

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Independent Auditor's Report

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

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

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 MFL MarMac Community School District as of 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 October 17, 2005, on our consideration of MFL MarMac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 13 and 39 through 40 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 MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 17, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS:**

MFL MarMac 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**

Overall Tax Rates decreased by approximately five cents (.05) per thousand dollars of assessed valuation. This is the second year in a row of a tax levy decrease. It is projected that the tax levy rate will decrease by another five cents per thousand (.05) in 07.

General Fund revenues increased from \$6,646,291 in fiscal 2004 to \$6,689,249 in fiscal 2005, while General Fund expenditures increased from \$6,398,866 in fiscal 2004 to \$6,745,525 in fiscal 2005. The District's General Fund balance decreased from \$1,932,229 in fiscal 2004 to \$1,878,304 in fiscal 2005, a 2.7% decrease.

The District's Solvency Ratio still remains at a positive 25, which is extremely healthy.

The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **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 MFL MarMac 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 MFL MarMac 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 MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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 non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 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-1**  
**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
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	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, 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 financial 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:

**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, Debt Service Fund and 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.

**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 two Enterprise Funds; the School Nutrition Fund and Day Care Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one internal service fund used to account for the District's employee flexible benefit plan.

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.

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

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring 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 a statement of fiduciary net assets and a 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 at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,867,497	6,755,447	76,796	59,282	5,944,293	6,814,729	-13%
Capital assets	1,644,248	1,536,477	6,937	7,750	1,651,185	1,544,227	7%
<b>Total assets</b>	<b>7,511,745</b>	<b>8,291,924</b>	<b>83,733</b>	<b>67,032</b>	<b>7,595,478</b>	<b>8,358,956</b>	<b>-9%</b>
Long-term liabilities	1,062,203	1,202,849	-	-	1,062,203	1,202,849	-12%
Other liabilities	2,714,805	4,143,423	4,783	3,497	2,719,588	4,146,920	-34%
<b>Total liabilities</b>	<b>3,777,008</b>	<b>5,346,272</b>	<b>4,783</b>	<b>3,497</b>	<b>3,781,791</b>	<b>5,349,769</b>	<b>-29%</b>
Net Assets:							
Invested in capital assets, net of related debt	734,248	526,477	6,937	7,750	741,185	534,227	39%
Restricted	1,010,551	440,848	-	-	1,010,551	440,848	129%
Unrestricted	1,989,938	1,978,327	72,013	55,785	2,061,951	2,034,112	1%
<b>TOTAL NET ASSETS</b>	<b>3,734,737</b>	<b>2,945,652</b>	<b>78,950</b>	<b>63,535</b>	<b>3,813,687</b>	<b>3,009,187</b>	<b>27%</b>

The District's combined net assets increased by nearly 27%, or approximately \$804,500, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, 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 increased approximately \$569,703 or 129% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects and Physical Plant and Equipment Levy Funds and increased revenues in the Management Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$27,839, or 1%. This increase in unrestricted net assets was a result of increased revenues for the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	495,647	489,045	236,720	244,224	732,367	733,269	0%
Operating grants & contributions	826,187	798,559	167,542	173,645	993,729	972,204	2%
Capital grants & contributions	-	123,859	-	-	-	123,859	-100%
General Revenues:							0%
Property taxes	2,607,011	2,569,671	-	-	2,607,011	2,569,671	1%
Income Surtax	323,540	92,000	-	-	323,540	92,000	252%
Local option sales tax	490,586	135,555	-	-	490,586	135,555	262%
Unrestricted state grants	3,575,341	3,405,294	-	-	3,575,341	3,405,294	5%
Unrestricted investment earnings	61,339	36,795	474	241	61,813	37,036	67%
Other revenue	63	16,573	-	-	63	16,573	-100%
<b>Total Revenues</b>	<b>8,379,714</b>	<b>7,667,351</b>	<b>404,736</b>	<b>418,110</b>	<b>8,784,450</b>	<b>8,085,461</b>	<b>9%</b>
Expenses:							
Instruction	4,569,150	4,437,835	-	-	4,569,150	4,437,835	3%
Support services	2,160,789	2,106,745	-	-	2,160,789	2,106,745	3%
Non-instructional programs	8,254	1,748	389,321	393,335	397,575	395,083	1%
Other expenditures	852,436	497,420	-	-	852,436	497,420	71%
<b>Total expenses</b>	<b>7,590,629</b>	<b>7,043,748</b>	<b>389,321</b>	<b>393,335</b>	<b>7,979,950</b>	<b>7,437,083</b>	<b>7%</b>
<b>Change in net assets before transfers</b>	<b>789,085</b>	<b>623,603</b>	<b>15,415</b>	<b>24,775</b>	<b>804,500</b>	<b>648,378</b>	<b>24%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>789,085</b>	<b>623,603</b>	<b>15,415</b>	<b>24,775</b>	<b>804,500</b>	<b>648,378</b>	<b>24%</b>
Net assets beginning of year	2,945,652	2,322,049	63,535	38,760	3,009,187	2,360,809	27%
Net assets end of year	3,734,737	2,945,652	78,950	63,535	3,813,687	3,009,187	27%

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$8,379,714 and expenses were \$7590,629.

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**

	<b>Total Cost Of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2005</b>	<b>Net Cost of Services 2004</b>
	\$	\$	\$	\$
Instruction	4,569,150	4,437,835	3,613,764	3,499,384
Support Services	2,160,789	2,106,745	2,114,231	2,054,566
Non-instructional Programs	8,254	1,748	8,254	1,748
Other Expenses	<u>852,436</u>	<u>497,420</u>	<u>532,546</u>	<u>76,587</u>
<b>TOTAL</b>	<u>7,590,629</u>	<u>7,043,748</u>	<u>6,268,795</u>	<u>5,632,285</u>

The cost financed by users of the District's programs was \$495,647.

Federal and state governments subsidized certain programs with grants and contributions totaling \$826,187.

The net cost of governmental activities was financed with \$3,421,137 in property and other taxes and \$3,575,341 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$404,736 and expenses were \$389,321. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment at two elementary buildings in the next fiscal year.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, MFL MarMac 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 a combined fund balance of \$2,968,683, well above last year's ending fund balances of \$2,532,643.

### **Governmental Fund Highlights**

The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.

The General Fund balance decreased from \$1,932,229 to \$1,878,304, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$198,617 in fiscal 2004 to \$234,276 in fiscal 2005. While revenues remained approximately the same, the District reduced spending in the PPEL Fund during the year.

The Management Fund balance increased from \$222,171 to \$504,054.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$58,449 at June 30, 2004 to \$72,352 at June 30, 2005, representing an increase of approximately 24%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, MFL MarMac Community School District amended its annual budget one time to reflect additional and expenditures.

The District's receipts were \$284,324 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid 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 ASSETS AND DEBT ADMINISTRATION**

## Capital Assets

At June 30, 2005, the District had invested \$1.6 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$185,777.

The original cost of the District's capital assets was \$5.4 million. Governmental funds account for \$5.3 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building improvements and equipment additions.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	155,024	194,778	-	-	155,024	194,778	-20%
Improvements	1,114,279	1,023,663	-	-	1,114,279	1,023,663	9%
Equipment & Furniture	364,945	308,036	6,937	7,750	371,882	315,786	18%
<b>TOTAL</b>	<b>1,644,248</b>	<b>1,536,477</b>	<b>6,937</b>	<b>7,750</b>	<b>1,651,185</b>	<b>1,544,227</b>	<b>7%</b>

## Long-Term Debt

At June 30, 2005, the District had \$1,062,203 in capital loan notes, revenue bonds and other long-term debt outstanding. This represents an decrease of approximately 12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2004-2005
	2005	2004	
	\$	\$	
Local Option Sales and Services			
Tax Revenue Bonds	150,000	165,000	-9%

Capital Loan Notes	760,000	845,000	-10%
Early Retirement	152,203	192,849	-21%
	<u>1,062,203</u>	<u>1,202,849</u>	<u>-12%</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:

Clayton County has advised the District that, due to the completion of property revaluation assessments, the District’s total taxable valuation will increase 2 percent for property tax collected in fiscal 2006.

School financing is highly dependent upon student enrollment. The District’s September 2005 enrollment decreased by 14.1 students. This drop in enrollment will decrease the District’s funding for fiscal year 2007 approximately \$72,000.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2007 at a cost of \$65,000. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2006 was the last year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). The District will negotiate a new agreement during fiscal 2007. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

**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 Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159.

## BASIC FINANCIAL STATEMENTS

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,772,273	63,959	2,836,232
Receivables:			
Property tax:			
Delinquent	52,811	-	52,811
Succeeding year	2,659,571	-	2,659,571
Accounts	1,541	6,610	8,151
Accrued interest	159	-	159
Due from other governments	381,142	-	381,142
Inventories	-	6,227	6,227
Capital assets, net of accumulated depreciation	1,644,248	6,937	1,651,185
	<u>7,511,745</u>	<u>83,733</u>	<u>7,595,478</u>
<b>Liabilities</b>			
Accounts payable	43,763	-	43,763
Accrued interest payable	11,471	-	11,471
Deferred revenue:			
Succeeding year property tax	2,659,571	-	2,659,571
Other	-	4,783	4,783
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	15,000	-	15,000
Notes payable	85,000	-	85,000
Early retirement	36,615	-	36,615
Portion due after one year:			
Revenue bonds payable	135,000	-	135,000
Notes payable	675,000	-	675,000
Early retirement	115,588	-	115,588
	<u>3,777,008</u>	<u>4,783</u>	<u>3,781,791</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	734,248	6,937	741,185
Restricted for:			
Gifted and talented program	72,376	-	72,376
Management levy	351,851	-	351,851
Physical plant and equipment levy	337,756	-	337,756
Other special revenue purposes	101,079	-	101,079
Local option sales tax capital projects	232,681	-	232,681
Debt service	6,638	-	6,638
Unrestricted	<u>1,898,108</u>	<u>72,013</u>	<u>1,970,121</u>
<b>Total net assets</b>	<u><u>3,734,737</u></u>	<u><u>78,950</u></u>	<u><u>3,813,687</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,934,716	137,961	323,155	-
Special instruction	750,216	-	156,267	-
Other instruction	884,218	329,278	8,725	-
	<u>4,569,150</u>	<u>467,239</u>	<u>488,147</u>	<u>-</u>
Support services:				
Student services	298,729	-	18,150	-
Instructional staff services	133,498	-	-	-
Administration services	780,330	-	-	-
Operation and maintenance of plant services	562,574	25,305	-	-
Transportation services	385,658	3,103	-	-
	<u>2,160,789</u>	<u>28,408</u>	<u>18,150</u>	<u>-</u>
Non-instructional programs	<u>8,254</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	436,844	-	24,975	-
Long-term debt interest	31,050	-	-	-
AEA flowthrough	294,915	-	294,915	-
Depreciation (unallocated)*	89,627	-	-	-
	<u>852,436</u>	<u>-</u>	<u>319,890</u>	<u>-</u>
Total governmental activities	<u>7,590,629</u>	<u>495,647</u>	<u>826,187</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	374,424	220,311	167,542	-
Preschool	14,897	16,409	-	-
Total business type activities	<u>389,321</u>	<u>236,720</u>	<u>167,542</u>	<u>-</u>
Total	<u>7,979,950</u>	<u>732,367</u>	<u>993,729</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
<b>Change in net assets</b>				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,473,600)	-	(2,473,600)
(593,949)	-	(593,949)
(546,215)	-	(546,215)
<u>(3,613,764)</u>	<u>-</u>	<u>(3,613,764)</u>
(280,579)	-	(280,579)
(133,498)	-	(133,498)
(780,330)	-	(780,330)
(537,269)	-	(537,269)
(382,555)	-	(382,555)
<u>(2,114,231)</u>	<u>-</u>	<u>(2,114,231)</u>
<u>(8,254)</u>	<u>-</u>	<u>(8,254)</u>
(411,869)	-	(411,869)
(31,050)	-	(31,050)
-	-	-
<u>(89,627)</u>	<u>-</u>	<u>(89,627)</u>
<u>(532,546)</u>	<u>-</u>	<u>(532,546)</u>
<u>(6,268,795)</u>	<u>-</u>	<u>(6,268,795)</u>
-	13,429	13,429
-	1,512	1,512
<u>-</u>	<u>14,941</u>	<u>14,941</u>
<u>(6,268,795)</u>	<u>14,941</u>	<u>(6,253,854)</u>
2,369,368	-	2,369,368
237,643	-	237,643
323,540	-	323,540
490,586	-	490,586
3,575,341	-	3,575,341
61,339	474	61,813
63	-	63
<u>7,057,880</u>	<u>474</u>	<u>7,058,354</u>
789,085	15,415	804,500
<u>2,945,652</u>	<u>63,535</u>	<u>3,009,187</u>
<u>3,734,737</u>	<u>78,950</u>	<u>3,813,687</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,818,400	496,277	227,339	230,257	2,772,273
Receivables:					
Property tax:					
Delinquent	40,465	7,777	4,569	-	52,811
Succeeding year	2,028,669	388,000	242,902	-	2,659,571
Accounts	1,087	-	-	454	1,541
Accrued interest - other	159	-	-	-	159
Interfund receivable/payable	-	-	2,368	16,212	18,580
Due from other governments	126,405	-	103,480	151,257	381,142
<b>Total assets</b>	<b>4,015,185</b>	<b>892,054</b>	<b>580,658</b>	<b>398,180</b>	<b>5,886,077</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	-	-	-	43,763	43,763
Interfund payable	16,212	-	-	2,368	18,580
Deferred revenue:					
Succeeding year property tax	2,028,669	388,000	242,902	-	2,659,571
Other	92,000	-	103,480	-	195,480
Total liabilities	2,136,881	388,000	346,382	46,131	2,917,394
Fund balances:					
Reserved for:					
Gifted and talented program	72,376	-	-	-	72,376
Debt service	-	-	-	18,109	18,109
Unreserved reported in:					
General fund	1,805,928	-	-	-	1,805,928
Special revenue funds	-	504,054	234,276	101,079	839,409
Capital projects funds	-	-	-	232,861	232,861
Total fund balances	1,878,304	504,054	234,276	352,049	2,968,683
<b>Total liabilities and fund balances</b>	<b>4,015,185</b>	<b>892,054</b>	<b>580,658</b>	<b>398,180</b>	<b>5,886,077</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,968,683
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,644,248
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	195,480
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	(11,471)
Long-term liabilities, including bonds payable, notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,062,203)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,734,737</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,097,455	381,943	347,673	490,586	3,317,657
Tuition	120,848	-	-	-	120,848
Other	94,861	3,778	3,219	335,402	437,260
State sources	4,159,825	285	183	-	4,160,293
Federal sources	216,260	-	24,975	-	241,235
Total revenues	<u>6,689,249</u>	<u>386,006</u>	<u>376,050</u>	<u>825,988</u>	<u>8,277,293</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,962,300	-	-	-	2,962,300
Special instruction	750,216	-	-	-	750,216
Other instruction	599,793	-	-	284,425	884,218
	<u>4,312,309</u>	<u>-</u>	<u>-</u>	<u>284,425</u>	<u>4,596,734</u>
Support services:					
Student services	298,729	-	-	-	298,729
Instructional staff services	133,498	-	-	-	133,498
Administration services	848,247	-	-	-	848,247
Operation and maintenance of plant services	468,768	104,123	-	-	572,891
Transportation services	380,805	-	-	-	380,805
	<u>2,130,047</u>	<u>104,123</u>	<u>-</u>	<u>-</u>	<u>2,234,170</u>
Non-instructional programs	<u>8,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,254</u>
Other expenditures:					
Facilities acquisition	-	-	231,856	345,477	577,333
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	32,198	32,198
AEA flowthrough	294,915	-	-	-	294,915
	<u>294,915</u>	<u>-</u>	<u>231,856</u>	<u>477,675</u>	<u>1,004,446</u>
Total expenditures	<u>6,745,525</u>	<u>104,123</u>	<u>231,856</u>	<u>762,100</u>	<u>7,843,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,276)</u>	<u>281,883</u>	<u>144,194</u>	<u>63,888</u>	<u>433,689</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	2,351	-	-	-	2,351
Operating transfers in	-	-	-	132,198	132,198
Operating transfers out	-	-	(108,535)	(23,663)	(132,198)
Total other financing sources (uses)	<u>2,351</u>	<u>-</u>	<u>(108,535)</u>	<u>108,535</u>	<u>2,351</u>
Net change in fund balances	(53,925)	281,883	35,659	172,423	436,040
Fund balances beginning of year	<u>1,932,229</u>	<u>222,171</u>	<u>198,617</u>	<u>179,626</u>	<u>2,532,643</u>
Fund balances end of year	<u><u>1,878,304</u></u>	<u><u>504,054</u></u>	<u><u>234,276</u></u>	<u><u>352,049</u></u>	<u><u>2,968,683</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		436,040
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	296,145	
Disposal of assets with remaining basis	(3,410)	
Depreciation expense	<u>(184,964)</u>	107,771
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		103,480
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		100,000
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.		1,148
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>40,646</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>789,085</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	63,959	-
Accounts receivable	6,610	-
Inventories	6,227	-
Capital assets, net of accumulated depreciation	6,937	-
	<hr/>	<hr/>
<b>Total assets</b>	83,733	-
<b>Liabilities</b>		
Deferred revenue	4,783	-
	<hr/>	<hr/>
<b>Net assets</b>		
Invested in capital assets, net of related debt	6,937	-
Unrestricted	72,013	-
	<hr/>	<hr/>
<b>Total net assets</b>	<u>78,950</u>	<u>-</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	236,720	60,288
Operating expenses:		
Non-instructional programs:		
Salaries	162,627	-
Benefits	51,843	60,288
Purchased services	1,166	-
Supplies	172,872	-
Depreciation	813	-
	<u>389,321</u>	<u>60,288</u>
Operating gain (loss)	<u>(152,601)</u>	-
Non-operating revenue:		
State sources	7,165	-
Federal sources	160,377	-
Interest income	474	-
Total non-operating revenue	<u>168,016</u>	-
Change in net assets	15,415	-
Net assets beginning of year	<u>63,535</u>	-
Net assets end of year	<u><u>78,950</u></u>	<u><u>-</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	219,555	-
Cash received from daycare services	16,409	-
Cash received from charges to other funds	-	60,288
Cash payments to employees for services	(214,470)	-
Cash payments to suppliers for goods or services	(141,703)	(60,288)
Net cash used by operating activities	<u>(120,209)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	7,165	-
Federal grants received	132,478	-
Net cash provided by non-capital financing activities	<u>139,643</u>	<u>-</u>
Cash flows from capital and related financing activities		
	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	474	-
Net increase (decrease) in cash and cash equivalents	19,908	-
Cash and cash equivalents at beginning of year	44,051	-
Cash and cash equivalents at end of year	<u>63,959</u>	<u>-</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(152,601)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	27,899	-
Depreciation	813	-
Decrease (increase) in inventories	4,436	-
Decrease (increase) in accounts receivable	(2,042)	-
(Decrease) increase in deferred revenue	1,286	-
Net cash used in operating activities	<u>(120,209)</u>	<u>-</u>

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

During the year ended June 30, 2005, the District received \$27,899 of federal commodities.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship	Agency
	\$	\$
<b>Assets</b>		
Cash and pooled investments	303	94
<b>Liabilities</b>		
Other payables	-	94
<b>Net Assets</b>		
Reserved for scholarships	<u>303</u>	<u>-</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

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

# MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

MFL MarMac Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Monona, Farmersburg, Luana, Marquette and McGregor, Iowa and the predominately agricultural territory in a portion of Clayton and Allamakee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's collection and disbursement of certain fees and charges.

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

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

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

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

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

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

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Special Revenue:		
Physical Plant and Equipment Levy Fund	Capital Projects Fund	2,368
Capital Projects Fund	General Fund	16,212

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

### 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
	Special Revenue:	
Debt Service	Physical Plant and Equipment Levy Fund	108,535
Debt Service	Capital Projects Fund	23,663

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

### 5. 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	2,858,531	-	-	2,858,531
Improvements other than buildings	1,113,549	140,489	-	1,254,038
Furniture and equipment	1,109,640	155,656	77,160	1,188,136
Total capital assets being deprec.	5,081,720	296,145	77,160	5,300,705

Less accumulated depreciation for:				
Buildings	2,663,753	39,754	-	2,703,507
Improvements other than buildings	89,886	49,873	-	139,759
Furniture and equipment	801,604	95,337	73,750	823,191
Total accumulated depreciation	<u>3,555,243</u>	<u>184,964</u>	<u>73,750</u>	<u>3,666,457</u>
Total capital assets being depreciated, net	<u>1,526,477</u>	<u>111,181</u>	<u>3,410</u>	<u>1,634,248</u>
Governmental activities capital assets, net	<u>1,536,477</u>	<u>111,181</u>	<u>3,410</u>	<u>1,644,248</u>
	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	65,169	-	-	65,169
Less accumulated depreciation	<u>57,419</u>	<u>813</u>	<u>-</u>	<u>58,232</u>
Business type activities capital assets, net	<u>7,750</u>	<u>(813)</u>	<u>-</u>	<u>6,937</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,172
Support Services:	
Administration services	1,729
Operation and maintenance of plant services	1,583
Transportation	<u>89,853</u>
Unallocated depreciation	<u>89,627</u>
Total depreciation expense – governmental activities	<u>184,964</u>
Business type activities:	
Food services	<u>813</u>

## 6. 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
	\$	\$	\$	\$	\$
Local option sales and services					
tax revenue bonds	165,000	-	15,000	150,000	15,000
Capital loan notes	845,000	-	85,000	760,000	85,000
Early retirement	192,849	2,000	42,646	152,203	36,615
<b>Total</b>	<b>1,202,849</b>	<b>2,000</b>	<b>142,646</b>	<b>1,062,203</b>	<b>136,615</b>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on insurance costs and cash payments to be made. Early retirement expenditures for the year ended June 30, 2005 totaled \$42,646.

#### Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	5.250	15,000	7,875	22,875
2007	5.250	15,000	7,087	22,087
2008	5.250	20,000	6,300	26,300
2009	5.250	20,000	5,250	25,250
2010	5.250	20,000	3,675	23,675
2011-2013	5.250	60,000	4,725	64,725
		<u>150,000</u>	<u>34,912</u>	<u>184,912</u>

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

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues.
- Bonds Maturing after January 1, 2009, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$18,000 of proceeds from the bond issue have been placed in a reserve fund. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available. At June 30, 2005 the required amount is in a savings account and is included as part of the Capital Projects Fund.

### Capital Loan Notes

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	2.35	85,000	21,580	106,580
2007	2.40	90,000	19,582	109,582
2008	2.40	90,000	17,422	107,422
2009	2.60	90,000	15,263	105,263
2010	2.90	100,000	12,923	112,923
2011-2013	2.90-3.45	305,000	20,567	325,567
		<u>760,000</u>	<u>107,337</u>	<u>867,337</u>

### **7. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$258,457, \$258,771, and \$247,086 respectively, equal to the required contributions for each year.

### **8. Risk Management**

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. 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.

### **9. 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 \$294,915 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.

### **10. Construction Commitment**

The District has entered into a construction contract totaling \$184,018 and as of June 30, 2005 \$68,568 of the costs were unearned.

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
<b>Receipts:</b>						
Local sources	3,655,604	236,438	3,892,042	3,937,411	3,937,411	(45,369)
State sources	4,185,358	7,165	4,192,523	4,347,343	4,347,343	(154,820)
Federal sources	220,488	160,377	380,865	465,000	465,000	(84,135)
Total receipts	<u>8,061,450</u>	<u>403,980</u>	<u>8,465,430</u>	<u>8,749,754</u>	<u>8,749,754</u>	<u>(284,324)</u>
<b>Disbursements:</b>						
Instruction	4,635,156	-	4,635,156	5,085,000	5,085,000	449,844
Support services	2,164,262	-	2,164,262	2,164,000	2,500,000	335,738
Non-instructional programs	8,254	384,072	392,326	475,000	475,000	82,674
Other expenditures	900,966	-	900,966	619,980	925,000	24,034
Total disbursements	<u>7,708,638</u>	<u>384,072</u>	<u>8,092,710</u>	<u>8,343,980</u>	<u>8,985,000</u>	<u>892,290</u>
Excess (deficiency) of receipts over (under) disbursements	352,812	19,908	372,720	405,774	(235,246)	607,966
Other financing sources (uses) net	<u>2,351</u>	<u>-</u>	<u>2,351</u>	<u>-</u>	<u>-</u>	<u>2,351</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	355,163	19,908	375,071	405,774	(235,246)	610,317
Balance beginning of year	<u>2,417,110</u>	<u>44,051</u>	<u>2,461,161</u>	<u>2,202,903</u>	<u>2,202,903</u>	<u>258,258</u>
Balance end of year	<u><u>2,772,273</u></u>	<u><u>63,959</u></u>	<u><u>2,836,232</u></u>	<u><u>2,608,677</u></u>	<u><u>1,967,657</u></u>	<u><u>868,575</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	8,061,450	215,843	8,277,293
Expenditures	7,708,638	134,966	7,843,604
Net	352,812	80,877	433,689
Other financing sources (uses) net	2,351	-	2,351
Beginning fund balances	2,417,110	115,533	2,532,643
Ending fund balances	2,772,273	196,410	2,968,683

  

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	403,980	756	404,736
Expenditures	384,072	5,249	389,321
Net	19,908	(4,493)	15,415
Beginning fund balances	44,051	19,484	63,535
Ending fund balances	63,959	14,991	78,950

MFL MARMAC 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 Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$641,020.

OTHER SUPPLEMENTARY INFORMATION

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

<b>Assets</b>	<u>Student Activity</u> \$	<u>Capital Projects</u> \$	<u>Debt Service</u> \$	<u>Total</u> \$
Cash and pooled investments	100,625	129,631	1	230,257
Receivables:				
Accounts	454	-	-	454
Interfund receivable/payable	-	16,212	-	16,212
Due from other governments	-	151,257	-	151,257
	<u>101,079</u>	<u>297,100</u>	<u>1</u>	<u>398,180</u>
<b>Total assets</b>				
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	43,763	-	43,763
Interfund payables	-	2,368	-	2,368
Total liabilities	<u>-</u>	<u>46,131</u>	<u>-</u>	<u>46,131</u>
Fund balances:				
Reserved for debt service	-	18,108	1	18,109
Unreserved reported in:				-
Special revenue funds	101,079	-	-	101,079
Capital projects funds	-	232,861	-	232,861
Total fund balances	<u>101,079</u>	<u>250,969</u>	<u>1</u>	<u>352,049</u>
<b>Total liabilities and fund balances</b>	<u>101,079</u>	<u>297,100</u>	<u>1</u>	<u>398,180</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Student Activity	Capital Projects	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	490,586	-	490,586
Other	317,411	17,991	-	335,402
Total revenues	<u>317,411</u>	<u>508,577</u>	<u>-</u>	<u>825,988</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	284,425	-	-	284,425
Other expenditures:				
Facilities acquisition	-	345,477	-	345,477
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	32,198	32,198
Total expenditures	<u>284,425</u>	<u>345,477</u>	<u>132,198</u>	<u>762,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,986</u>	<u>163,100</u>	<u>(132,198)</u>	<u>63,888</u>
Other financing sources (uses):				
Operating transfers in	-	-	132,198	132,198
Operating transfers out	-	(23,663)	-	(23,663)
Total other financing sources (uses)	<u>-</u>	<u>(23,663)</u>	<u>132,198</u>	<u>108,535</u>
Net changes in fund balances	32,986	139,437	-	172,423
Fund balances beginning of year	<u>68,093</u>	<u>111,532</u>	<u>1</u>	<u>179,626</u>
Fund balances end of year	<u>101,079</u>	<u>250,969</u>	<u>1</u>	<u>352,049</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2005

	Nonmajor Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	57,361	6,598	63,959
Accounts receivable	6,610	-	6,610
Inventories	6,227	-	6,227
Capital assets, net of accumulated depreciation	6,937	-	6,937
<b>Total assets</b>	<b>77,135</b>	<b>6,598</b>	<b>83,733</b>
<b>Liabilities</b>			
Deferred revenue	4,783	-	4,783
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,937	-	6,937
Unrestricted	65,415	6,598	72,013
<b>Total net assets</b>	<b>72,352</b>	<b>6,598</b>	<b>78,950</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>220,311</u>	<u>16,409</u>	<u>236,720</u>
Operating expenses:			
Non-instructional programs:			
Salaries	150,663	11,964	162,627
Benefits	48,910	2,933	51,843
Purchased services	1,166	-	1,166
Supplies	172,872	-	172,872
Depreciation	813	-	813
	<u>374,424</u>	<u>14,897</u>	<u>389,321</u>
Operating gain (loss)	<u>(154,113)</u>	<u>1,512</u>	<u>(152,601)</u>
Non-operating revenue:			
State sources	7,165	-	7,165
Federal sources	160,377	-	160,377
Interest income	474	-	474
Total non-operating revenue	<u>168,016</u>	<u>-</u>	<u>168,016</u>
Change in net assets	13,903	1,512	15,415
Net assets beginning of year	<u>58,449</u>	<u>5,086</u>	<u>63,535</u>
Net assets end of year	<u><u>72,352</u></u>	<u><u>6,598</u></u>	<u><u>78,950</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	219,555	-	219,555
Cash received from daycare services	-	16,409	16,409
Cash payments to employees for services	(199,573)	(14,897)	(214,470)
Cash payments to suppliers for goods or services	(141,703)	-	(141,703)
Net cash provided by (used by) operating activities	<u>(121,721)</u>	<u>1,512</u>	<u>(120,209)</u>
Cash flows from non-capital financing activities:			
State grants received	7,165	-	7,165
Federal grants received	132,478	-	132,478
Net cash provided by non-capital financing activities	<u>139,643</u>	<u>-</u>	<u>139,643</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>474</u>	<u>-</u>	<u>474</u>
Net increase (decrease) in cash and cash equivalents	18,396	1,512	19,908
Cash and cash equivalents at beginning of year	<u>38,965</u>	<u>5,086</u>	<u>44,051</u>
Cash and cash equivalents at end of year	<u>57,361</u>	<u>6,598</u>	<u>63,959</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(154,113)	1,512	(152,601)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	27,899	-	27,899
Depreciation	813	-	813
Decrease (increase) in inventories	4,436	-	4,436
Decrease (increase) in accounts receivable	(2,042)	-	(2,042)
(Decrease) increase in deferred revenue	1,286	-	1,286
Net cash used in operating activities	<u>(121,721)</u>	<u>1,512</u>	<u>(120,209)</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Fine arts	5,772	5,196	4,095	6,873
Middle school drama	919	961	1,029	851
Band	386	1,727	1,677	436
Girls basketball	-	4,586	4,586	-
General athletics	-	5,023	5,323	(300)
MS athletic equipment fund balance	299	-	-	299
MS athletic sup. fund balance	-	8,716	8,716	-
MS athletic fundraising fund balance	857	279	1	1,135
MS volleyball	-	597	(170)	767
Boys basketball (2013-2014)	-	2,044	810	1,234
Cross country	-	1,564	1,564	-
Golf	-	1,044	1,044	-
Boys basketball	-	8,467	7,593	874
Football	-	13,008	10,860	2,148
Baseball	-	3,700	3,198	502
Boys track	-	2,241	2,241	-
Wrestling fund balance	-	8,986	8,986	-
Wrestling club fund balance	993	12,868	12,291	1,570
Bulldog volleyball club balance	208	3,652	3,648	212
Softball	-	4,783	4,762	21
Girls track	-	4,048	5,665	(1,617)
Cheerleaders	1,197	699	1,118	778
Dance team fund balance	-	2,395	2,395	-
MS cheerleaders fund balance	195	11	-	206
FFA	5,356	17,579	16,075	6,860
High school student council	1,182	10,194	9,407	1,969
Middle school student council	777	1,426	1,938	265
Young americans	113	6,657	6,836	(66)
Middle school peer helpers	25	355	209	171
High school peer helpers	639	921	1,152	408
Class of 2004	2,987	-	2,987	-
Class of 2005	5,016	4,366	5,076	4,306
Class of 2006	794	16,898	14,398	3,294
Class of 2007	243	255	116	382
Class of 2008	694	315	173	836
Class of 2009	423	9,311	9,604	130
Class of 2010	4,111	10,864	15,699	(724)
Class of 2011	-	17,420	12,918	4,502
Music resale	386	1,332	1,242	476
Yearbook	5,558	15,234	11,303	9,489
Student activity tickets	1,388	28,882	7,757	22,513

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Elem. fund raising	1,203	3,111	1,566	2,748
M.S. fund raising	2,000	4,689	4,943	1,746
HS fund raising	4,484	6,813	5,693	5,604
MS class trips	345	45,090	45,360	75
Resale school supplies	207	(207)	-	-
Electrathon team	-	4,572	4,572	-
Pepsi machine (M)	-	13,508	13,508	-
Pepsi (McG)	-	1,120	1,120	-
FFA savings	19,377	175	-	19,552
Cash on hand	100	-	-	100
Beginning accruals	(141)	(518)	(659)	-
Ending accruals	-	454	-	454
	<hr/>	<hr/>	<hr/>	<hr/>
Total	68,093	317,411	284,425	101,079
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2005

	Employee Memorial	Bulldog Basketball	Insurance	Total
	\$	\$	\$	\$
Balance beginning of year	100	1,430	-	1,530
Additions:				
Collections	124	-	235	359
Deductions:				
Miscellaneous	130	1,430	235	1,795
Balance end of year	<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,317,657	2,799,270	2,433,819	2,231,116
Tuition	120,848	125,357	131,466	107,765
Other	437,260	416,695	317,175	314,415
Intermediate sources	-	4,265	-	-
State sources	4,160,293	3,986,806	4,063,686	4,176,659
Federal sources	241,235	336,641	249,296	176,847
Total revenues	<u>8,277,293</u>	<u>7,669,034</u>	<u>7,195,442</u>	<u>7,006,802</u>
Expenditures:				
Instruction:				
Regular instruction	2,962,300	2,934,875	2,888,217	3,044,393
Special instruction	750,216	914,195	868,997	806,824
Other instruction	884,218	608,974	528,104	508,553
Support services:				
Student services	298,729	277,687	261,513	240,057
Instructional staff services	133,498	180,711	163,297	232,778
Administration services	848,247	833,883	808,748	705,168
Operation and maintenance of plant services	572,891	429,801	423,901	582,704
Transportation services	380,805	343,605	311,082	302,752
Non-instructional programs	8,254	1,748	-	-
Other expenditures:				
Facilities acquisition	577,333	913,215	670,243	22,628
Long-term debt:				
Principal	100,000	15,000	-	-
Interest and other charges	32,198	34,878	6,300	-
AEA flowthrough	294,915	296,974	319,147	321,901
Total expenditures	<u>7,843,604</u>	<u>7,785,546</u>	<u>7,249,549</u>	<u>6,767,758</u>

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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  
MFL MarMac Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District 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 October 17, 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 MFL MarMac Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 item 05-I-A is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether MFL MarMac Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 MFL MarMac Community School District and other parties to whom MFL MarMac Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

October 17, 2005

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

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

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

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

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

05-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by 2 students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

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