track	(1,816)	2,673	1,958	(1,101)
Girls track fundraiser	1,680	1,878	1,646	1,912
Girls cross country	416	0	686	(270)
Girls tennis	217	1,182	1,385	14
HS girls golf	(406)	1,366	1,755	(795)
Girls golf fundraiser	97	874	825	146

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS yearbook	0	15,584	451	15,133
HS cheerleaders	(756)	2,445	1,243	446
Dance squad	(42)	12,220	10,761	1,417
HS class of 2002	2	0	2	0
HS class of 2004	422	0	422	0
HS class of 2005	36	82	118	0
HS class of 2006	2,075	13,663	15,639	99
HS class of 2007	2,000	0	865	1,135
HS class of 2008	2,000	15	48	1,967
HS class of 2009	0	2,000	0	2,000
HS post grads	464	0	(531)	995
Hosa	0	14,826	491	14,335
HS BPA	4,019	14,686	14,043	4,662
HS MOC	1,462	260	445	1,277
FCCLA	660	6,533	5,742	1,451
FFA	7,752	36,813	38,826	5,739
National honor society	(337)	219	(355)	237
Student senate	3,037	15,165	14,907	3,295
Spanish club	2,957	4,933	5,148	2,742
French club	540	5,469	3,300	2,709
Maquoketan	0	212	0	212
HS juice	3,560	6,717	7,626	2,651
HS SADD	499	0	50	449
MS chorus	1,667	409	250	1,826
MS band	2,194	8,172	7,036	3,330
MS boys athletics	694	4,738	3,014	2,418
MS mat refurbishing	1,000	500	0	1,500
MS girls athletics	1,939	2,908	3,202	1,645
MS awards	7,533	6,528	5,013	9,048
MS student council	1,880	4,088	2,933	3,035
Total	\$ 109,791	342,376	324,351	127,816

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2005

	Stoddard Scholarship	Zimmerman Schlorship	Bothwell Scholarship	Wendell Scholarship
ASSETS				
Cash and pooled investments	\$ 94,437	2,341	905	1,335
Accounts receivable	0	24	0	1,402
TOTAL ASSETS	\$ 94,437	2,365	905	2,737
LIABILITES AND FUND EQUITY				
Liabilities:	\$ 0	0	0	0
Fund Equity:				
Unreserved, undesignated	94,437	2,365	905	2,737
TOTAL LIABILITIES AND FUND EQUITY	\$ 94,437	2,365	905	2,737

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

<u>Evans</u>	<u>Wolf</u>	<u>Joiner</u>	<u>Schuman</u>	
<u>Scholarship</u>	<u>Scholarship</u>	<u>Scholarship</u>	<u>Scholarship</u>	<u>Total</u>
376	388	64	1,458	101,304
3	0	55	80	1,564
<hr/>				
379	388	119	1,538	102,868
<hr/>				
0	0	0	0	0
<hr/>				
379	388	119	1,538	102,868
<hr/>				
379	388	119	1,538	102,868
<hr/>				

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2005

	Stoddard Scholarship	Zimmerman Scholarship	Bothwell Scholarship
REVENUES:			
Local sources:			
Interest on investments	\$ 1,839	58	0
Contributions and donations	0	0	300
	<u>1,839</u>	<u>58</u>	<u>300</u>
EXPENDITURES:			
Other instruction:			
Scholarships	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Excess(deficiency) of revenues over(under) expenditures	1,839	58	300
Fund balance beginning of year	<u>92,598</u>	<u>2,307</u>	<u>605</u>
Fund balance end of year	<u>\$ 94,437</u>	<u>2,365</u>	<u>905</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Wendell Scholarship	Evans Scholarship	Wolf Scholarship	Joiner Scholarship	Schuman Scholarship	Total
2,934	4	0	83	210	5,128
0	0	200	0	0	500
2,934	4	200	83	210	5,628
2,000	0	200	100	0	2,300
934	4	0	(17)	210	3,328
1,803	375	388	136	1,328	99,540
2,737	379	388	119	1,538	102,868

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND - PRIVATE-PURPOSE TRUST
 YEAR ENDED JUNE 30, 2005

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance		Balance	
	Beginning		End	
	of Year	Additions	Deletions	of Year
ASSETS				
Cash and pooled investments	\$ 1,859	3,224	3,621	1,462
LIABILITIES				
Due to other groups	\$ 1,859	3,224	3,621	1,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 5,086,399	5,212,755	4,884,422	4,064,961
Tuition	1,344,955	1,145,634	1,192,619	1,138,278
Other	731,758	706,578	624,718	518,030
Intermediate sources	62,691	56,787	56,326	52,870
State sources	7,189,981	6,935,450	7,003,502	6,994,771
Federal sources	951,591	1,210,073	1,067,204	920,873
Total	<u>\$ 15,367,375</u>	<u>15,267,277</u>	<u>14,828,791</u>	<u>13,689,783</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,031,911	4,953,183	4,955,125	4,824,693
Special instruction	2,546,452	2,944,409	2,920,883	2,923,500
Other instruction	1,835,834	1,386,010	1,515,386	1,508,076
Support services:				
Student services	485,350	648,009	717,514	760,012
Instructional staff services	424,137	348,957	343,134	361,580
Administration services	1,138,680	1,056,431	1,071,494	1,050,783
Operation and maintenance of plant services	1,000,149	962,709	924,900	845,197
Transportation services	526,607	515,949	599,421	439,910
Central support services	0	900	540	930
Non-instructional	5,256	32,927	31,988	31,846
Other expenditures:				
Facilities acquisitions	2,324,435	920,702	280,498	237,695
Long Term Debt:				
Principal	550,000	1,570,000	220,000	210,000
Interest	55,681	115,776	85,510	95,234
AEA flow-through	453,706	451,567	479,573	482,569
Total	<u>\$ 16,378,198</u>	<u>15,907,529</u>	<u>14,145,966</u>	<u>13,772,025</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ <u>41,929</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	65,447
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>226,515</u>
			<u>291,962</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4041-G	276,658
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4041-GC	<u>9,065</u>
			<u>285,723</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 04	2,698
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 05	<u>5,406</u>
			<u>8,104</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 05	<u>12,678</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	10,500
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 05	<u>82,346</u>
			<u>92,846</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION GRANT)			
	84.215	FY 04	<u>258,000</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)			
	84.369	FY 04	7,341
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)			
	84.369	FY 05	<u>9,145</u>
			<u>16,486</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING COMMUNITIES PROGRAM)			
	84.215	FY 04	<u>80,770</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	<u>30,372</u>
EMERGENCY RESPONSE	84.184E	FY 05	<u>4,352</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>84,523</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID REIMBURSEMENT)	93.778	FY 05	<u>57,746</u>
TOTAL			<u>\$ 1,265,491</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

To the Board of Education of the
Maquoketa 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 Maquoketa Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 14, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

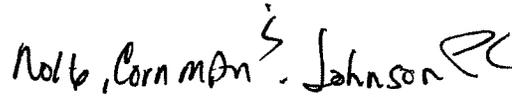
As part of obtaining reasonable assurance about whether Maquoketa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have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

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 14, 2005

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Maquoketa Community School District

Compliance

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

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

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with

applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

September 14, 2005

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
 - CFDA Number 84.215 - Iowa Demonstration Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did not qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by different people; however, there does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

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

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

Conclusion - Response accepted.

II-C-05 Student Activity Fund - We noted during our audit that the Student Activity fund included old class accounts.

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

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

Conclusion - Response accepted.

II-D-05 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We will assess, and in future deposit rent amounts into the general fund when hosting district and regional events.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. Purchases of clothing items for coaches out of the Activity Fund may not meet these requirements.

Recommendation - The District should review the clothing purchases expenditures and document public purpose served. The District may consider adopting a policy directed to requirements in meeting public purpose criteria. If no public purpose is identified, these types of expenditures should be added to the individuals W-2's or the District should be reimbursed by the individuals who received the items of clothing.

Response - The District will explore developing and implementing a policy to bring us into compliance.

Conclusion - Response accepted.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Gasoline	\$67,135
Joanie Bowman, Teacher Spouse owns Bowman Body Shop	Repairs	\$148
Jim Geronzin, Bus Driver Owns Design Works	Supplies	\$251
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Appliances	\$1,246
Dennis Scott, Custodian Spouse owns Ronann's Floral Shoppe	Supplies	\$1,191

In accordance with Attorneys General opinion dated November 9, 1976, the transactions with the Barb Bowman's spouse, Joanie Bowman's spouse, Sue Mayberry's spouse and Dennis Scott's spouse do not appear to be a conflict of interest.

In accordance with Attorneys General opinion dated July 2, 1990, the transactions with Jim Geronzin do not appear to be a conflict of interest.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

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

Conclusion - Response accepted.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 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.

IV-K-05 Financial Condition - The District has negative accounts within the Student Activity Fund.

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

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.