

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2008

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	2	39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40-41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	42
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 <u>Government Auditing Standards</u>		43-44
Schedule of Findings and Responses		45-48

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Independent Auditor's Report

To the Board of Education of
Marcus-Meriden-Cleghorn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District, Marcus, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Marcus-Meriden-Cleghorn Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated April 28, 2009, on our consideration of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 14 and 35 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 Marcus-Meriden-Cleghorn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions 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.

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

April 28, 2009

Management Discussion and Analysis

The Marcus-Meriden-Cleghorn Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District spent \$131,051 more than it received; therefore the General Fund ending fund balance went from \$494,968 to \$363,917.
- Declining enrollment and low allowable growth contributed to a downturn in the District's financial position. The District's solvency ratio remains healthy at 8.17% and while the cash balance of \$720,377 for the general fund remains adequate, the district will need to take steps to balance its budget in order to remain able to meet its obligations without borrowing money.
- The district voted on, and passed a bond referendum to fund a building project that includes an on-site kitchen facility, classrooms and a community weight room and will connect the two buildings at the Marcus campus. The bonds were sold in December of 2006 and work on the project began in the spring of 2007. Work is projected to be done by summer of 2008 with occupancy anticipated for the 2008-2009 school year. The project is complete and operating at full capacity.

Overview of the Financial Statements

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

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

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

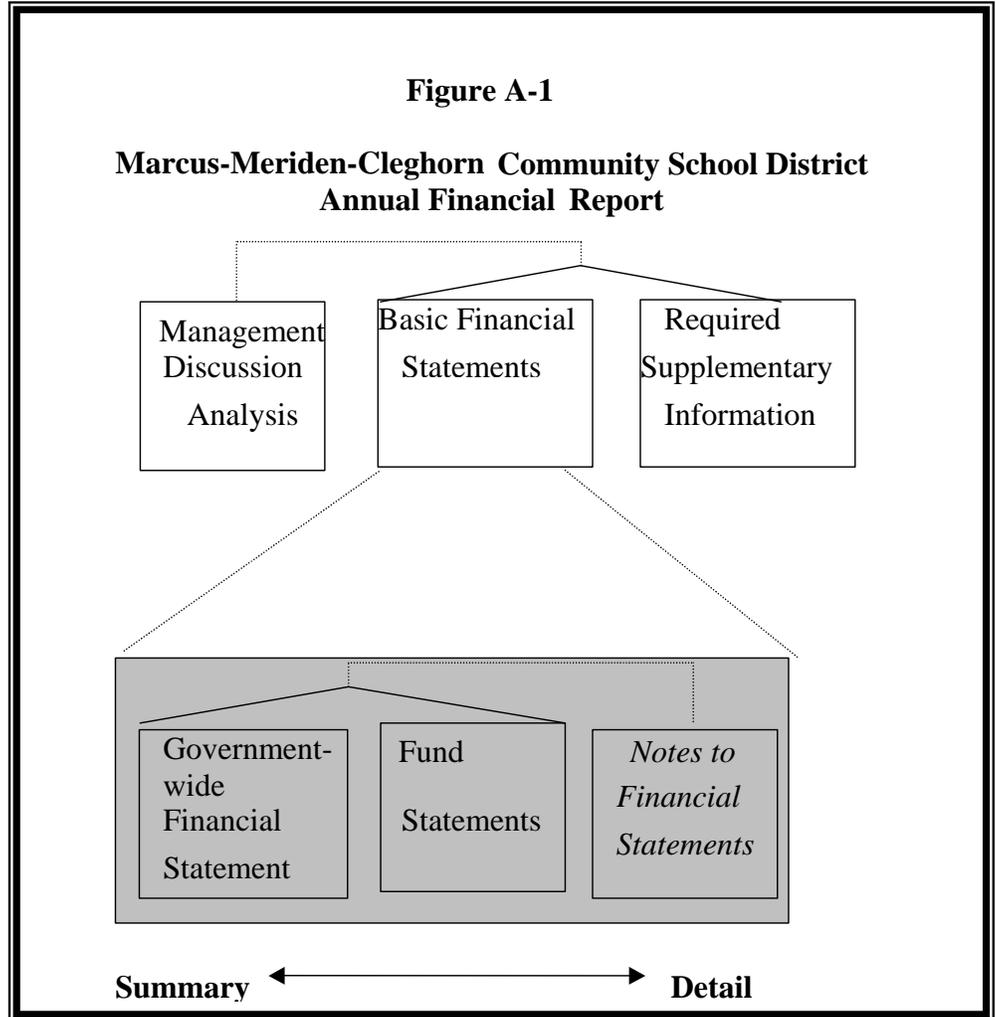


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

Government-wide Financial Statements

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

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not

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

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District uses an internal service fund to account for its employee flexible benefit plan.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District's net assets for the years ended June 30, 2007 and June 30, 2008.

	Governmental Activities		Business-type Activities		District Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 7,343,797	\$ 5,189,061	\$ 45	\$ (2,689)	\$ 7,343,842	\$ 5,186,372
Capital Assets	1,266,123	3,821,196	28,429	26,330	1,294,552	3,847,526
Total assets	8,609,920	9,010,257	28,474	23,641	8,638,394	9,033,898
Long-term debt outstanding	2,988,637	2,939,000	-	-	2,988,637	2,939,000
Other liabilities	2,765,122	3,036,835	3,777	3,865	2,768,899	3,040,700
Total liabilities	5,753,759	5,975,835	3,777	3,865	5,757,536	5,979,700
Net Assets:						
Invested in capital assets, net of related debt	1,056,086	1,590,290	28,429	26,330	1,084,515	1,616,620
Restricted	1,209,446	928,050	-	-	1,209,446	928,050
Unrestricted	590,629	516,082	(3,732)	(6,554)	586,897	509,528
Total net assets	2,856,161	3,034,422	24,697	19,776	2,880,858	3,054,198

The District's total net assets increased by 6.02%, or approximately \$173,000, from the prior year. The increase is mainly due to the issuance of the construction bonds and the completion of the construction project.

The portion of the District's net assets identifies as invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt increased by \$532,105. Most of this increase is attributable to the completion of the construction project.

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 \$281,000 or 23.27% over the prior year. The decrease is a result of sales taxes revenue collected and spent. These monies are being used as repayment for the capital improvements-the kitchen project.

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 – decreased approximately \$77,000, or 13.18%. This reduction was a result of using carryover fund balance to meet financial obligations during the year.

Long Term Debt decreased because of the start of the repayment period for the bond and construction project.

The net asset decrease in the business-type activities can be attributed to the increase in transportation and supplies costs as well as decreased enrollment which decreases the amount of students participating in hot lunch.

Changes in net assets – Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and June 30, 2008.

Figure A-4

Changes in Net Assets from Operating Results for the years ending June 30, 2007 and 2008

	Governmental Activities		Business-type Activities		School District Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues						
Program revenues						
Charges for services	\$ 268,590	\$ 265,926	\$ 108,933	\$ 118,128	\$ 377,523	\$ 384,054
Operating Grants & Contributions	604,740	604,576	72,602	68,800	677,342	673,376
Capital Grants & Contributions	81,090	95,377	-	-	81,090	95,377
General revenues						
Property and Other Local taxes	2,477,277	2,681,615	-	-	2,477,277	2,681,615
Unrestricted state grants	1,823,982	1,723,066	-	-	1,823,982	1,723,066
Other	96,753	35,669	156	124	96,909	35,793
Transfers	(19,105)	(13,678)	19,105	13,678	-	-
Total revenues	5,333,327	5,392,551	200,796	200,730	5,534,123	5,593,281
Expenses						
Instruction	3,342,692	3,301,662	-	-	3,342,692	3,301,662
Support Services:						
Administrative & Business	526,691	538,827	-	-	526,691	538,827
Maintenance & Operations	368,219	466,243	-	-	368,219	466,243
Other Support Services	442,017	456,050	-	-	442,017	456,050
Non-Instructional Programs	-	-	197,342	205,651	197,342	205,651
Other Expenditures	363,593	451,508	-	-	363,593	451,508
Total expenses	5,043,212	5,214,290	197,342	205,651	5,240,554	5,419,941
Increase (decrease) in net assets	\$ 290,115	\$ 178,261	\$ 3,454	\$ (4,921)	\$ 293,569	\$ 173,340

Figure A-5

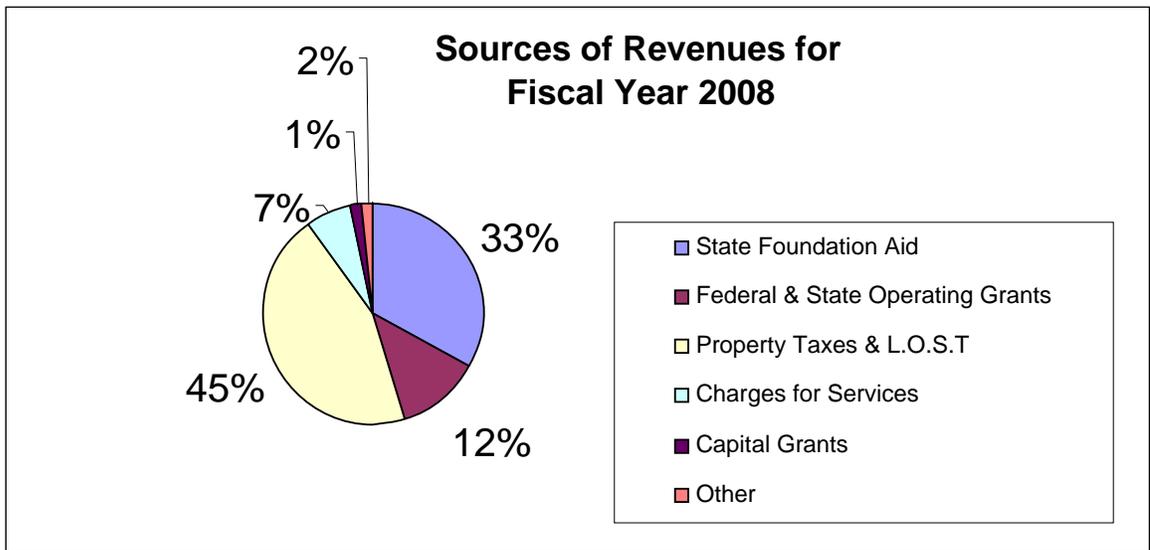
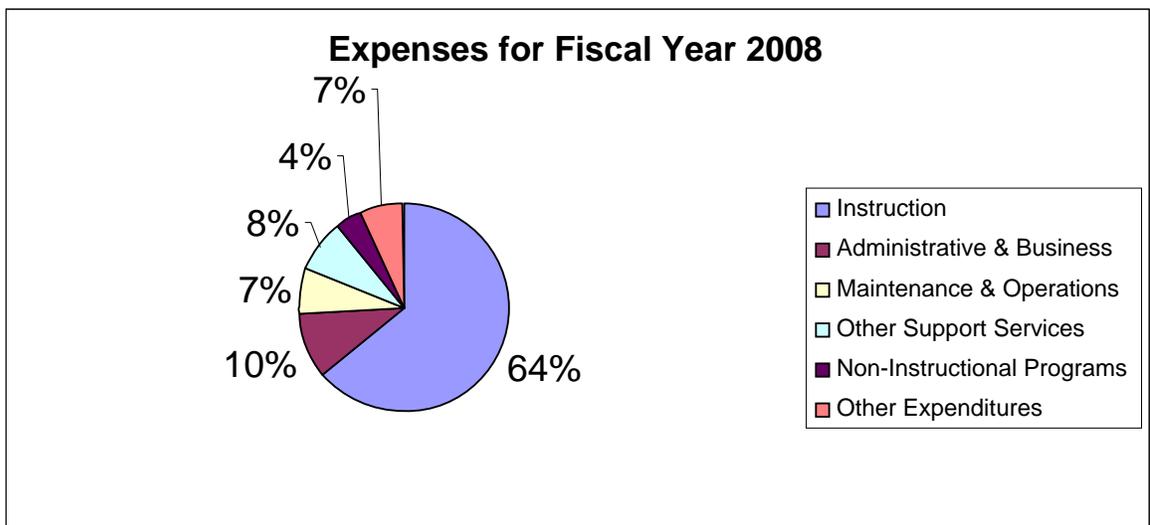


Figure A-6



Figures A-5 and A-6 provide a visual breakdown of the sources of revenues and areas of expenditures for the data from Figure A-4.

Governmental Activities

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

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Instruction	\$ 3,342,692	\$ 3,301,662	\$ 2,654,564	\$ 2,614,404
Support Services:				
Administration & Business	526,691	538,827	526,691	538,827
Maintenance & Operations	368,219	466,243	366,969	465,457
Other Support Services	442,017	456,050	441,659	455,496
Other Expenditures	363,593	451,508	98,909	174,227
Total	\$ 5,043,212	\$ 5,214,290	\$ 4,088,792	\$ 4,248,411

- The cost of all governmental activities this year was \$5,214,290.
- \$265,926 of the cost was financed by the users of the District’s programs (see Figure A-4)
- The federal and state governments subsidized certain programs with grants and contributions of \$604,576.
- Most of the District’s \$4,248,411 of net costs, however were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,681,615 in property and other local taxes, \$1,723,066 of unrestricted state grants based on the statewide finance formula, and investment earnings.

Business-Type Activities

Revenues of the District’s business-type activities (school food and nutrition services) totaled \$200,730 and expenses totaled \$205,651. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business-type activity expenses exceeded revenues by \$4,921. This year’s results declined over last year’s due to the rising costs of operations. Continuation of the ala carte menu, charging for second entrees, an increase in meal prices, helped to subside a larger possible deficit. The District continues to look at ways to generate more revenue in this area to finance the rising costs of operation.

Financial Analysis of the District’s Funds

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

Governmental Funds

The District's General Fund cash position decreased significantly due to 4% allowable growth from the state combined with declining enrollment and budget cuts that do not cover the change in revenues. As mentioned previously, deeper cuts are necessary for the District to remain financially sound.

The Management Levy decreased its cash position after another increase in the levy. The increase was necessary in order to cover the increased property/liability costs for the District. The increased levy was short of expenditures in this fund for the fiscal year 2008. The fund had a decrease of approximately \$6,600 and lowered the ending cash balance to \$157,738.

The Capital Projects Fund was new in 2005 and continues to be used to account for the proceeds from and expenditures of sales tax revenues. There were no expenditures in 2005 or 2006; the monies were being accumulated for capital improvements-namely the construction of a kitchen between the primary and high school buildings in Marcus. The sale of the bonds for that project occurred in Dec. of 2006 with work on the project beginning in the spring of 2007. As of June 30, 2008 \$2,929,000 worth of work had been completed on the \$3.2 million project. The project has since been completed for the 2008-2009 school fiscal year.

Proprietary Funds

The School Nutrition Fund reported a \$4,921 decrease in net assets due mainly to continued high supply and labor costs. Increased revenues, steady federal funding, and a general fund transfer helped offset a larger decrease due to increased operational costs.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

The District's expenditures were \$726,711 less than budgeted expenditures, a variance of 8%. The most significant variance was in the other expenditures area which resulted from construction proceeding slower than anticipated.

The certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had invested \$3,821,196, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, transportation equipment and administrative offices. The large increase is due to the completion of the construction project. (See Figure A-8) (More detailed

information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$117,719.

Figure A-8
Capital Assets, Net of Accumulated Depreciation

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Land	\$ 11,900	\$ 11,900	\$ -	\$ -	\$ 11,900	\$ 11,900
Construction in progress	366,161	2,928,602	-	-	366,161	2,928,602
Buildings & Improvements	778,791	742,847	-	-	778,791	742,847
Equipment & Furniture	109,271	137,847	28,429	26,330	137,700	164,177
	\$1,266,123	\$3,821,196	\$ 28,429	\$ 26,330	\$ 1,294,552	\$3,847,526

Long-Term Debt

At year-end, the District had \$2,765,000 in general obligation bonds and \$125,186 in other long-term debt outstanding in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt

	Total	
	School District	
	<u>2007</u>	<u>2008</u>
General Obligation Bonds	\$ 2,820,000	\$ 2,765,000
Early Retirement Benefits Payable	\$ 117,173	\$ 125,186
Total	\$ 2,937,173	\$ 2,890,186

Factors Bearing on the District's Future

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

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding growth for public schools for fiscal year 2009, has been set at 4%.
- District budget enrollment decreased for the 2007 count and will see another decrease of 40 students on the 2008 count which will negatively impact the fiscal year 2010 budget. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,546,142	1,082	2,547,224
Receivables:			
Property tax:			
Delinquent	21,783	-	21,783
Succeeding year	2,231,372	-	2,231,372
Accounts	4,064	14	4,078
Due from other governments	308,469	9	308,478
Interfund receivable/payable	10,700	(10,700)	-
Inventories	-	6,906	6,906
Unamortized bond issue costs	66,531	-	66,531
Capital assets, net of accumulated depreciation	3,821,196	26,330	3,847,526
Total assets	9,010,257	23,641	9,033,898
Liabilities			
Accounts payable	413,945	332	414,277
Salaries and benefits payable	361,928	481	362,409
Accrued interest payable	19,585	-	19,585
Deferred revenue:			
Succeeding year property tax	2,231,372	-	2,231,372
Other	10,005	3,052	13,057
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Termination benefits	29,668	-	29,668
Portion due after one year:			
General obligation bonds payable	2,660,000	-	2,660,000
Bond premium	48,814	-	48,814
Termination benefits	95,518	-	95,518
Total liabilities	5,975,835	3,865	5,979,700
Net assets			
Invested in capital assets, net of related debt	1,590,290	26,330	1,616,620
Restricted for:			
State categorical aid	17,579	-	17,579
Management levy	32,552	-	32,552
Physical plant and equipment levy	331,866	-	331,866
Other special revenue purposes	71,300	-	71,300
Local option sales tax capital projects	474,753	-	474,753
Unrestricted	516,082	(6,554)	509,528
Total net assets	3,034,422	19,776	3,054,198

See notes to financial statements.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,191,515	151,123	298,804	-
Special	632,698	8,509	75,099	-
Other	477,449	105,508	48,215	-
	<u>3,301,662</u>	<u>265,140</u>	<u>422,118</u>	<u>-</u>
Support services:				
Student	143,693	-	-	-
Instructional staff	68,179	-	-	-
Administration	538,827	-	-	-
Operation and maintenance of plant	466,243	786	-	-
Transportation	244,178	-	554	-
	<u>1,461,120</u>	<u>786</u>	<u>554</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	89,228	-	-	95,377
Long-term debt interest	116,809	-	-	-
AEA flowthrough	181,904	-	181,904	-
Depreciation (unallocated)*	63,567	-	-	-
	<u>451,508</u>	<u>-</u>	<u>181,904</u>	<u>95,377</u>
Total governmental activities	5,214,290	265,926	604,576	95,377
Business type activities:				
Non-instructional programs:				
Food service operations	205,651	118,128	68,800	-
Total	<u>5,419,941</u>	<u>384,054</u>	<u>673,376</u>	<u>95,377</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
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.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,741,588)	-	(1,741,588)
(549,090)	-	(549,090)
(323,726)	-	(323,726)
<u>(2,614,404)</u>	<u>-</u>	<u>(2,614,404)</u>
(143,693)	-	(143,693)
(68,179)	-	(68,179)
(538,827)	-	(538,827)
(465,457)	-	(465,457)
(243,624)	-	(243,624)
<u>(1,459,780)</u>	<u>-</u>	<u>(1,459,780)</u>
6,149	-	6,149
(116,809)	-	(116,809)
-	-	-
(63,567)	-	(63,567)
<u>(174,227)</u>	<u>-</u>	<u>(174,227)</u>
(4,248,411)	-	(4,248,411)
-	(18,723)	(18,723)
<u>(4,248,411)</u>	<u>(18,723)</u>	<u>(4,267,134)</u>
1,963,676	-	1,963,676
176,236	-	176,236
211,664	-	211,664
330,039	-	330,039
1,683,320	-	1,683,320
39,746	124	39,870
35,669	-	35,669
4,440,350	124	4,440,474
(13,678)	13,678	-
<u>4,426,672</u>	<u>13,802</u>	<u>4,440,474</u>
178,261	(4,921)	173,340
2,856,161	24,697	2,880,858
<u>3,034,422</u>	<u>19,776</u>	<u>3,054,198</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	720,377	1,277,956	313,011	234,666	2,546,010
Receivables:					
Property tax:					
Delinquent	19,013	-	1,747	1,023	21,783
Succeeding year	1,932,705	-	198,667	100,000	2,231,372
Accounts	1,427	-	-	2,637	4,064
Interfund receivable	10,700	-	-	180	10,880
Due from other governments	242,398	47,462	18,609	-	308,469
Total assets	2,926,620	1,325,418	532,034	338,506	5,122,578
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	90,400	316,571	1,501	5,473	413,945
Salaries and benefits payable	361,928	-	-	-	361,928
Interfund payable	180	-	-	-	180
Deferred revenue:					
Succeeding year property tax	1,932,705	-	198,667	100,000	2,231,372
Other	177,490	-	18,609	-	196,099
Total liabilities	2,562,703	316,571	218,777	105,473	3,203,524
Fund balances:					
Reserved for:					
State categorical aid	17,579	-	-	-	17,579
Debt service	-	-	-	3,995	3,995
Unreserved reported in:					
General fund	346,338	-	-	-	346,338
Special revenue funds	-	-	313,257	229,038	542,295
Capital projects funds	-	1,008,847	-	-	1,008,847
Total fund balances	363,917	1,008,847	313,257	233,033	1,919,054
Total liabilities and fund balances	2,926,620	1,325,418	532,034	338,506	5,122,578

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	1,919,054
<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.	3,821,196
Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds.	66,531
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	186,094
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.	(19,585)
An Internal Service Fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.	132
Long-term liabilities, including bonds payable, bond premiums and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,939,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,034,422</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,053,968	306,996	197,402	100,206	2,658,572
Tuition	120,433	-	-	-	120,433
Other	52,275	106,029	6,598	116,285	281,187
State sources	2,145,670	-	105	61	2,145,836
Federal sources	142,060	-	-	-	142,060
Total revenues	<u>4,514,406</u>	<u>413,025</u>	<u>204,105</u>	<u>216,552</u>	<u>5,348,088</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,159,031	-	-	24,471	2,183,502
Special	632,698	-	-	-	632,698
Other	371,750	-	-	106,781	478,531
	<u>3,163,479</u>	<u>-</u>	<u>-</u>	<u>131,252</u>	<u>3,294,731</u>
Support services:					
Student	143,693	-	-	-	143,693
Instructional staff	68,179	-	-	-	68,179
Administration	491,723	-	-	39,968	531,691
Operation and maintenance of plant	409,791	-	1,678	45,200	456,669
Transportation	209,786	-	65,290	10,748	285,824
	<u>1,323,172</u>	<u>-</u>	<u>66,968</u>	<u>95,916</u>	<u>1,486,056</u>
Other expenditures:					
Facilities acquisition	-	2,581,443	99,527	-	2,680,970
Long-term debt:					
Principal	-	-	-	55,000	55,000
Interest and fiscal charges	-	-	-	169,787	169,787
AEA flowthrough	181,904	-	-	-	181,904
	<u>181,904</u>	<u>2,581,443</u>	<u>99,527</u>	<u>224,787</u>	<u>3,087,661</u>
Total expenditures	<u>4,668,555</u>	<u>2,581,443</u>	<u>166,495</u>	<u>451,955</u>	<u>7,868,448</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(154,149)</u>	<u>(2,168,418)</u>	<u>37,610</u>	<u>(235,403)</u>	<u>(2,520,360)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	35,098	-	-	-	35,098
Operating transfers in	-	-	-	224,787	224,787
Operating transfers out	(12,000)	(224,787)	-	-	(236,787)
Total other financing sources (uses)	<u>23,098</u>	<u>(224,787)</u>	<u>-</u>	<u>224,787</u>	<u>23,098</u>
Net change in fund balances	(131,051)	(2,393,205)	37,610	(10,616)	(2,497,262)
Fund balances beginning of year	494,968	3,402,052	275,647	243,649	4,416,316
Fund balances end of year	<u>363,917</u>	<u>1,008,847</u>	<u>313,257</u>	<u>233,033</u>	<u>1,919,054</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(2,497,262)
<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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	2,668,120	
Depreciation expense	<u>(113,047)</u>	2,555,073
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.		23,043
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.		55,000
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.		50,328
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:		
Termination benefits		(8,013)
The premium on bonds issued is amortized over the life of the bonds for the Statement of Activities.		2,650
Bond issue costs are recorded as an expense for the governmental funds, but are capitalized and amortized over the life of the bonds for the Statement of Activities.		<u>(2,558)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>178,261</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
Assets		
Cash and cash equivalents	1,082	132
Accounts receivable	14	-
Due from other governments	9	-
Inventories	6,906	-
Capital assets, net of accumulated depreciation	26,330	-
	<u>34,341</u>	<u>132</u>
Total assets	<u>34,341</u>	<u>132</u>
Liabilities		
Accounts payable	332	-
Salaries and benefits payable	481	-
Deferred revenue	3,052	-
Interfund payable	10,700	-
	<u>14,565</u>	<u>-</u>
Total liabilities	<u>14,565</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	26,330	-
Unrestricted	(6,554)	132
	<u>19,776</u>	<u>132</u>
Total net assets	<u>19,776</u>	<u>132</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	<u>118,128</u>	<u>-</u>
Operating expenses:		
Non-instructional programs:		
Salaries	79,994	-
Benefits	15,590	-
Purchased services	7,711	-
Supplies	97,017	-
Depreciation	4,672	-
Other	667	-
Total operating expenses	<u>205,651</u>	<u>-</u>
Operating gain (loss)	<u>(87,523)</u>	<u>-</u>
Non-operating revenues:		
State sources	2,481	-
Federal sources	66,319	-
Interest income	124	-
Total non-operating revenues	<u>68,924</u>	<u>-</u>
Gain (loss) before contributions	(18,599)	-
Capital contributions	1,678	-
Transfers in	<u>12,000</u>	<u>-</u>
Change in net assets	(4,921)	-
Net assets beginning of year	<u>24,697</u>	<u>132</u>
Net assets end of year	<u><u>19,776</u></u>	<u><u>132</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	118,216	-
Cash payments to employees for services	(95,624)	-
Cash payments to suppliers for goods or services	(93,551)	-
Net cash used by operating activities	<u>(70,959)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	(1,300)	-
Transfer from General Fund	12,000	-
State grants received	2,481	-
Federal grants received	51,888	-
Net cash provided by non-capital financing activities	<u>65,069</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(895)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>124</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(6,661)	-
Cash and cash equivalents at beginning of year	<u>7,743</u>	<u>132</u>
Cash and cash equivalents at end of year	<u><u>1,082</u></u>	<u><u>132</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(87,523)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	14,422	-
Depreciation	4,672	-
Decrease (increase) in inventories	(2,683)	-
Decrease (increase) in accounts receivable	(14)	-
Decrease (increase) in prepaid expenses	79	-
(Decrease) increase in accounts payable	26	-
(Decrease) increase in salaries and benefits payable	(40)	-
(Decrease) increase in deferred revenue	102	-
Net cash used by operating activities	<u><u>(70,959)</u></u>	<u><u>-</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$14,422 of federal commodities.

During the year ended June 30, 2008, the School Nutrition Fund received \$1,678 of equipment that was purchased by other funds.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

Marcus-Meriden-Cleghorn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Marcus, Meriden and Cleghorn Iowa and the predominately agricultural territory in a portion of Cherokee and Plymouth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

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

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund was used to account for the District's employee flexible benefit plan.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 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 non-operating 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 non-operating 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 financial statements:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

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

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

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

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.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

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

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are 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, 2008, expenditures in the support services function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
	\$
Diversified Portfolio	<u>1,712,970</u>

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor – Student Activity General Fund	General Fund	180
	Nonmajor Enterprise – School Nutrition Fund	10,700

The General Fund loaned the Nutrition Fund money for cash flow.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental - Debt Service Fund	Capital Projects Fund	224,787
Nonmajor Enterprise - School Nutrition Fund	General Fund	12,000

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The General Fund transferred money to the School Nutrition Fund to cover operating expenses.

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	366,161	2,562,441	-	2,928,602
Land	11,900	-	-	11,900
Total capital assets not being depr.	<u>378,061</u>	<u>2,562,441</u>	<u>-</u>	<u>2,940,502</u>
Capital assets being depreciated:				
Buildings	2,103,878	8,793	-	2,112,671
Improvements other than buildings	337,726	18,830	-	356,556
Furniture and equipment	814,788	78,056	37,975	854,869
Total capital assets being deprec.	<u>3,256,392</u>	<u>105,679</u>	<u>37,975</u>	<u>3,324,096</u>
Less accumulated depreciation for:				
Buildings	1,417,389	54,180	-	1,471,569
Improvements other than buildings	245,424	9,387	-	254,811
Furniture and equipment	705,517	49,480	37,975	717,022
Total accumulated depreciation	<u>2,368,330</u>	<u>113,047</u>	<u>37,975</u>	<u>2,443,402</u>

Total capital assets being depreciated, net	888,062	(7,368)	-	880,694
Governmental activities capital assets, net	<u>1,266,123</u>	<u>2,555,073</u>	<u>-</u>	<u>3,821,196</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	83,165	2,573	-	85,738
Less accumulated depreciation	<u>54,736</u>	<u>4,672</u>	<u>-</u>	<u>59,408</u>
Business type activities capital assets, net	<u>28,429</u>	<u>(2,099)</u>	<u>-</u>	<u>26,330</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other	3,639
Support services:	
Administration services	4,578
Operation and maintenance of plant services	9,574
Transportation	<u>31,689</u>
	49,480
Unallocated depreciation	<u>63,567</u>
Total depreciation expense – governmental activities	<u>113,047</u>
Business type activities:	
Food services	<u>4,672</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,820,000	-	55,000	2,765,000	105,000
Termination benefits	<u>117,173</u>	<u>32,298</u>	<u>24,285</u>	<u>125,186</u>	<u>29,668</u>
	<u>2,937,173</u>	<u>32,298</u>	<u>79,285</u>	<u>2,890,186</u>	<u>134,668</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees in prior years. Eligible employees must have completed at least fifteen years of consecutive service to the District and must have reached the age of fifty-seven on or before June 30 in the calendar year in which early retirement started.

Current early retirement benefits consist of six annual \$5,000 cash payments.

At June 30, 2008, the District has obligations to six participants with a total liability of \$125,186. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$24,285.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.25	105,000	117,512	222,512
2010	4.25	110,000	113,050	223,050
2011	4.25	115,000	108,375	223,375
2012	4.25	120,000	103,488	223,488
2013	4.25	125,000	98,387	223,387
2014-2018	4.25	710,000	407,788	1,117,788
2019-2023	4.25	870,000	243,738	1,113,738
2024-2026	4.25	610,000	52,487	662,487
		<u>2,765,000</u>	<u>1,244,825</u>	<u>4,009,825</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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$164,532, \$157,157, and \$160,920 respectively, equal to the required contributions for each year.

8. Risk Management

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

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 \$181,904 for the year ended June 30, 2008 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 contracts totaling \$2,791,120 for construction. As of June 30, 2008 costs of \$2,681,957 had been incurred against the contracts. The balances remaining at June 30, 2008 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,060,192	118,252	3,178,444	3,105,262	3,105,262	73,182
State sources	2,145,836	2,481	2,148,317	2,147,094	2,147,094	1,223
Federal sources	142,060	66,319	208,379	236,481	236,481	(28,102)
Total revenues	<u>5,348,088</u>	<u>187,052</u>	<u>5,535,140</u>	<u>5,488,837</u>	<u>5,488,837</u>	<u>46,303</u>
Expenditures/Expenses:						
Instruction	3,294,731	-	3,294,731	3,412,012	3,412,012	117,281
Support services	1,486,056	-	1,486,056	1,450,602	1,450,602	(35,454)
Non-instructional programs	-	205,651	205,651	225,000	225,000	19,349
Other expenditures	3,087,661	-	3,087,661	3,713,196	3,713,196	625,535
Total expenditures/expenses	<u>7,868,448</u>	<u>205,651</u>	<u>8,074,099</u>	<u>8,800,810</u>	<u>8,800,810</u>	<u>726,711</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,520,360)	(18,599)	(2,538,959)	(3,311,973)	(3,311,973)	773,014
Other financing sources (uses) net	<u>23,098</u>	<u>13,678</u>	<u>36,776</u>	<u>6,000</u>	<u>6,000</u>	<u>30,776</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(2,497,262)	(4,921)	(2,502,183)	(3,305,973)	(3,305,973)	803,790
Balance beginning of year	<u>4,416,316</u>	<u>24,697</u>	<u>4,441,013</u>	<u>4,373,339</u>	<u>4,373,339</u>	<u>67,674</u>
Balance end of year	<u><u>1,919,054</u></u>	<u><u>19,776</u></u>	<u><u>1,938,830</u></u>	<u><u>1,067,366</u></u>	<u><u>1,067,366</u></u>	<u><u>871,464</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by the fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2008, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	157,532	69,589	3,550	3,995	234,666
Receivables:					
Property tax:					
Delinquent	1,023	-	-	-	1,023
Succeeding year	100,000	-	-	-	100,000
Accounts	-	2,637	-	-	2,637
Interfund receivable	-	180	-	-	180
Total assets	258,555	72,406	3,550	3,995	338,506
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	817	4,656	-	-	5,473
Deferred revenue:					
Succeeding year property tax	100,000	-	-	-	100,000
Total liabilities	100,817	4,656	-	-	105,473
Fund balances:					
Reserved for debt service	-	-	-	3,995	3,995
Unreserved reported in:					
Special revenue funds	157,738	67,750	3,550	-	229,038
Total fund balances	157,738	67,750	3,550	3,995	233,033
Total liabilities and fund balances	258,555	72,406	3,550	3,995	338,506

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
		Trust			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	100,206	-	-	-	100,206
Other	13,481	102,427	377	-	116,285
State sources	61	-	-	-	61
Total revenues	<u>113,748</u>	<u>102,427</u>	<u>377</u>	<u>-</u>	<u>216,552</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	24,471	-	-	-	24,471
Other instruction	-	106,781	-	-	106,781
Support services:					
Administration services	39,968	-	-	-	39,968
Operation and maintenance of plant	45,200	-	-	-	45,200
Transportation services	10,748	-	-	-	10,748
Other expenditures:					
Long-term debt:					
Principal	-	-	-	55,000	55,000
Interest and fiscal charges	-	-	-	169,787	169,787
Total expenditures	<u>120,387</u>	<u>106,781</u>	<u>-</u>	<u>224,787</u>	<u>451,955</u>
Net change in fund balances	(6,639)	(4,354)	377	(224,787)	(235,403)
Other financing sources (uses):					
Operating transfers in	-	-	-	224,787	224,787
Net change in fund balances	(6,639)	(4,354)	377	-	(10,616)
Fund balances beginning of year	<u>164,377</u>	<u>72,104</u>	<u>3,173</u>	<u>3,995</u>	<u>243,649</u>
Fund balances end of year	<u>157,738</u>	<u>67,750</u>	<u>3,550</u>	<u>3,995</u>	<u>233,033</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Business club	1,899	1,523	496	-	2,926
Boys basketball	5,648	3,504	5,726	-	3,426
Football	(1,507)	12,638	6,250	-	4,881
Girls basketball	8,220	6,013	10,802	-	3,431
Baseball	(410)	3,006	6,725	-	(4,129)
Golf	425	385	565	-	245
Boys track	684	820	2,358	-	(854)
Girls track	3,870	818	4,580	-	108
Wrestling	(1,275)	2,821	3,670	-	(2,124)
Softball	6,348	8,217	7,996	-	6,569
Volleyball	2,213	3,146	2,643	-	2,716
Weight room	1	-	-	-	1
Yearbook	(415)	7,075	5,204	-	1,456
Pep/Jazz band	712	-	-	-	712
Vocal	287	-	38	-	249
Student council	1,273	6,144	6,044	-	1,373
Leadership club	(943)	2,142	611	-	588
PTSA	343	-	-	-	343
TSA	2,155	300	612	-	1,843
Speech	2,505	78	513	-	2,070
Cheerleaders	836	524	956	-	404
Art club	250	929	576	-	603
Drama club	840	-	-	-	840
Drill team	5,868	3,378	4,497	-	4,749
Spanish club	2,263	-	-	-	2,263
Library club	1,094	181	-	-	1,275
Video club	380	159	50	446	935
National Honor Society	358	724	775	-	307
Home economics	844	739	694	-	889
MMC marketing club	3,492	1,248	720	-	4,020
Lettermans club	1,171	13,238	2,299	(2,000)	10,110
Class of 2006	113	-	-	(113)	-
Class of 2008	1,098	10	393	-	715
Class of 2007	333	-	-	(333)	-
Class of 2009	1,304	1,742	1,790	-	1,256
Class of 2010	680	680	-	-	1,360
Class of 2011	-	600	-	-	600
Character counts club	659	711	720	-	650
Home economics	248	166	166	-	248
Annual	1,045	-	-	-	1,045
MS vocal	544	-	-	-	544

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
MS athletics	239	1,429	7,113	2,500	(2,945)
MS plays	359	-	-	-	359
MS student council	13,899	10,958	14,670	(500)	9,687
Family communication	38	-	-	-	38
TSA	592	-	-	-	592
MS lettermans	2,585	2,240	3,658	-	1,167
Elementary library club	1,049	60	5	-	1,104
Elementary activities	(319)	-	-	-	(319)
Kathy's Kids	3,074	2,644	3,228	-	2,490
Co-Curricular music	(963)	189	273	-	(1,047)
June 30, 2008 accruals	-	2,637	4,656	-	(2,019)
June 30, 2007 accruals	(3,902)	(1,389)	(5,291)	-	-
Totals	<u>72,104</u>	<u>102,427</u>	<u>106,781</u>	<u>-</u>	<u>67,750</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,658,572	2,441,309	2,456,381	2,453,453
Tuition	120,433	118,182	119,589	151,067
Other	281,187	311,809	211,633	205,012
State sources	2,145,836	2,252,263	2,025,513	2,225,828
Federal sources	142,060	184,381	186,720	221,771
Total revenues	<u>5,348,088</u>	<u>5,307,944</u>	<u>4,999,836</u>	<u>5,257,131</u>
Expenditures:				
Instruction:				
Regular	2,183,502	2,203,337	2,211,222	2,101,243
Special	632,698	558,010	542,040	469,336
Other	478,531	537,800	536,757	537,082
Support services:				
Student	143,693	135,050	122,808	118,025
Instructional staff	68,179	93,390	80,638	128,593
Administration	531,691	590,186	538,965	493,963
Operation and maintenance of plant	456,669	361,244	367,876	355,548
Transportation	285,824	197,448	211,876	247,936
Non-instructional programs	-	-	16,031	-
Other expenditures:				
Facilities acquisition	2,680,970	464,520	119,032	219,509
Long-term debt:				
Principal	55,000	-	-	-
Interest and other charges	169,787	-	-	-
AEA flowthrough	181,904	179,599	172,997	174,587
Total expenditures	<u>7,868,448</u>	<u>5,320,584</u>	<u>4,920,242</u>	<u>4,845,822</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
Marcus-Meriden-Cleghorn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 28, 2009. 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 Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marcus-Meriden-Cleghorn Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Marcus-Meriden-Cleghorn Community School District's financial statements that is more than inconsequential will not be prevented or detected by Marcus-Meriden-Cleghorn Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Marcus-Meriden-Cleghorn Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B and 08-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marcus-Meriden-Cleghorn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Marcus-Meriden-Cleghorn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Marcus-Meriden-Cleghorn Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marcus-Meriden-Cleghorn Community School District and other parties to whom Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 28, 2009

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to Financial Statements:

Significant deficiencies:

08-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, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

08-I-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the support services function.

Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: We will amend future budgets before expenditures exceed the budget.

Conclusion: Response accepted.

08-II-B 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.

08-II-C 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.

08-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Karla Prunty, Board Member	Cheerleading Sponsor	524
Jerry Moser, Board Member	Athletic Official	250
Steve Little, Employee, Owner of S & R Farms	Spraying	4,087

These transactions do not appear to be conflicts of interest. The District may do business with board members if the amount is less than \$2,500 or if the job is bid.

08-II-E 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.

08-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

08-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

08-II-H 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.

08-II-I Certified Annual Report (CAR): The Certified Annual Report was filed timely with the Iowa Department of Education.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

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

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

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

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

Conclusion: Response accepted.

08-II-K Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2008.

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

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

Conclusion: Response accepted.

08-II-L Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.