

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Donna Kunde	President	2004
Justin Nieman	Vice President	2005
Gene Schultz	Board Member	2006
Bill Heims	Board Member	2005
Leola Kay Harris	Board Member	2006

Board of Education (After September 2004 Election)		
Donna Kunde	President	2007
Justin Nieman	Vice President	2005
Gene Schultz	Board Member	2006
Bill Heims	Board Member	2005
Leola Kay Harris	Board Member	2006

School Officials

Steven Lane	Superintendent	2005
Donna Pilgrim	District Secretary/ Business Manager	2005
Sue Seitz	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Maquoketa Valley 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 Valley Community School District, Delhi, 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.

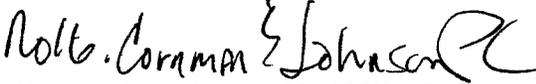
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District 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 report dated September 20, 2005 on our consideration of Maquoketa Valley 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 36 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 opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley 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 \$6,299,271 in fiscal 2004 to \$6,513,605 in fiscal 2005, while General Fund expenditures decreased from \$6,834,738 in fiscal 2004 to \$6,471,594 in fiscal 2005. This resulted in an increase in the District's fund balance from \$1,011,259 in fiscal 2004 to \$1,053,270 in fiscal 2005, which was a 4% increase from the prior year.
- An increase in local option sales and service tax during the year, allowed the Capital Projects fund balance to increase from \$136,148 to \$467,092. It also allowed for a \$100,000 transfer to Debt Service to pay for a portion of the District's bonded indebtedness.

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 Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Valley 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 Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to 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 Special Revenue Funds.

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

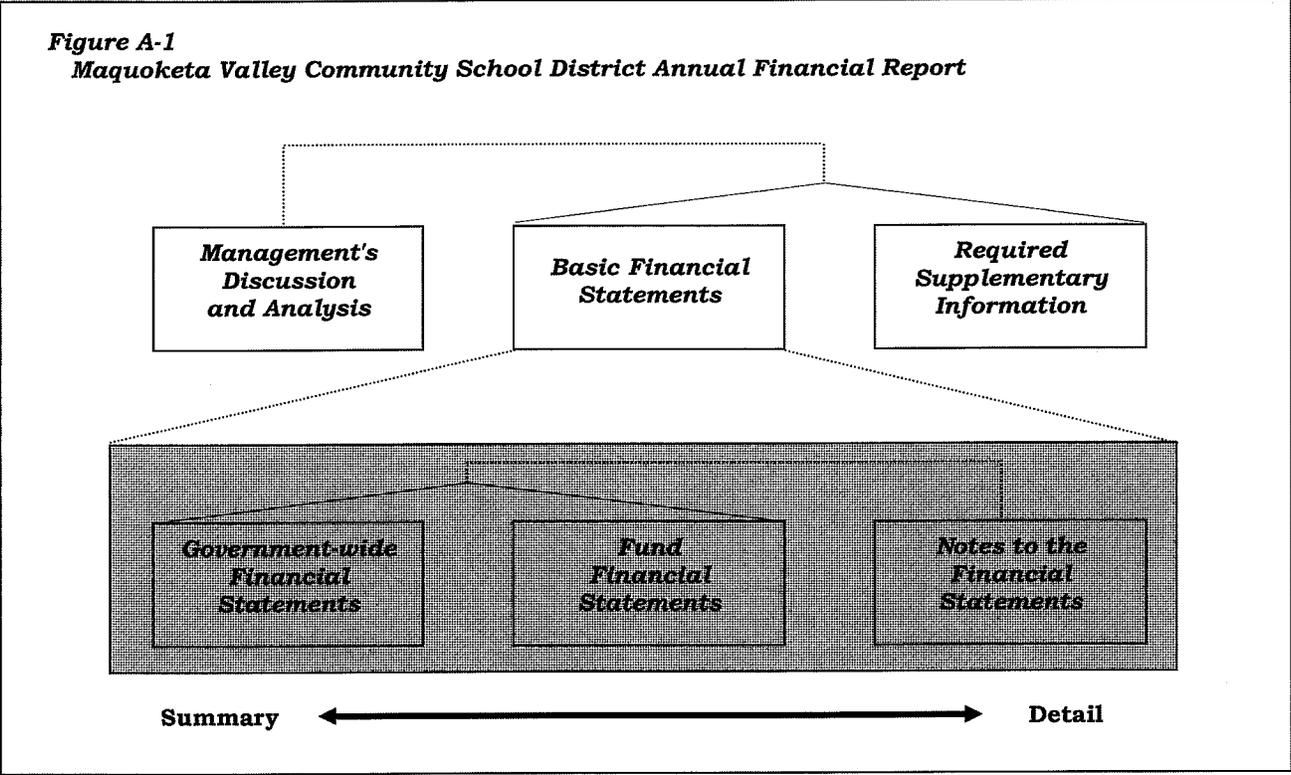


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
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 Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
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
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

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 statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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 two 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

Reconciliations 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 compared to June 30, 2004.

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	\$ 5,805,947	5,276,653	\$ 99,802	110,819	\$ 5,905,749	5,387,472
Capital assets	9,652,226	9,730,136	91,673	104,642	9,743,899	9,834,778	-0.92%
Total assets	<u>15,458,173</u>	<u>15,006,789</u>	<u>191,475</u>	<u>215,461</u>	<u>15,649,648</u>	<u>15,222,250</u>	<u>2.81%</u>
Long-term obligations	6,406,975	6,718,509	0	0	6,406,975	6,718,509	-4.64%
Other liabilities	3,860,171	3,602,181	4,206	4,595	3,864,377	3,606,776	7.14%
Total liabilities	<u>10,267,146</u>	<u>10,320,690</u>	<u>4,206</u>	<u>4,595</u>	<u>10,271,352</u>	<u>10,325,285</u>	<u>-0.52%</u>
Net assets:							
Invested in capital assets, net of related debt	4,273,826	3,543,606	91,673	104,642	4,365,499	3,648,248	19.66%
Restricted	143,500	402,039	0	0	143,500	402,039	-64.31%
Unrestricted	773,701	740,454	95,596	106,224	869,297	846,678	2.67%
Total net assets	<u>\$ 5,191,027</u>	<u>4,686,099</u>	<u>\$ 187,269</u>	<u>210,866</u>	<u>\$ 5,378,296</u>	<u>4,896,965</u>	<u>9.83%</u>

The District's combined net assets increased by nearly 10% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 64% from the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 3% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

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	\$ 515,412	509,290	\$ 207,320	323,768	722,732	833,058	-13.24%
Operating grants and contributions and restricted interest	762,409	766,115	140,291	137,934	902,700	904,049	-0.15%
General revenues:							
Property tax	3,174,938	3,287,977	0	0	3,174,938	3,287,977	-3.44%
Local option sales and service tax	473,426	132,009	0	0	473,426	132,009	0.00%
Unrestricted state grants	3,049,439	2,761,785	0	0	3,049,439	2,761,785	10.42%
Other	45,993	47,832	1,753	1,391	47,746	49,223	-3.00%
Total revenues	<u>8,021,617</u>	<u>7,505,008</u>	<u>349,364</u>	<u>463,093</u>	<u>8,370,981</u>	<u>7,968,101</u>	<u>5.06%</u>
Program expenses:							
Governmental activities:							
Instructional	4,510,747	5,032,548	0	0	4,510,747	5,032,548	-10.37%
Support services	2,209,611	2,127,905	0	0	2,209,611	2,127,905	3.84%
Non-instructional programs	0	0	372,961	370,255	372,961	370,255	0.73%
Other expenses	796,331	886,619	0	0	796,331	886,619	-10.18%
Total expenses	<u>7,516,689</u>	<u>8,047,072</u>	<u>372,961</u>	<u>370,255</u>	<u>7,889,650</u>	<u>8,417,327</u>	<u>-6.27%</u>
Change in net assets	504,928	(542,064)	(23,597)	92,838	481,331	(449,226)	-207.15%
Net assets beginning of year	<u>4,686,099</u>	<u>5,228,163</u>	<u>210,866</u>	<u>118,028</u>	<u>4,896,965</u>	<u>5,346,191</u>	<u>-8.40%</u>
Net assets end of year	<u>\$ 5,191,027</u>	<u>4,686,099</u>	<u>\$ 187,269</u>	<u>210,866</u>	<u>5,378,296</u>	<u>4,896,965</u>	<u>9.83%</u>

Property tax and unrestricted state grants account for 74% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,021,617 and expenses were \$7,516,689.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,510,747	3,538,102
Support services	2,209,611	2,177,524
Other expenses	796,331	523,242
Totals	<u>\$ 7,516,689</u>	<u>6,238,868</u>

-
- A portion of the cost financed by users of the District's programs was \$515,412
 - The federal and state government subsidized certain programs with operating grants and contributions totaling \$762,409
 - The net cost portion of governmental activities was financed with \$3,174,938 in property tax, \$473,426 in local option sales and services tax, \$3,049,439 in unrestricted state grants, and unrestricted investment earnings of \$45,993.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$349,364 in 2005. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses of the District's business-type activities were \$372,961 in 2005.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa Valley 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 the District completed the year, its governmental funds reported combined fund balances of \$1,969,331, an increase of \$270,005 above last years ending fund balances of \$1,699,326.

Governmental Fund Highlights

- Even though the expenditures in the General Fund decreased \$363,144 and the revenues increased \$214,334 the fund balance only increased \$42,011.
- The Capital Projects fund balance increased \$330,944 during the year from the increase in local option sales and service tax.
- The Physical Plant and Equipment Levy fund balance decreased \$79,916, due to the combined effect of a decrease in revenues and increase in expenditures.
- A decrease in taxes levied in the Debt Service fund resulted in a decrease in revenues of over \$100,000 during the year. This decrease was offset by a transfer of local option sales and service tax (LOSST) monies from the Capital Projects fund, which in turn was used to payoff the Districts bonded indebtedness.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$210,866 at June 30, 2004 to \$187,269 at June 30, 2005, representing a decrease of 11%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$222 lower than budgeted receipts. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending

through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$9,743,899, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$305,679.

The original cost of the District's capital assets was \$13,004,383. Governmental funds account for \$12,743,443, with the remainder of \$260,940 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$307,679 at June 30, 2005, compared to \$275,847 reported at June 30, 2004. The increase in machinery and equipment was due to the purchase of new bus during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 50,079	50,079	\$ 0	0	\$ 50,079	50,079	0.00%
Buildings	8,874,906	8,964,001	0	0	8,874,906	8,964,001	-1.00%
Improvements other than buildings	511,235	544,851	0	0	511,235	544,851	-6.58%
Machinery and equipment	216,006	171,205	91,673	104,642	307,679	275,847	10.35%
Total	<u>\$ 9,652,226</u>	<u>9,730,136</u>	<u>\$ 91,673</u>	<u>104,642</u>	<u>\$ 9,743,899</u>	<u>9,834,778</u>	<u>-0.93%</u>

Long-Term Debt

At year-end, the District had \$6,406,975 in general obligation and other long-term debt outstanding. This represents a decrease of 4.6% from last year's balance of \$6,718,509. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation	\$ 6,030,000	6,365,000	-5.3%
Early retirement	376,975	353,509	6.6%
Totals	<u>\$ 6,406,975</u>	<u>6,718,509</u>	<u>-4.6%</u>

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District 2004-2005 certified enrollment decreased 3.8%, and a steady decline is expected in the future.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property taxes.
- Local options sales and service tax collections have allowed the district to pay a portion of the bonded indebtedness, thus reducing the amount of taxes levied in the Debt Service fund.
- The increases in utility and transportation costs are still a concern.

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 Donna Pilgrim, Board Secretary, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 509,297	0	509,297
Other	1,745,700	83,415	1,829,115
Receivables			
Property tax:			
Delinquent	175,200	0	175,200
Succeeding year	3,288,294	0	3,288,294
Accounts	32,439	9,628	42,067
Due from other governments	55,017	0	55,017
Inventories	0	6,759	6,759
Capital assets, net of accumulated depreciation(Note 6)	9,652,226	91,673	9,743,899
TOTAL ASSETS	15,458,173	191,475	15,649,648
LIABILITIES			
Accounts payable	21,990	0	21,990
Salaries and benefits payable	12,523	0	12,523
ISCAP warrants payable(Note 5)	507,000	0	507,000
ISCAP unamortized premium	6,809	0	6,809
Accrued interest payable	23,555	0	23,555
Deferred revenue:			
Succeeding year property tax	3,288,294	0	3,288,294
Other	0	4,206	4,206
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	350,000	0	350,000
Early retirement	81,896	0	81,896
Portion due after one year:			
General obligation bonds payable	5,680,000	0	5,680,000
Early retirement	295,079	0	295,079
TOTAL LIABILITIES	10,267,146	4,206	10,271,352
NET ASSETS			
Investment in capital assets, net of related debt	4,273,826	91,673	4,365,499
Restricted for:			
Teacher Compensation	1,725	0	1,725
Physical plant and equipment levy	30,340	0	30,340
Other special revenue purposes	111,435	0	111,435
Unrestricted	773,701	95,596	869,297
TOTAL NET ASSETS	\$ 5,191,027	187,269	5,378,296

SEE NOTES TO FINANCIAL STATEMENTS.

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

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,054,392	145,715	410,802
Special instruction	572,247	24,484	46,431
Other instruction	884,108	345,213	0
	<u>4,510,747</u>	<u>515,412</u>	<u>457,233</u>
Support services:			
Student services	199,944	0	0
Instructional staff services	185,982	0	0
Administration services	754,983	0	0
Operation and maintenance of plant services	717,169	0	0
Transportation services	351,533	0	32,087
	<u>2,209,611</u>	<u>0</u>	<u>32,087</u>
Other expenditures:			
Long-term debt interest	297,344	0	0
AEA flowthrough	273,089	0	273,089
Depreciation (unallocated)*	225,898	0	0
	<u>796,331</u>	<u>0</u>	<u>273,089</u>
Total governmental activities	7,516,689	515,412	762,409
Business-Type activities:			
Non-instructional programs:			
Nutrition services	372,961	207,320	140,291
Total business-type activities	<u>372,961</u>	<u>207,320</u>	<u>140,291</u>
Total	<u>\$ 7,889,650</u>	<u>722,732</u>	<u>902,700</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,497,875)	0	(2,497,875)
(501,332)	0	(501,332)
(538,895)	0	(538,895)
<u>(3,538,102)</u>	<u>0</u>	<u>(3,538,102)</u>
(199,944)	0	(199,944)
(185,982)	0	(185,982)
(754,983)	0	(754,983)
(717,169)	0	(717,169)
(319,446)	0	(319,446)
<u>(2,177,524)</u>	<u>0</u>	<u>(2,177,524)</u>
(297,344)	0	(297,344)
0	0	0
(225,898)	0	(225,898)
<u>(523,242)</u>	<u>0</u>	<u>(523,242)</u>
(6,238,868)	0	(6,238,868)
0	(25,350)	(25,350)
0	(25,350)	(25,350)
<u>(6,238,868)</u>	<u>(25,350)</u>	<u>(6,264,218)</u>
\$ 2,574,147	0	2,574,147
532,247	0	532,247
68,544	0	68,544
473,426	0	473,426
3,049,439	0	3,049,439
45,993	1,753	47,746
<u>6,743,796</u>	<u>1,753</u>	<u>6,745,549</u>
504,928	(23,597)	481,331
4,686,099	210,866	4,896,965
<u>\$ 5,191,027</u>	<u>187,269</u>	<u>5,378,296</u>

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 509,297	0	0	509,297
Other	951,963	355,014	438,723	1,745,700
Receivables:				
Property tax:				
Delinquent	48,444	112,078	14,678	175,200
Succeeding year	2,556,002	0	732,292	3,288,294
Interfund	0	0	1,075	1,075
Accounts	30,741	0	1,698	32,439
Due from other governments	55,017	0	0	55,017
TOTAL ASSETS	\$ 4,151,464	467,092	1,188,466	5,807,022
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,785	0	7,205	21,990
Salaries and benefits payable	12,523	0	0	12,523
Interfund payable	1,075	0	0	1,075
ISCAP warrants payable (Note 5)	507,000	0	0	507,000
ISCAP unamortized premium	6,809	0	0	6,809
Deferred revenue:				
Succeeding year property tax	2,556,002	0	732,292	3,288,294
Total liabilities	<u>3,098,194</u>	<u>0</u>	<u>739,497</u>	<u>3,837,691</u>
Fund balances:				
Reserved for:				
Debt Service Compensation	0	0	208,063	208,063
Teacher Compensation	1,725	0	0	1,725
Unreserved:				
Designated for special purpose	823,347	0	0	823,347
Undesignated	228,198	467,092	240,906	936,196
Total fund balances	<u>1,053,270</u>	<u>467,092</u>	<u>448,969</u>	<u>1,969,331</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,151,464	467,092	1,188,466	5,807,022

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY 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 16)	\$ 1,969,331
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	9,652,226
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(23,555)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,406,975)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 5,191,027</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,434,495	473,426	740,443	3,648,364
Tuition	170,199	0	0	170,199
Other	97,583	2,567	291,056	391,206
State sources	3,579,817	0	520	3,580,337
Federal sources	231,511	0	0	231,511
Total revenues	<u>6,513,605</u>	<u>475,993</u>	<u>1,032,019</u>	<u>8,021,617</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,958,729	0	88,266	3,046,995
Special instruction	572,247	0	0	572,247
Other instruction	586,089	0	302,249	888,338
	<u>4,117,065</u>	<u>0</u>	<u>390,515</u>	<u>4,507,580</u>
Support services:				
Student services	202,407	0	668	203,075
Instructional staff services	184,405	0	1,577	185,982
Administration services	750,973	0	4,010	754,983
Operation and maintenance of plant services	630,033	0	112,071	742,104
Transportation services	313,622	0	61,482	375,104
	<u>2,081,440</u>	<u>0</u>	<u>179,808</u>	<u>2,261,248</u>
Other expenditures:				
Facilities acquisitions	0	45,049	31,003	76,052
Long-term debt:				
Principal	0	0	335,000	335,000
Interest and fiscal charges	0	0	298,643	298,643
AEA flowthrough	273,089	0	0	273,089
	<u>273,089</u>	<u>45,049</u>	<u>664,646</u>	<u>982,784</u>
Total expenditures	<u>6,471,594</u>	<u>45,049</u>	<u>1,234,969</u>	<u>7,751,612</u>
Excess(deficiency) of revenues over(under) expenditures	42,011	430,944	(202,950)	270,005
Other financing sources(uses):				
Transfers in	0	0	100,000	100,000
Transfers out	0	(100,000)	0	(100,000)
Total other financing sources(uses)	<u>0</u>	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>
Net change in fund balances	42,011	330,944	(102,950)	270,005
Fund balance beginning of year	<u>1,011,259</u>	<u>136,148</u>	<u>551,919</u>	<u>1,699,326</u>
Fund balance end of year	<u>\$ 1,053,270</u>	<u>467,092</u>	<u>448,969</u>	<u>1,969,331</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ 270,005

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 209,589	
Depreciation expense	<u>(287,499)</u>	(77,910)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	335,000
--------	---------

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

1,299

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

Early retirement	<u>(23,466)</u>
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Changes in net assets of governmental activities (page 15) \$ 504,928

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

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 83,415
Accounts receivable	9,628
Inventories	6,759
Capital assets, net of accumulated depreciation	<u>91,673</u>
Total assets	<u>191,475</u>
LIABILITIES	
Deferred Revenue:	
Other	<u>4,206</u>
Total liabilities	<u>4,206</u>
NET ASSETS	
Invested in capital assets, net of related debt	91,673
Unrestricted	<u>95,596</u>
Total net assets	<u>\$ 187,269</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 207,320
TOTAL OPERATING REVENUES	207,320
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	154,554
Benefits	20,992
Services	5,248
Supplies	172,800
Other	1,187
Depreciation	18,180
TOTAL OPERATING EXPENSES	372,961
OPERATING LOSS	(165,641)
NON-OPERATING REVENUES:	
State sources	7,610
Federal sources	132,681
Interest income	1,753
TOTAL NON-OPERATING REVENUES	142,044
Change in net assets	(23,597)
Net assets beginning of year	210,866
Net assets end of year	\$ 187,269

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 194,830
Cash received from miscellaneous operating activities	2,811
Cash payments to employees for services	(175,546)
Cash payments to suppliers for goods or services	(163,499)
Net cash used in operating activities	(141,404)
Cash flows from non-capital financing activities:	
State grants received	7,610
Federal grants received	116,104
Net cash provided by non-capital financing activities	123,714
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,211)
Net cash used in capital and related financing activities	(5,211)
Cash flows from investing activities:	
Interest on investments	1,753
Net cash provided by investing activities	1,753
Net decrease in cash and cash equivalents	(21,148)
Cash and cash equivalents at beginning of year	104,563
Cash and cash equivalents at end of year	\$ 83,415
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (165,641)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,577
Depreciation	18,180
Increase in inventories	(503)
Increase in accounts receivable	(9,628)
Decrease in accounts payable	(338)
Decrease in deferred revenue	(51)
Net cash used in operating activities	\$ (141,404)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 83,415
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$16,577.

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Maquoketa Valley 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 cities of Delhi, Earlville and Hopkinton, Iowa, and the predominate agricultural territory in Delaware county. 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 Valley 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 Valley 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 Delaware 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 and construction of capital facilities.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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
Land improvements	20 years
Machinery and equipment	5-20 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.

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 certificates of deposit that are stated at a fair value of \$2,610 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

(3) **Due From and Due to Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Management	<u>\$ 1,075</u>

(4) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 100,000</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporations is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/28/05	6/28/06	\$ 509,297	0	507,000	0

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity in the General Fund for the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(6) 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	\$ 257,369	5,211	1,640	260,940
Less accumulated depreciation	152,727	18,180	1,640	169,267
Business-type activities capital assets, net	\$ 104,642	(12,969)	0	91,673

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,079	0	0	50,079
Total capital assets not being depreciated	50,079	0	0	50,079
Capital assets being depreciated:				
Buildings	10,547,667	96,795	0	10,644,462
Land improvements	872,911	6,392	0	879,303
Machinery and equipment	1,063,197	106,402	0	1,169,599
Total capital assets being depreciated	12,483,775	209,589	0	12,693,364
Less accumulated depreciation for:				
Buildings	1,583,666	185,890	0	1,769,556
Land improvements	328,060	40,008	0	368,068
Machinery and equipment	891,992	61,601	0	953,593
Total accumulated depreciation	2,803,718	287,499	0	3,091,217
Total capital assets being depreciated, net	9,680,057	(77,910)	0	9,602,147
Governmental activities capital assets, net	\$ 9,730,136	(77,910)	0	9,652,226

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 8,391
Other		470
Support services:		
Student support		6,551
Operation and maintenance of plant		2,200
Transportation		43,989
		<u>61,601</u>
Unallocated depreciation		225,898
		<u>287,499</u>
Total governmental activities depreciation expense		\$ 287,499
Business-type activities:		
Food services		\$ 18,180
Total business-type activities depreciation expense		<u>18,180</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,365,000	0	335,000	6,030,000	350,000
Early retirement	353,509	91,668	68,202	376,975	81,896
Total	\$ 6,718,509	91,668	403,202	6,406,975	431,896

Bonded Debt

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 13, 1998			
	Interest Rates	Principal	Interest	Total
2006	4.65% \$	350,000	282,665	632,665
2007	4.65	365,000	266,390	631,390
2008	4.65	380,000	249,418	629,418
2009	4.65	395,000	231,747	626,747
2010	4.70	415,000	213,380	628,380
2011	4.70	435,000	193,875	628,875
2012	4.70	455,000	173,430	628,430
2013	4.70	475,000	152,045	627,045
2014	4.70	500,000	129,720	629,720
2015	4.70	525,000	106,220	631,220
2016	4.70	550,000	81,545	631,545
2017	4.70	580,000	55,695	635,695
2018	4.70	605,000	28,435	633,435
Total		<u>\$ 6,030,000</u>	<u>2,164,565</u>	<u>8,194,565</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The employee must have worked an average of twenty-five or more hours per week and during the last 15 years the employee has worked at least thirty-six weeks per year. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The District paid \$68,202 in early retirement benefits during the year ended June 30, 2005.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$232,837, \$244,205, \$241,299, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$273,089 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 SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,457,361	199,394
State sources	3,276,764	7,610
Federal sources	240,463	132,681
Total receipts	<u>7,974,588</u>	<u>339,685</u>
Disbursements:		
Instruction	4,606,519	0
Support services	2,259,811	0
Non-instructional programs	0	360,833
Other expenditures	966,392	0
Total disbursements	<u>7,832,722</u>	<u>360,833</u>
Excess(deficiency) of receipts over(under) disbursements	141,866	(21,148)
Balance beginning of year	<u>1,603,834</u>	<u>104,563</u>
Balance end of year	<u>\$ 1,745,700</u>	<u>83,415</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,656,755	4,300,152	4,300,152	356,603
3,284,374	3,622,343	3,622,343	(337,969)
373,144	392,000	392,000	(18,856)
<u>8,314,273</u>	<u>8,314,495</u>	<u>8,314,495</u>	<u>(222)</u>
4,606,519	5,378,602	5,378,602	772,083
2,259,811	2,422,800	2,422,800	162,989
360,833	465,500	465,500	104,667
966,392	1,227,963	1,227,963	261,571
<u>8,193,555</u>	<u>9,494,865</u>	<u>9,494,865</u>	<u>1,301,310</u>
120,718	(1,180,370)	(1,180,370)	(1,301,088)
<u>1,708,397</u>	<u>1,675,119</u>	<u>1,675,119</u>	<u>33,278</u>
<u>1,829,115</u>	<u>494,749</u>	<u>494,749</u>	<u>1,334,366</u>

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 7,974,588	47,029	8,021,617
Expenditures	7,832,722	(81,110)	7,751,612
Net	141,866	128,139	270,005
Beginning fund balances	1,603,834	95,492	1,699,326
Ending fund balances	\$ 1,745,700	223,631	1,969,331

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 339,685	9,679	349,364
Expenditures	360,833	12,128	372,961
Net	(21,148)	(2,449)	(23,597)
Beginning fund balances	104,563	106,303	210,866
Ending fund balances	\$ 83,415	103,854	187,269

MAQUOKETA VALLEY 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 94,000	74,979	29,068	43,154	241,201
Receivables:					
Property tax:					
Current year delinquent	2,779	0	1,358	0	4,137
Succeeding year	230,000	0	69,227	0	299,227
Interfund	1,075	0	0	0	1,075
Accounts	1,277	421	0	0	1,698
TOTAL ASSETS	\$ 329,131	75,400	99,653	43,154	547,338
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 0	7,119	86	0	7,205
Deferred revenue:					
Succeeding year property tax	230,000	0	69,227	0	299,227
Total Liabilities	230,000	7,119	69,313	0	306,432
Fund equity:					
Fund balances:					
Reserved:					
Debt Service	0	0	0	0	0
Unreserved:					
Undesignated	99,131	68,281	30,340	43,154	240,906
Total fund balances	99,131	68,281	30,340	43,154	240,906
TOTAL LIABILITIES AND FUND EQUITY	\$ 329,131	75,400	99,653	43,154	547,338

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Debt Service	Total Nonmajor Governmental Funds
197,522	438,723
10,541	14,678
433,065	732,292
0	1,075
0	1,698
641,128	1,188,466
0	7,205
433,065	732,292
433,065	739,497
208,063	208,063
0	240,906
208,063	448,969
641,128	1,188,466

MAQUOKETA VALLEY 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	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 139,652	0	68,544	0	208,196
Other	1,253	282,282	1,403	358	285,296
State sources	97	0	48	0	145
TOTAL REVENUES	<u>141,002</u>	<u>282,282</u>	<u>69,995</u>	<u>358</u>	<u>493,637</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	88,266	0	0	0	88,266
Other instruction	0	302,249	0	0	302,249
Support services:					
Student support services	668	0	0	0	668
Instructional staff	1,002	0	0	575	1,577
Administration services	4,010	0	0	0	4,010
Operation and maintenance of plant services	53,308	0	58,763	0	112,071
Student transportation	1,337	0	60,145	0	61,482
Other expenditures:					
Facilities acquisitions	0	0	31,003	0	31,003
Long-term debt:					
Principal	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
TOTAL EXPENDITURES	<u>148,591</u>	<u>302,249</u>	<u>149,911</u>	<u>575</u>	<u>601,326</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,589)	(19,967)	(79,916)	(217)	(107,689)
OTHER FINANCING SOURCES:					
Transfers in	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(7,589)	(19,967)	(79,916)	(217)	(107,689)
FUND BALANCE BEGINNING OF YEAR	<u>106,720</u>	<u>88,248</u>	<u>110,256</u>	<u>43,371</u>	<u>348,595</u>
FUND BALANCE END OF YEAR	<u>\$ 99,131</u>	<u>68,281</u>	<u>30,340</u>	<u>43,154</u>	<u>240,906</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
532,247	740,443
5,760	291,056
375	520
<u>538,382</u>	<u>1,032,019</u>
0	88,266
0	302,249
0	668
0	1,577
0	4,010
0	112,071
0	61,482
0	31,003
335,000	335,000
298,643	298,643
<u>633,643</u>	<u>1,234,969</u>
(95,261)	(202,950)
<u>100,000</u>	<u>100,000</u>
4,739	(102,950)
<u>203,324</u>	<u>551,919</u>
<u>208,063</u>	<u>448,969</u>

MAQUOKETA VALLEY 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
Post Prom	\$ 2,781	8,425	7,888	3,318
Drama & Speech	4,273	5,414	5,128	4,559
Art	469	0	433	36
Yearbook	(260)	6,825	2,063	4,502
Earlville Elem.	6,601	889	331	7,159
Johnston Elem.	6,710	1,092	180	7,622
Delhi Elem.	5,254	2,087	1,294	6,047
Volleyball Camp	2,699	0	2,699	0
Football Camp	836	0	836	0
B Basketball Camp	37	0	37	0
G Basketball Camp	123	0	123	0
Music	11,893	29,903	38,022	3,774
Music Dept Trip	12,342	20,993	21,907	11,428
Band Uniform	(1,485)	15,037	11,780	1,772
Show Choir	(97)	315	770	(552)
Athletics Middle School	(890)	1,191	2,142	(1,841)
Iron Man/Weight Room	472	1,495	156	1,811
Cross Country	68	4,071	1,652	2,487
Cross Country Camp	327	0	327	0
Golf	(1,436)	1,661	1,650	(1,425)
Boys Basketball	19	8,506	5,954	2,571
Football	3,691	16,903	15,230	5,364
Baseball	(3,180)	10,230	2,211	4,839
Baseball Camp	4,797	0	4,797	0
Boys Track	(1,166)	2,737	1,727	(156)
Wrestling	951	2,366	1,349	1,968
Girls Basketball	5,755	6,960	3,702	9,013
Volleyball	(1,994)	2,140	4,084	(3,938)
Softball	1,242	5,594	6,859	(23)
Girls Track	(334)	2,847	2,815	(302)
German	1,327	2,486	2,615	1,198
Spanish	10,709	38,837	43,725	5,821
FFA	5,057	33,698	39,751	(996)
Student Council	1,149	1,658	774	2,033
Cheerleaders	72	4,412	5,903	(1,419)
Cheerleaders Camp	565	0	565	0
Drill Team	(1,207)	4,774	3,360	207
Drill Team Camp	699	0	699	0
Color Guard	634	261	103	792
Class of 04	911	0	911	0
Class of 05	1,067	1,528	2,659	(64)
Class of 06	498	3,199	2,621	1,076
Class of 07	1,126	0	30	1,096
Class of 08	124	615	0	739
Class of 09	0	213	21	192
Class of 10	0	174	0	174
Assemblies	6,974	0	271	6,703
Office/Admin	(4,648)	32,746	50,095	(21,997)
Concession	2,693	0	0	2,693
Total	\$ 88,248	282,282	302,249	68,281

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY 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	\$ 3,648,364	3,419,986	3,220,059	2,901,788
Tuition	170,199	191,156	220,652	243,719
Other	391,206	365,966	398,262	504,327
State sources	3,580,337	3,292,486	3,396,400	3,637,658
Federal sources	231,511	235,414	232,776	166,121
Total	\$ 8,021,617	7,505,008	7,468,149	7,453,613
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,046,995	3,338,473	2,981,431	2,968,984
Special instruction	572,247	770,323	742,856	745,678
Other instruction	888,338	722,273	829,316	741,524
Support services:				
Student services	203,075	201,290	189,336	165,286
Instructional staff services	185,982	171,906	175,600	166,216
Administration services	754,983	731,626	687,632	687,097
Operation and maintenance of plant services	742,104	670,199	626,315	626,735
Transportation services	375,104	340,644	362,380	295,940
Non-instructional programs	0	0	2,062	1,898
Other expenditures:				
Facilities acquisitions	76,052	84,883	177,869	211,370
Long-term debt:				
Principal	335,000	320,000	305,000	295,000
Interest and other charges	298,643	313,422	327,605	341,323
AEA flowthrough	273,089	273,552	294,502	298,189
Total	\$ 7,751,612	7,938,591	7,701,904	7,545,240

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on 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 Valley 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 Valley 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 20, 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 Valley 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 I 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 Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Valley Community School District and other parties to whom Maquoketa Valley 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 Valley 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.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2005

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person, but they are verified and compared to bank deposits by a separate individual. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible. Substantial checks and balances have been implemented to reduce the opportunity for theft of cash.

Conclusion - Response accepted.

I-B-05 Activity Fund Accounts - We noted that the Student Activity Fund has several accounts with deficit balances at June 30, 2005. We also noted that the Student Activity Fund includes an office/administrative account.

Recommendation - The District should continue to monitor the deficit balances and investigate alternatives to eliminate these deficits. The office/administrative account may be more appropriately handled in the General Fund.

Response - We will comply.

Conclusion - Response accepted.

I-C-05 Check Signatures - We noted during our audit an instance of no signatures on a check. Per the Code of Iowa, there has to be two signatures on all checks, one being the Board President and the other being the Board Secretary.

Recommendation - The District should review their procedures and make the necessary changes to assure there is two signatures on all checks.

Response - The District recognizes that one check cleared the bank with no signatures; we will review our procedures to ensure this won't happen in the future.

Conclusion - Response accepted.

I-D-05 Meal Reimbursements - We noted during our audit that there were instances of lack of detail on receipts for meal reimbursements.

Recommendation - The District should review its procedures for meal reimbursements and make the necessary changes. A credit card receipt is not detailed enough to know what was purchased. Employees should obtain the actual detailed receipt from the vendor.

Response - We will review our procedures and make the necessary changes.

Conclusion - Response accepted.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-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.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 did not exceed the certified budget amounts.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-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.
- II-E-05 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kay Harris, Board Member Spouse owns Harris Electric	Repairs	\$2,563
Donna Pilgrim, Business Manager Son judged a cross-country meet	Judge	\$60

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the son of the business manager and the spouse of the Board Member do not appear to represent a conflict of interest.

- II-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.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-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.
- II-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.