

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 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 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 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 report dated April 30, 2009 on our consideration of MFL MarMac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 36 through 37 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, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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

April 30, 2009

## **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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

Overall Tax Rates decreased by approximately five cents (.05) per thousand dollars of assessed valuation. This is the fifth 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 2009.

General Fund revenues increased from \$7,190,702 in fiscal 2007 to \$7,521,370 in fiscal 2008, while General Fund expenditures increased from \$7,272,890 in fiscal 2007 to \$7,580,117 in fiscal 2008. The District's General Fund balance decreased from \$1,821,558 in fiscal 2007 to \$1,762,811 in fiscal 2008, a 3% decrease.

The District's Solvency Ratio still remains in the mid-twenties, which is extremely healthy.

The change in General Fund revenues was attributable to declining enrollment. The change in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### **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 Funds.

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.

<b>Figure A-1 Major Features of the Government-wide and Fund Financial Statements</b>				
	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 individuals, and other governments.

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, 2008 compared to June 30, 2007

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,661,055	7,110,525	98,503	106,456	6,759,558	7,216,981	7%
Capital assets	2,115,806	2,176,750	4,698	6,406	2,120,504	2,183,156	3%
<b>Total assets</b>	<b>8,776,861</b>	<b>9,287,275</b>	<b>103,201</b>	<b>112,862</b>	<b>8,880,062</b>	<b>9,400,137</b>	<b>6%</b>
Long-term liabilities	883,182	720,512	-	-	883,182	720,512	-18%
Other liabilities	2,698,992	2,823,054	3,718	4,411	2,702,710	2,827,465	5%
<b>Total liabilities</b>	<b>3,582,174</b>	<b>3,543,566</b>	<b>3,718</b>	<b>4,411</b>	<b>3,585,892</b>	<b>3,547,977</b>	<b>-1%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,410,806	1,681,750	4,698	6,406	1,415,504	1,688,156	19%
Restricted	1,858,375	2,189,190	-	-	1,858,375	2,189,190	18%
Unrestricted	1,925,506	1,872,769	94,785	102,045	2,020,291	1,974,814	-2%
<b>TOTAL NET ASSETS</b>	<b>5,194,687</b>	<b>5,743,709</b>	<b>99,483</b>	<b>108,451</b>	<b>5,294,170</b>	<b>5,852,160</b>	<b>11%</b>

The District's combined net assets increased by nearly 11%, or approximately \$557,990, over the prior year. The smallest 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 \$330,815 or 18% over the prior year.

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 \$45,477, or 2%. This decrease in unrestricted net assets was slight, but it is a beginning result of decreased revenues for the future, as well as a planned deliberate reduction in overall staff size. This staff size reduction is in correlation to student enrollment decline.

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

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	562,183	639,232	239,384	243,322	801,567	882,554	10%
Operating grants & contributions	938,524	1,045,139	175,071	199,808	1,113,595	1,244,947	12%
Capital grants & contributions	5,667	-	-	-	5,667	-	-100%
General Revenues:							
Property taxes	2,698,339	2,657,496	-	-	2,698,339	2,657,496	-2%
Income Surtax	220,000	254,862	-	-	220,000	254,862	16%
Local option sales tax	537,340	511,734	-	-	537,340	511,734	-5%
Unrestricted state grants	3,675,286	3,748,747	-	-	3,675,286	3,748,747	2%
Unrestricted investment earnings	152,418	161,885	957	681	153,375	162,566	6%
Loss on disposal of assets	15,025	(7,490)	-	-	15,025	(7,490)	-150%
<b>Total Revenues</b>	<b>8,804,782</b>	<b>9,011,605</b>	<b>415,412</b>	<b>443,811</b>	<b>9,220,194</b>	<b>9,455,416</b>	<b>3%</b>
Expenses:							
Instruction	5,130,086	5,351,366	-	-	5,130,086	5,351,366	4%
Support services	2,321,844	2,455,517	-	-	2,321,844	2,455,517	6%
Non-instructional programs	-	4,000	403,904	434,843	403,904	438,843	9%
Other expenditures	571,758	651,700	-	-	571,758	651,700	14%
<b>Total expenses</b>	<b>8,023,688</b>	<b>8,462,583</b>	<b>403,904</b>	<b>434,843</b>	<b>8,427,592</b>	<b>8,897,426</b>	<b>6%</b>
<b>Change in net assets before Transfers</b>	<b>781,094</b>	<b>549,022</b>	<b>11,508</b>	<b>8,968</b>	<b>792,602</b>	<b>557,990</b>	<b>-30%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>781,094</b>	<b>549,022</b>	<b>11,508</b>	<b>8,968</b>	<b>792,602</b>	<b>557,990</b>	<b>-30%</b>
Net assets beginning of year	4,413,593	5,194,687	87,975	99,483	4,501,568	5,294,170	18%
Net assets end of year	5,194,687	5,743,709	99,483	108,451	5,294,170	5,852,160	11%

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$9,011,605 and expenses were \$8,462,583.

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 2007</b>	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2007</b>	<b>Net Cost Of Services 2008</b>
	\$	\$	\$	\$
Instruction	5,130,086	5,351,366	3,998,402	3,989,974
Support Services	2,321,844	2,455,517	2,277,241	2,445,882
Non-instructional	-	4,000	-	4,000
Other Expenses	571,758	651,700	241,671	338,356
<b>TOTAL</b>	<b>8,023,688</b>	<b>8,462,583</b>	<b>6,517,314</b>	<b>6,778,212</b>

The cost financed by users of the District’s programs was \$639,232.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,045,139.

The net cost of governmental activities was financed with \$3,424,092 in property and other taxes and \$3,748,747 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$443,811 and expenses were \$434,843. 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.

**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 \$4,065,014, above last year’s ending fund balances of \$3,748,116.

**Governmental Fund Highlights**

The District’s General Fund financial position is the result of many factors

The General Fund balance decreased from \$1,821,558 to \$1,762,811, due in part to the existing expenditure commitments of the District, and a gradual reduction in the overall size of the staff. This is in relation to the enrollment decline.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$294,151 in fiscal 2007 to \$488,032 in fiscal 2008. While revenues remained approximately the same, the District continued controlled spending in the PPEL Fund during the year. The purpose of this was for infrastructure and energy conservation purposes. The PPEL fund will vary from year to year based upon needs.

The Management Fund balance increased from \$920,308 to \$1,041,916. The purpose of this increase is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$74,478 at June 30, 2007 to \$66,574 at June 30, 2008, representing a decrease of approximately 11%. The district has continued to utilize the food cooperative offered by AEA 1.

### **BUDGETARY HIGHLIGHTS**

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

The District's receipts were \$38,332 less than budgeted receipts.

Total revenue was less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget 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, 2008, the District had invested \$2.2 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 4 to the financial statements. Depreciation expense for the year was \$178,558.

The original cost of the District's capital assets was \$6.1 million. Governmental funds account for \$6.0 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

*Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	450,029	1,448,080	-	-	450,029	1,448,080	222%
Improvements	1,307,442	312,269	-	-	1,307,442	312,269	-76%
Equipment & Furniture	348,335	406,401	4,698	6,406	353,033	412,807	17%
<b>TOTAL</b>	<b>2,115,806</b>	<b>2,176,750</b>	<b>4,698</b>	<b>6,406</b>	<b>2,120,504</b>	<b>2,183,156</b>	<b>3%</b>

**Long-Term Debt**

At June 30, 2008, the District had \$720,512 in capital loan notes, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 18% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7  
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2007-2008
	2007	2008	
	\$	\$	
Local Option Sales and Services			
Tax Revenue Bonds	120,000	-	-100%
Capital Loan Notes	585,000	495,000	-15%
Termination Benefits	178,182	225,512	27%
	<u>883,182</u>	<u>720,512</u>	<u>-18%</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:

Due to the completion of property revaluation assessments, the District's total taxable valuation will increase about 6.0 percent for property tax collected in fiscal year 2009.

School financing is highly dependent upon student enrollment. The District's September 2008 enrollment increased by 7 students, and decreased by 81 students since 2005. This overall drop in enrollment will decrease the District's funding for fiscal year 2008 approximately \$500,000 per year. The district can anticipate this trend to continue. Currently the enrollment is at 869, and it is expected to decline over the next five years to about 800 students. This additional decline will cause the district to lose an additional \$375,000.00. The district has increased reserves and reduced staff in order to prepare for this decline.

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 \$75,000. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2009 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 2010.

## **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, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,822,828	88,214	3,911,042
Receivables:			
Property tax:			
Delinquent	52,865	-	52,865
Succeeding year	2,820,064	-	2,820,064
Accounts	4,989	11,571	16,560
Accrued interest	7,105	-	7,105
Due from other governments	402,674	-	402,674
Inventories	-	6,671	6,671
Capital assets, net of accumulated depreciation	2,176,750	6,406	2,183,156
	<u>9,287,275</u>	<u>112,862</u>	<u>9,400,137</u>
<b>Liabilities</b>			
Accounts payable	447	-	447
Accrued interest payable	2,543	-	2,543
Deferred revenue:			
Succeeding year property tax	2,820,064	-	2,820,064
Other	-	4,411	4,411
Long-term liabilities:			
Portion due within one year:			
Notes payable	90,000	-	90,000
Termination benefits	45,709	-	45,709
Portion due after one year:			
Notes payable	405,000	-	405,000
Termination benefits	179,803	-	179,803
	<u>3,543,566</u>	<u>4,411</u>	<u>3,547,977</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,681,750	6,406	1,688,156
Restricted for:			
Management levy	816,404	-	816,404
Physical plant and equipment levy	600,532	-	600,532
Other special revenue purposes	88,698	-	88,698
Local option sales tax capital projects	683,556	-	683,556
Unrestricted	1,872,769	102,045	1,974,814
	<u>5,743,709</u>	<u>108,451</u>	<u>5,852,160</u>

See notes to financial statements.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	3,216,467	375,722	520,801	-
Special	958,194	-	110,679	-
Other	1,176,705	260,215	93,975	-
	<u>5,351,366</u>	<u>635,937</u>	<u>725,455</u>	<u>-</u>
Support services:				
Student	231,868	-	-	-
Instructional staff	137,531	-	6,340	-
Administration	874,501	-	-	-
Operation and maintenance of plant	727,035	25	-	-
Transportation	484,582	3,270	-	-
	<u>2,455,517</u>	<u>3,295</u>	<u>6,340</u>	<u>-</u>
Non-instructional programs	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	223,179	-	-	-
Long-term debt interest	18,019	-	-	-
AEA flowthrough	313,344	-	313,344	-
Depreciation (unallocated)*	97,158	-	-	-
	<u>651,700</u>	<u>-</u>	<u>313,344</u>	<u>-</u>
Total governmental activities	<u>8,462,583</u>	<u>639,232</u>	<u>1,045,139</u>	<u>-</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	426,663	218,270	199,808	-
Preschool	8,180	25,052	-	-
Total business type activities	<u>434,843</u>	<u>243,322</u>	<u>199,808</u>	<u>-</u>
Total	<u>8,897,426</u>	<u>882,554</u>	<u>1,244,947</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				
Loss on disposal of assets				
Total general revenues				

**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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(2,319,944)	-	(2,319,944)
(847,515)	-	(847,515)
<u>(822,515)</u>	<u>-</u>	<u>(822,515)</u>
<u>(3,989,974)</u>	<u>-</u>	<u>(3,989,974)</u>
(231,868)	-	(231,868)
(131,191)	-	(131,191)
(874,501)	-	(874,501)
(727,010)	-	(727,010)
<u>(481,312)</u>	<u>-</u>	<u>(481,312)</u>
<u>(2,445,882)</u>	<u>-</u>	<u>(2,445,882)</u>
<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
(223,179)	-	(223,179)
(18,019)	-	(18,019)
-	-	-
<u>(97,158)</u>	<u>-</u>	<u>(97,158)</u>
<u>(338,356)</u>	<u>-</u>	<u>(338,356)</u>
<u>(6,778,212)</u>	<u>-</u>	<u>(6,778,212)</u>
-	(8,585)	(8,585)
-	16,872	16,872
-	<u>8,287</u>	<u>8,287</u>
<u>(6,778,212)</u>	<u>8,287</u>	<u>(6,769,925)</u>
2,427,419	-	2,427,419
230,077	-	230,077
254,862	-	254,862
511,734	-	511,734
3,748,747	-	3,748,747
161,885	681	162,566
<u>(7,490)</u>	<u>-</u>	<u>(7,490)</u>
<u>7,327,234</u>	<u>681</u>	<u>7,327,915</u>
549,022	8,968	557,990
<u>5,194,687</u>	<u>99,483</u>	<u>5,294,170</u>
<u>5,743,709</u>	<u>108,451</u>	<u>5,852,160</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,671,019	1,036,229	482,536	633,044	3,822,828
Receivables:					
Property tax:					
Delinquent	42,607	5,687	4,571	-	52,865
Succeeding year	2,364,124	204,500	251,440	-	2,820,064
Accounts	4,989	-	-	-	4,989
Accrued interest	4,331	-	925	1,849	7,105
Due from other governments	152,812	-	112,500	137,362	402,674
<b>Total assets</b>	<b>4,239,882</b>	<b>1,246,416</b>	<b>851,972</b>	<b>772,255</b>	<b>7,110,525</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	447	-	-	-	447
Deferred revenue:					
Succeeding year property tax	2,364,124	204,500	251,440	-	2,820,064
Other	112,500	-	112,500	-	225,000
Total liabilities	2,477,071	204,500	363,940	-	3,045,511
Fund balances:					
Reserved for:					
Debt service	-	-	-	1	1
Unreserved reported in:					
General fund	1,762,811	-	-	-	1,762,811
Special revenue funds	-	1,041,916	488,032	88,698	1,618,646
Capital projects funds	-	-	-	683,556	683,556
Total fund balances	1,762,811	1,041,916	488,032	772,255	4,065,014
<b>Total liabilities and fund balances</b>	<b>4,239,882</b>	<b>1,246,416</b>	<b>851,972</b>	<b>772,255</b>	<b>7,110,525</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	4,065,014
<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.	2,176,750
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	225,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,543)
Long-term liabilities, notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(720,512)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,743,709</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,266,480	285,870	355,008	511,734	3,419,092
Tuition	175,375	-	-	-	175,375
Other	285,962	5,834	65,865	268,080	625,741
State sources	4,549,901	180	154	-	4,550,235
Federal sources	243,652	-	-	-	243,652
Total revenues	<u>7,521,370</u>	<u>291,884</u>	<u>421,027</u>	<u>779,814</u>	<u>9,014,095</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,114,338	55,185	-	-	3,169,523
Special	958,194	-	-	-	958,194
Other	903,589	-	-	273,116	1,176,705
	<u>4,976,121</u>	<u>55,185</u>	<u>-</u>	<u>273,116</u>	<u>5,304,422</u>
Support services:					
Student	231,868	-	-	-	231,868
Instructional staff	137,531	-	-	-	137,531
Administration	869,170	-	-	-	869,170
Operation and maintenance of plant	627,963	115,091	-	-	743,054
Transportation	424,120	-	75,352	4,995	504,467
	<u>2,290,652</u>	<u>115,091</u>	<u>75,352</u>	<u>4,995</u>	<u>2,486,090</u>
Non-instructional programs	-	-	-	4,000	4,000
Other expenditures:					
Facilities acquisition	-	-	151,794	206,018	357,812
Long-term debt:					
Principal	-	-	-	210,000	210,000
Interest and fiscal charges	-	-	-	21,529	21,529
AEA flowthrough	313,344	-	-	-	313,344
	<u>313,344</u>	<u>-</u>	<u>151,794</u>	<u>437,547</u>	<u>902,685</u>
Total expenditures	<u>7,580,117</u>	<u>170,276</u>	<u>227,146</u>	<u>719,658</u>	<u>8,697,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,747)</u>	<u>121,608</u>	<u>193,881</u>	<u>60,156</u>	<u>316,898</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	-	-	231,529	231,529
Operating transfers out	-	-	-	(231,529)	(231,529)
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(58,747)	121,608	193,881	60,156	316,898
Fund balances beginning of year	<u>1,821,558</u>	<u>920,308</u>	<u>294,151</u>	<u>712,099</u>	<u>3,748,116</u>
Fund balances end of year	<u><u>1,762,811</u></u>	<u><u>1,041,916</u></u>	<u><u>488,032</u></u>	<u><u>772,255</u></u>	<u><u>4,065,014</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, 2008

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		316,898
<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	245,946	
Disposal of assets with remaining basis	(7,490)	
Depreciation expense	<u>(177,512)</u>	60,944
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.		
		5,000
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.		
		210,000
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.		
		3,510
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		<u>(47,330)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>549,022</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	88,214
Accounts receivable	11,571
Inventories	6,671
Capital assets, net of accumulated depreciation	<u>6,406</u>
<b>Total assets</b>	<u>112,862</u>
<b>Liabilities</b>	
Deferred revenue	<u>4,411</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	6,406
Unrestricted	<u>102,045</u>
<b>Total net assets</b>	<u><u>108,451</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>243,322</u>
Operating expenses:	
Non-instructional programs:	
Salaries	180,737
Benefits	61,104
Purchased services	2,025
Supplies	189,454
Depreciation	1,046
Other	477
Total operating expenses	<u>434,843</u>
Operating gain (loss)	<u>(191,521)</u>
Non-operating revenues:	
State sources	5,005
Federal sources	191,572
Interest income	681
Total non-operating revenues	<u>197,258</u>
Gain (loss) before transfers	5,737
Capital contributions	<u>3,231</u>
Change in net assets	8,968
Net assets beginning of year	<u>99,483</u>
Net assets end of year	<u><u>108,451</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	219,435
Cash received from preschool services	25,052
Cash received from charges to other funds	(8,180)
Cash payments to employees for services	(233,661)
Cash payments to suppliers for goods or services	(156,277)
Net cash used by operating activities	<u>(153,631)</u>
Cash flows from non-capital financing activities:	
State grants received	5,005
Federal grants received	152,658
Net cash provided by non-capital financing activities	<u>157,663</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>681</u>
Net increase (decrease) in cash and cash equivalents	4,713
Cash and cash equivalents at beginning of year	<u>83,501</u>
Cash and cash equivalents at end of year	<u><u>88,214</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(191,521)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Loss on disposal assets	477
Commodities used	38,914
Depreciation	1,046
Decrease (increase) in inventories	(3,712)
Decrease (increase) in accounts receivable	472
(Decrease) increase in deferred revenue	693
Net cash used by operating activities	<u><u>(153,631)</u></u>

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

During the year ended June 30, 2008, the District received \$38,914 of federal commodities.

During the year, the School Nutrition Fund received \$3,231 of equipment from other funds.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2008

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	<u>105,327</u>
<b>Liabilities</b>	
Accounts payable	5,858
Due to other governments	78,234
Other payables	<u>21,235</u>
<b>Total liabilities</b>	<u>105,327</u>
<b>Net Assets</b>	<u><u>-</u></u>

# MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

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

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 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 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 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</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 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 did not exceed the amounts 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### **3. Interfund Transfers**

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

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	231,529

The transfer moved revenues from the fund statutorily required to collect the revenues to the fund required to expend the resources.

#### 4. 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	3,189,980	112,697	(1,098,602)	4,401,279
Improvements other than buildings	1,562,462	13,490	1,109,006	466,946
Furniture and equipment	1,278,890	119,759	35,038	1,363,611
Total capital assets being deprec.	6,031,332	245,946	45,442	6,231,836
Less accumulated depreciation for:				
Buildings	2,739,951	72,264	(140,984)	2,953,199
Improvements other than buildings	255,020	20,132	120,475	154,677
Furniture and equipment	930,555	85,116	58,461	957,210
Total accumulated depreciation	3,925,526	177,512	37,952	4,065,086
Total capital assets being depreciated, net	2,105,806	68,434	7,490	2,166,750
Governmental activities capital assets, net	2,115,806	68,434	7,490	2,176,750
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	66,770	3,231	954	69,047
Less accumulated depreciation	62,072	1,046	477	62,641
Business type activities capital assets, net	4,698	2,185	477	6,406

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,535
Support services:	
Administration services	5,331
Operation and maintenance of plant services	2,031
Transportation	65,457
	80,354
Unallocated depreciation	97,158
 Total depreciation expense – governmental activities	 177,512
 Business type activities:	
Food services	1,046

## 5. 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
	\$	\$	\$	\$	\$
Local option sales and services					
tax revenue bonds	120,000	-	120,000	-	-
Capital loan notes	585,000	-	90,000	495,000	90,000
Termination benefits	178,182	88,342	41,012	225,512	45,709
 Total	 883,182	 88,342	 251,012	 720,512	 135,709

### Termination Benefit

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2008, the District has obligations to eleven participants with a total liability of \$225,512. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$41,012.

### Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	2.60	90,000	15,263	105,263
2010	2.90	100,000	12,923	112,923
2011	3.10	100,000	10,023	110,023
2012	3.30	100,000	6,922	106,922
2013	3.45	105,000	3,622	108,622
		495,000	48,753	543,753

## 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% 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 \$310,429, \$278,671 and \$266,854 respectively, equal to the required contributions for each year.

## 7. 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.

## 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$313,344 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.

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC 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	4,220,208	244,003	4,464,211	4,445,003	4,445,003	19,208
Intermediate sources	-	-	-	2,500	2,500	(2,500)
State sources	4,550,235	5,005	4,555,240	4,642,504	4,642,504	(87,264)
Federal sources	243,652	191,572	435,224	403,000	403,000	32,224
Total revenues	<u>9,014,095</u>	<u>440,580</u>	<u>9,454,675</u>	<u>9,493,007</u>	<u>9,493,007</u>	<u>(38,332)</u>
Expenditures/Expenses:						
Instruction	5,304,422	-	5,304,422	5,462,000	5,680,000	375,578
Support services	2,486,090	-	2,486,090	2,511,543	2,511,543	25,453
Non-instructional programs	4,000	434,843	438,843	421,220	500,000	61,157
Other expenditures	902,685	-	902,685	1,098,200	1,400,000	497,315
Total expenditures/expenses	<u>8,697,197</u>	<u>434,843</u>	<u>9,132,040</u>	<u>9,492,963</u>	<u>10,091,543</u>	<u>959,503</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	316,898	5,737	322,635	44	(598,536)	921,171
Other financing sources (uses) net	<u>-</u>	<u>3,231</u>	<u>3,231</u>	<u>-</u>	<u>-</u>	<u>3,231</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	316,898	8,968	325,866	44	(598,536)	924,402
Balance beginning of year	<u>3,748,116</u>	<u>99,483</u>	<u>3,847,599</u>	<u>3,514,917</u>	<u>3,514,917</u>	<u>332,682</u>
Balance end of year	<u><u>4,065,014</u></u>	<u><u>108,451</u></u>	<u><u>4,173,465</u></u>	<u><u>3,514,961</u></u>	<u><u>2,916,381</u></u>	<u><u>1,257,084</u></u>

MFL MARMAC 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 on 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 fund. The Code of Iowa also provides 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 expenditures by \$598,580.

OTHER SUPPLEMENTARY INFORMATION

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds	Capital Projects	Debt Service	Total
	Student Activity	Local Option Sales and Services Tax		
	\$	\$	\$	\$
Cash and pooled investments	88,698	544,345	1	633,044
Receivables:				
Accrued interest	-	1,849	-	1,849
Due from other governments	-	137,362	-	137,362
<b>Total assets</b>	<b>88,698</b>	<b>683,556</b>	<b>1</b>	<b>772,255</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	1	1
Unreserved reported in:				
Special revenue funds	88,698	-	-	88,698
Capital projects funds	-	683,556	-	683,556
Total fund balances	88,698	683,556	1	772,255
<b>Total liabilities and fund balances</b>	<b>88,698</b>	<b>683,556</b>	<b>1</b>	<b>772,255</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds	Capital Projects Local Option Sales and Services	Debt Service	Total
	Student Activity	Sales and Services	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	511,734	-	511,734
Other	250,524	17,556	-	268,080
Total revenues	<u>250,524</u>	<u>529,290</u>	<u>-</u>	<u>779,814</u>
Expenditures:				
Current:				
Instruction:				
Other	273,116	-	-	273,116
Support services:				
Transportation	-	4,995	-	4,995
Non-instructional programs	4,000	-	-	4,000
Other expenditures:				
Facilities acquisition	-	206,018	-	206,018
Long-term debt:				
Principal	-	-	210,000	210,000
Interest and fiscal charges	-	-	21,529	21,529
Total expenditures	<u>277,116</u>	<u>211,013</u>	<u>231,529</u>	<u>719,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,592)</u>	<u>318,277</u>	<u>(231,529)</u>	<u>60,156</u>
Other financing sources (uses):				
Operating transfers in	-	-	231,529	231,529
Operating transfers out	-	(231,529)	-	(231,529)
Total other financing sources (uses)	<u>-</u>	<u>(231,529)</u>	<u>231,529</u>	<u>-</u>
Net changes in fund balances	(26,592)	86,748	-	60,156
Fund balances beginning of year	<u>115,290</u>	<u>596,808</u>	<u>1</u>	<u>712,099</u>
Fund balances end of year	<u><u>88,698</u></u>	<u><u>683,556</u></u>	<u><u>1</u></u>	<u><u>772,255</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2008

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Assets</b>			
Cash and cash equivalents	46,337	41,877	88,214
Accounts receivable	11,571	-	11,571
Inventories	6,671	-	6,671
Capital assets, net of accumulated depreciation	6,406	-	6,406
	<u>70,985</u>	<u>41,877</u>	<u>112,862</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Deferred revenue	4,411	-	4,411
	<u>4,411</u>	<u>-</u>	<u>4,411</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,406	-	6,406
Unrestricted	60,168	41,877	102,045
	<u>66,574</u>	<u>41,877</u>	<u>108,451</u>
<b>Total net assets</b>			

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	218,270	25,052	243,322
Operating expenses:			
Non-instructional programs:			
Salaries	173,475	7,262	180,737
Benefits	60,186	918	61,104
Purchased services	2,025	-	2,025
Supplies	189,454	-	189,454
Depreciation	1,046	-	1,046
Other	477	-	477
Total operating expenses	426,663	8,180	434,843
Operating gain (loss)	(208,393)	16,872	(191,521)
Non-operating revenues:			
State sources	5,005	-	5,005
Federal sources	191,572	-	191,572
Interest income	681	-	681
Total non-operating revenues	197,258	-	197,258
Gain (loss) before transfers	(11,135)	16,872	5,737
Capital contributions	3,231	-	3,231
Change in net assets	(7,904)	16,872	8,968
Net assets beginning of year	74,478	25,005	99,483
Net assets end of year	66,574	41,877	108,451

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	219,435	-	219,435
Cash received from preschool services	-	25,052	25,052
Cash payments to employees for services	(233,661)	(8,180)	(241,841)
Cash payments to suppliers for goods or services	(156,277)	-	(156,277)
Net cash provided by (used by) operating activities	<u>(170,503)</u>	<u>16,872</u>	<u>(153,631)</u>
Cash flows from non-capital financing activities:			
State grants received	5,005	-	5,005
Federal grants received	152,658	-	152,658
Net cash provided by non-capital financing activities	<u>157,663</u>	<u>-</u>	<u>157,663</u>
Cash flows from capital and related financing activities:	-	-	-
Cash flows from investing activities:			
Interest on investments	681	-	681
Net increase (decrease) in cash and cash equivalents	(12,159)	16,872	4,713
Cash and cash equivalents at beginning of year	58,496	25,005	83,501
Cash and cash equivalents at end of year	<u>46,337</u>	<u>41,877</u>	<u>88,214</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(208,393)	16,872	(191,521)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Loss on disposal equipment	477	-	477
Commodities used	38,914	-	38,914
Depreciation	1,046	-	1,046
Decrease (increase) in inventories	(3,712)	-	(3,712)
Decrease (increase) in accounts receivable	472	-	472
(Decrease) increase in deferred revenue	693	-	693
Net cash provided by (used by) operating activities	<u>(170,503)</u>	<u>16,872</u>	<u>(153,631)</u>

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

During the year ended June 30, 2008, the District received \$38,914 of federal commodities.

## MFL MARMAC 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>
	\$	\$	\$	\$	\$
Clearing acct. interest					
Fine arts	7,058	15,472	17,942	(452)	4,136
Middle school drama	258	572	538	-	292
Band	2,656	612	3,918	400	(250)
Girls basketball	-	22,203	22,203	-	-
MFL Marmac 2010 girls basketball	-	-	-	-	-
General athletics	(300)	9,617	9,317	-	-
MS athletic equipment fund balance	221	15	109	-	127
MS athletic sup. fund balance	-	3,350	3,350	-	-
MS athletic fundraising fund balance	747	-	125	-	622
MS volleyball	865	784	1,092	-	557
Boys basketball (2013-2014)	534	1,905	1,383	-	1,056
2016 & 2017 boys basketball	-	300	282	-	18
Cross country	-	1,534	1,534	-	-
Cross country activities	4	388	252	-	140
Golf	-	579	579	-	-
Golf activities	(46)	956	935	-	(25)
2013 Girls basketball fund	180	402	410	-	172
Bulldog basketball club activities	3,619	16,093	14,245	-	5,467
Boys basketball	-	4,751	4,751	-	-
Football	-	6,017	6,017	-	-
Football activities fund balance	445	6,521	6,443	-	523
Youth football club	532	1,840	1,911	-	461
Baseball fund balance	(340)	3,605	4,750	-	(1,485)
Baseball activities	(228)	440	409	-	(197)
Boys track	(35)	1,109	1,074	-	-
Wrestling fund balance	-	8,680	8,680	-	-
Wrestling club fund balance	2,099	15,895	17,325	-	669
Volleyball fund balance	-	4,579	4,579	-	-
Bulldog volleyball club balance	374	1,018	1,202	-	190
Softball fund balance	(266)	4,600	5,235	779	(122)
Softball activities fund balance	108	1,633	951	(779)	11
Girls track fund	(35)	2,304	2,269	-	-
Girls track activities	237	1,015	1,218	-	34
Cheerleaders	-	1,614	1,209	123	528
Dance team fund balance	492	162	162	-	492
MS cheerleaders fund balance	470	-	-	-	470
Other unreserved fund balance M.S. 3M G	3,999	486	270	-	4,215
FFA	7,932	3,198	21,566	(500)	(10,936)

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
High school student council	2,679	8,964	7,548	(750)	3,345
Middle school student council	1,218	305	1,135	-	388
Young Americans	79	4,287	4,569	50	(153)
Middle school peer helpers	203	-	203	-	-
High school peer helpers	344	358	358	-	344
Class of 2014	-	13,505	10,584	1,500	4,421
Class of 2013	7,394	7,931	12,785	(1,500)	1,040
Class of 2004	-	-	700	700	-
Class of 2007	1,536	-	2,959	-	(1,423)
Class of 2008	5,175	3,685	4,426	-	4,434
Class of 2009	558	18,793	16,242	52	3,161
Class of 2010	740	170	150	-	760
Class of 2011	(177)	790	110	-	503
Class of 2012	897	4,852	3,814	-	1,935
Music resale	42	1,167	1,527	-	(318)
Yearbook	4,329	15,591	16,767	-	3,153
Student activity tickets	24,679	4,862	3,587	(123)	25,831
Elem. fund raising	6,322	4,832	3,773	-	7,381
M.S. fund raising	-	6,795	6,795	-	-
HS fund raising	5,024	2,777	3,116	-	4,685
MS class trips	3,161	-	1,659	-	1,502
Electrathon team	(173)	25	-	-	(148)
Pepsi machine (M)	(328)	4,626	4,298	-	-
Pepsi (McG)	-	1,776	1,776	-	-
FFA savings	19,908	184	-	500	20,592
Cash on hand	100	-	-	-	100
<b>Total</b>	<b>115,290</b>	<b>250,524</b>	<b>277,116</b>	<b>-</b>	<b>88,698</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2008

	<u>Hawc Empowerment</u>	<u>Childcare</u>	<u>Employee Memorial</u>	<u>Total</u>
	\$	\$	\$	\$
Balance beginning of year	320,266	-	35	320,301
Additions:				
Collections	1,166,766	162,176	479	1,329,421
Deductions:				
Miscellaneous	<u>1,387,563</u>	<u>156,532</u>	<u>300</u>	<u>1,544,395</u>
Balance end of year	<u><u>99,469</u></u>	<u><u>5,644</u></u>	<u><u>214</u></u>	<u><u>105,327</u></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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,419,092	3,418,679	3,280,104	3,317,657
Tuition	175,375	141,766	145,874	120,848
Other	625,741	608,135	481,720	437,260
Intermediate sources	-	1,151	2,441	-
State sources	4,550,235	4,382,392	4,202,997	4,160,293
Federal sources	243,652	215,634	204,975	241,235
Total revenues	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>
Expenditures:				
Instruction:				
Regular	3,169,523	3,275,897	3,060,145	2,962,300
Special	958,194	786,879	764,176	750,216
Other	1,176,705	1,090,837	941,952	884,218
Support services:				
Student	231,868	226,374	237,145	298,729
Instructional staff	137,531	140,152	143,944	133,498
Administration	869,170	828,117	780,254	848,247
Operation and maintenance of plant	743,054	663,532	626,690	572,891
Transportation	504,467	444,979	469,674	380,805
Non-instructional programs	4,000	-	-	8,254
Other expenditures:				
Facilities acquisition	357,812	569,506	388,504	577,333
Long-term debt:				
Principal	210,000	105,000	100,000	100,000
Interest and other charges	21,529	26,576	29,361	32,198
AEA flowthrough	313,344	304,120	294,529	294,915
Total expenditures	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 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 MFL MarMac 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 MFL MarMac Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MFL MarMac 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 MFL MarMac 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 MFL MarMac Community School District's financial statements that is more than inconsequential will not be prevented or detected by MFL MarMac 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 MFL MarMac 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 and 08-I-B are material weaknesses.

#### 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 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.

MFL MarMac 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 MFL MarMac 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 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

April 30, 2009

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the 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 activities 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 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.

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.

MFL MARMAC 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 did not exceed the amounts budgeted.
- 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: We noted no transactions between the District and District officials or employees.
- 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: We noted no transactions requiring Board approval that had not been approved by the Board.
- 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: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 08-II-J Deficit Balances: The Student Activity Fund has a few accounts with deficit balances.  
Recommendation: The District should monitor this fund and investigate alternatives to eliminate these deficits.  
District Response: We are working on ways to eliminate these deficits.  
Conclusion: Response accepted.
- 08-II-K Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included individual items of equipment with a unit cost of less than \$500.  
Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.  
District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.  
Conclusion: Response accepted.