

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

JUNE 30, 2009

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Anne Pitcher Hawks	President	2008
Brian Tabor	Vice President	2009
Bill Schwenker	Board Member	2008
Mark Pape	Board Member	2010
Marty Hudrlik	Board Member	2010
Board of Education (After September 2008 Election)		
Bill Schwenker	President	2011
Brian Tabor	Vice President	2009
Anne Pitcher Hawks	Board Member	2011
Mark Pape	Board Member	2011*
Marty Hudrlik	Board Member	2009*
School Officials		
Kim Huckstadt	Superintendent	2009
Barbara A. McKeon	District Secretary/Treasurer and Business Coordinator	2009
Steve Kahler	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

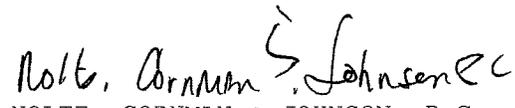
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District at June 30, 2009, 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 February 11, 2010 on our consideration of Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 are not required parts of

the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for nine years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,911,284 in fiscal 2008 to \$15,430,196 in fiscal 2009, while General Fund expenditures increased from \$14,656,062 in fiscal 2008 to \$15,466,961 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,929,332 in fiscal 2008 to a balance of \$1,892,567 in fiscal 2009, a 1.91% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in instruction services.
- The district's General Fund solvency ratio (Unreserved, Undesignated General Fund Balance divided by Actual General Fund Revenues) decreased from 11.90% in fiscal 2008 to 11.35% in fiscal 2009. The Iowa Association of School Boards recommends a target range of 5-10%.
- Voters in Clinton, Jackson & Dubuque County passed a Local Option Sales and Service Tax of 1% for ten years, beginning July 1, 2001, 2002 and 2003 consecutively, for the purpose of school infrastructure needs. In January 2007, voters of the District approved extending the tax for another ten years for the period of July 1, 2012 through June 30, 2022. The proceeds may be used for purposes identified in the Revenue Purpose Statement. The definition is expanded slightly to include expenditures in the Iowa Code for the Physical Plant and Equipment Levy. The district received proceeds of \$860,313 during fiscal year 2009.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Community School District's operations in more detail than the government-wide statements by providing information about the most significant

funds. The remaining statements provide financial information about activities for which Maquoketa Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to 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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Maquoketa Community School District Annual Financial Report

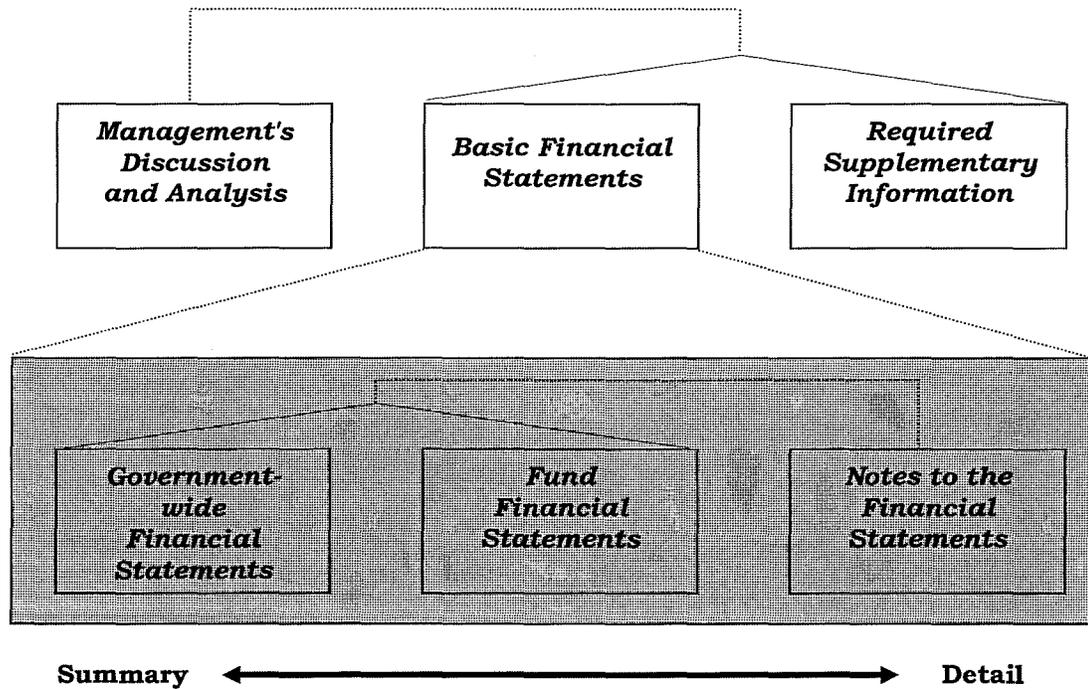


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 13,786,332	14,380,249	137,626	119,209	13,923,958	14,499,458	-3.97%
Capital assets	13,573,986	13,607,974	129,843	120,433	13,703,829	13,728,407	-0.18%
Total assets	27,360,318	27,988,223	267,469	239,642	27,627,787	28,227,865	-2.13%
Long-term liabilities	5,926,082	6,453,469	782	0	5,926,864	6,453,469	-8.16%
Other liabilities	5,973,582	6,866,703	2,520	3,284	5,976,102	6,869,987	-13.01%
Total liabilities	11,899,664	13,320,172	3,302	3,284	11,902,966	13,323,456	-10.66%
Net assets:							
Invested in capital assets, net of related debt	8,150,376	7,931,163	129,843	120,433	8,280,219	8,051,596	2.84%
Restricted	2,645,936	2,277,804	0	0	2,645,936	2,277,804	16.16%
Unrestricted	4,664,342	4,459,084	134,324	115,925	4,798,666	4,575,009	4.89%
Total net assets	\$ 15,460,654	14,668,051	264,167	236,358	15,724,821	14,904,409	5.50%

The District's combined net assets increased by 5.50% or \$820,412 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$368,132 or 16.16% over the prior year. The increase was primarily due to the increase in the Management Levy Fund reserve balance.

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 requirement - increased \$223,657 or 4.89%. The increase was primarily due to the increase in net assets in the Internal Service Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change 2008-09
	2009	2008	2009	2008	2009	2008	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,951,489	1,841,186	312,059	306,292	2,263,548	2,147,478	5.40%
Operating grant, contributions and restricted interest	2,891,862	2,271,689	475,054	431,890	3,366,916	2,703,579	24.54%
Capital grants, contributions and restricted interest	61,086	135,198	0	0	61,086	135,198	-54.82%
General revenues:							
Property tax	4,236,640	4,167,582	0	0	4,236,640	4,167,582	1.66%
Income surtax	603,389	543,315	0	0	603,389	543,315	11.06%
Statewide sales and service tax	860,313	862,209	0	0	860,313	862,209	-0.22%
Unrestricted state grants	6,887,605	7,100,378	0	0	6,887,605	7,100,378	-3.00%
Unrestricted investment earnings	144,909	405,532	287	324	145,196	405,856	-64.22%
Other	89,432	54,588	0	0	89,432	54,588	63.83%
Transfers	(21,733)	(74,687)	21,733	74,687	0	0	0.00%
Total revenues	17,704,992	17,306,990	809,133	813,193	18,514,125	18,120,183	2.17%
Program expenses:							
Governmental activities:							
Instruction	10,929,450	10,435,556	0	0	10,929,450	10,435,556	4.73%
Support services	4,728,803	4,258,852	45,047	43,936	4,773,850	4,302,788	10.95%
Non-instructional programs	5,529	11,548	736,277	682,067	741,806	693,615	6.95%
Other expenses	1,248,607	1,034,400	0	0	1,248,607	1,034,400	20.71%
Total expenses	16,912,389	15,740,356	781,324	726,003	17,693,713	16,466,359	7.45%
Changes in net assets	792,603	1,566,634	27,809	87,190	820,412	1,653,824	-50.39%
Net assets beginning of year	14,668,051	13,101,417	236,358	149,168	14,904,409	13,250,585	12.48%
Net assets end of year	\$ 15,460,654	14,668,051	264,167	236,358	15,724,821	14,904,409	5.50%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 71.10% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.28% of the revenue from business type activities.

The District's total revenues, net transfers were approximately \$18.51 million of which \$17.70 million was for governmental activities and \$0.81 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.17% increase in revenues and a 7.45% increase in expenses. Operating grants, contributions, and restricted interest increased by \$663,337 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses funded by grants received by the District. In addition, the District saw increased expenses due to increases in fuel, natural gas and electricity costs.

Governmental Activities

Revenues, net transfers for governmental activities were \$17,704,992 and expenses were \$16,912,389 for the year ended June 30, 2009.

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 for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 10,929,450	10,435,556	4.73%	6,696,536	6,913,848	-3.14%
Support services	4,728,803	4,258,852	11.03%	4,617,258	4,071,581	13.40%
Non- instructional program	5,529	11,548	-52.12%	5,529	11,548	-52.12%
Other expenses	1,248,607	1,034,400	20.71%	688,629	495,306	39.03%
Totals	<u>\$ 16,912,389</u>	<u>15,740,356</u>	<u>7.45%</u>	<u>12,007,952</u>	<u>11,492,283</u>	<u>4.49%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$1,951,489.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,952,948.
- The net cost of governmental activities was financed with \$4,236,640 in property tax, \$603,389 in income surtax, \$860,313 in statewide sales and service tax, \$6,887,605 in unrestricted state grants, \$144,909 in unrestricted investment earnings and \$89,432 in other general revenues.

Business Type Activities

Revenues, including transfers of the District’s business type activities were \$809,133 and expenses were \$781,324. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District purchased food service equipment from the Capital Projects Fund of \$21,733.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,839,873, above last year's ending fund balances of \$4,792,113. However, the primary reason for the increase was the increase in the Special Revenue, Management Levy Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,929,332 on June 30, 2008 to \$1,892,567 on June 30, 2009. The District's General Fund financial position is the product of many factors. An increase in the local tax and state grant revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits and increases in fuel, natural gas and electricity costs. Revenues did not exceed expenditures ensuring the decrease in the District's financial position.
- The Capital Projects Fund balance increased during the current year from \$983,148 in 2008, to \$993,306 in 2009. This increase resulted from a decrease in expenditure from the prior year.
- The Debt Service Fund balance increased from \$1,087,263 in 2008, to \$1,089,830 in 2009, due to the debt requirements to fund the final payment of the Revenue Bonds due in 2023.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$236,358 at June 30, 2008 to \$264,167 at June 30, 2009, representing an increase of 11.77%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Maquoketa Community School District amended its budget one time to reflect estimations in decreased instruction and other expenditures and increased costs in the support services and non-instructional programs.

The District's revenues were \$112,803 more than budgeted revenues, a variance of .61%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2009 the District did amend their certified budget in all functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$13.7 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 capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$544,408.

The original cost of the District's capital assets was approximately \$23.08 million. Governmental funds account for approximately \$22.8 million, with the remainder of approximately \$0.28 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,023,747 at June 30, 2008, compared to \$12,237,858 reported at June 30, 2009. This increase resulted from the completion of the High School Gym and renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 234,026	234,026	0	0	234,026	234,026	0.00%
Construction in progress	7,819	6,255,642	0	0	7,819	6,255,642	-99.88%
Buildings	12,237,858	6,023,747	0	0	12,237,858	6,023,747	103.16%
Land improvements	600,761	618,864	0	0	600,761	618,864	-2.93%
Machinery and equipment	493,522	475,695	129,843	120,433	623,365	596,128	4.57%
Total	\$ 13,573,986	13,607,974	129,843	120,433	13,703,829	13,728,407	-0.18%

Long-Term Debt

At June 30, 2009, the District had \$5,926,864 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 8.16% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2009, the District had revenue bonds payable of \$5,840,000. These bonds are paid with statewide sales and service tax revenues transferred from the Capital Projects Fund.

The District had early retirement payable of \$25,488 at June 30, 2009 payable from the Special Revenue, Management Levy Fund.

The District had compensated absences payable of \$38,376 at June 30, 2009 payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 0	220,000	0	0	0	220,000	-100.00%
Revenue bonds	5,840,000	6,120,000	0	0	5,840,000	6,120,000	-4.58%
Early retirement	25,488	76,465	0	0	25,488	76,465	-66.67%
Compensated absences	38,376	37,004	0	0	38,376	37,004	3.71%
Net OPEB liability	22,218	0	782	0	23,000	0	100.00%
Total	\$ 5,926,082	6,453,469	782	0	5,926,864	6,453,469	-8.16%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara A. McKeon, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060, (563) 652-4984.

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,103,429	120,297	8,223,726
Receivables:			
Property tax:			
Delinquent	111,820	0	111,820
Succeeding year	4,116,092	0	4,116,092
Income surtax	509,498	0	509,498
Accounts	31,116	8,224	39,340
Due from other governments	914,377	0	914,377
Inventories	0	9,105	9,105
Capital assets, net of accumulated depreciation	13,573,986	129,843	13,703,829
TOTAL ASSETS	27,360,318	267,469	27,627,787
LIABILITIES			
Accounts payable	295,041	1,743	296,784
Salaries and benefits payable	1,090,790	777	1,091,567
Incurred but not reported claims	266,791	0	266,791
Interest payable	116,800	0	116,800
Deferred revenue:			
Succeeding year property tax	4,116,092	0	4,116,092
Other	88,068	0	88,068
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	290,000	0	290,000
Early retirement	25,488	0	25,488
Compensated absences	38,376	0	38,376
Portion due after one year:			
Revenue bonds	5,550,000	0	5,550,000
Net OPEB liability	22,218	782	23,000
TOTAL LIABILITIES	11,899,664	3,302	11,902,966
NET ASSETS			
Invested in capital assets, net of related debt	8,150,376	129,843	8,280,219
Restricted for:			
Categorical Funding	140,508	0	140,508
Capital projects	576,916	0	576,916
Debt service	1,089,830	0	1,089,830
Management levy	194,652	0	194,652
Physical plant and equipment levy	360,819	0	360,819
Other special revenue purposes	283,211	0	283,211
Unrestricted	4,664,342	134,324	4,798,666
TOTAL NET ASSETS	\$ 15,460,654	264,167	15,724,821

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,623,607	795,631	2,179,633	0	(2,648,343)	0	(2,648,343)
Special	3,252,054	718,945	90,122	0	(2,442,987)	0	(2,442,987)
Other	2,053,789	415,715	32,868	0	(1,605,206)	0	(1,605,206)
	<u>10,929,450</u>	<u>1,930,291</u>	<u>2,302,623</u>	<u>0</u>	<u>(6,696,536)</u>	<u>0</u>	<u>(6,696,536)</u>
Support services:							
Student	759,940	0	0	0	(759,940)	0	(759,940)
Instructional staff	582,480	0	0	0	(582,480)	0	(582,480)
Administration	1,523,825	0	0	0	(1,523,825)	0	(1,523,825)
Operation and maintenance of plant	1,232,674	0	0	61,086	(1,171,588)	0	(1,171,588)
Transportation	629,884	21,198	29,261	0	(579,425)	0	(579,425)
	<u>4,728,803</u>	<u>21,198</u>	<u>29,261</u>	<u>61,086</u>	<u>(4,617,258)</u>	<u>0</u>	<u>(4,617,258)</u>
Non-instructional programs:							
Community service and education operations	5,529	0	0	0	(5,529)	0	(5,529)
Other expenditures:							
Facilities acquisitions	81,399	0	0	0	(81,399)	0	(81,399)
Long-term debt interest	237,636	0	0	0	(237,636)	0	(237,636)
AEA flowthrough	559,978	0	559,978	0	0	0	0
Depreciation(unallocated)*	369,594	0	0	0	(369,594)	0	(369,594)
	<u>1,248,607</u>	<u>0</u>	<u>559,978</u>	<u>0</u>	<u>(688,629)</u>	<u>0</u>	<u>(688,629)</u>
Total governmental activities	<u>16,912,389</u>	<u>1,951,489</u>	<u>2,891,862</u>	<u>61,086</u>	<u>(12,007,952)</u>	<u>0</u>	<u>(12,007,952)</u>
Business Type activities:							
Support services:							
Administration	45,047	0	0	0	0	(45,047)	(45,047)
Non-instructional programs:							
Food service operations	736,277	312,059	475,054	0	0	50,836	50,836
Total business type activities	<u>781,324</u>	<u>312,059</u>	<u>475,054</u>	<u>0</u>	<u>0</u>	<u>5,789</u>	<u>5,789</u>
Total	<u>\$ 17,693,713</u>	<u>2,263,548</u>	<u>3,366,916</u>	<u>61,086</u>	<u>(12,007,952)</u>	<u>5,789</u>	<u>(12,002,163)</u>
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,711,796	0		3,711,796
Debt services				223,707	0		223,707
Capital outlay				301,137	0		301,137
Income surtax				603,389	0		603,389
Statewide sales and service tax				860,313	0		860,313
Unrestricted state grants				6,887,605	0		6,887,605
Unrestricted investment earnings				144,969	287		145,196
Other general revenues				89,432	0		89,432
Transfers				(21,733)	21,733		0
Total general revenues and transfers				<u>12,800,555</u>	<u>22,020</u>		<u>12,822,575</u>
Changes in net assets				792,603	27,809		820,412
Net assets beginning of year				14,668,051	236,358		14,904,409
Net assets end of year				<u>\$ 15,460,654</u>	<u>264,167</u>		<u>15,724,821</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Nonmajor Funds	Total
ASSETS			
Cash and pooled investments	\$ 2,519,543	2,727,643	5,247,186
Receivables:			
Property tax:			
Delinquent	89,187	22,633	111,820
Succeeding year	3,525,576	590,516	4,116,092
Income surtax	509,498	0	509,498
Accounts	26,513	4,603	31,116
Due from other governments	659,028	255,349	914,377
TOTAL ASSETS	\$ 7,329,345	3,600,744	10,930,089
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 223,656	62,112	285,768
Salaries and benefits payable	1,089,980	810	1,090,790
Deferred revenue:			
Succeeding year property tax	3,525,576	590,516	4,116,092
Income surtax	509,498	0	509,498
Other	88,068	0	88,068
Total liabilities	5,436,778	653,438	6,090,216
Fund balances:			
Reserved for:			
Categorical Funding	140,508	0	140,508
Debt service	0	1,089,830	1,089,830
Capital facility construction	0	416,390	416,390
Unreserved	1,752,059	1,441,086	3,193,145
Total fund balances	1,892,567	2,947,306	4,839,873
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,329,345	3,600,744	10,930,089

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$ 4,839,873
 <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.	13,573,986
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.	(116,800)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	2,580,179
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	509,498
Long-term liabilities, including bonds payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,926,082)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 15,460,654</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Nonmajor Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 3,996,411	1,634,294	5,630,705
Tuition	1,471,389	0	1,471,389
Other	279,318	595,841	875,159
State sources	8,717,305	704	8,718,009
Federal sources	961,826	0	961,826
Total revenues	<u>15,426,249</u>	<u>2,230,839</u>	<u>17,657,088</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	5,656,120	106,881	5,763,001
Special	3,252,054	0	3,252,054
Other	1,661,641	398,907	2,060,548
	<u>10,569,815</u>	<u>505,788</u>	<u>11,075,603</u>
Support services:			
Student	763,959	1,722	765,681
Instructional staff	510,086	75,865	585,951
Administration	1,420,619	118,453	1,539,072
Operation and maintenance of plant	1,152,209	85,806	1,238,015
Transportation	481,255	135,679	616,934
	<u>4,328,128</u>	<u>417,525</u>	<u>4,745,653</u>
Non-instructional programs:			
Food service operations	0	3,504	3,504
Community service and education operations	9,040	0	9,040
	<u>9,040</u>	<u>3,504</u>	<u>12,544</u>
Other expenditures:			
Facilities acquisitions	0	476,721	476,721
Long-term debt:			
Principal	0	500,000	500,000
Interest and fiscal charges	0	244,153	244,153
AEA flowthrough	559,978	0	559,978
	<u>559,978</u>	<u>1,220,874</u>	<u>1,780,852</u>
Total expenditures	<u>15,466,961</u>	<u>2,147,691</u>	<u>17,614,652</u>
Excess (deficiency) of revenues over (under) expenditures	(40,712)	83,148	42,436
Other financing sources (uses):			
Transfers in	0	503,432	503,432
Transfers out	0	(503,432)	(503,432)
Proceeds from the disposal of property	3,947	1,377	5,324
Total other financing sources (uses)	<u>3,947</u>	<u>1,377</u>	<u>5,324</u>
Net change in fund balances	(36,765)	84,525	47,760
Fund balance beginning of year	1,929,332	2,862,781	4,792,113
Fund balance end of year	<u>\$ 1,892,567</u>	<u>2,947,306</u>	<u>4,839,873</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA 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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 47,760

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures, and loss on disposal of capital assets in the current year are as follows:

Capital expenditures	\$ 499,885	
Depreciation expense	(527,290)	
Loss on disposal	(6,583)	(33,988)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 500,000

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. 6,517

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 175,290

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

Early retirement	\$ 50,977	
Compensated absences	(1,372)	
Other postemployment benefits	(22,218)	27,387

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 69,637

Changes in net assets of governmental activities (page 15) \$ 792,603

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 120,297	2,856,243
Receivables:		
Accounts	8,224	0
Inventories	9,105	0
Capital assets, net of accumulated depreciation	129,843	0
TOTAL ASSETS	267,469	2,856,243
LIABILITIES		
Accounts payable	1,743	9,273
Salaries and benefits payable	777	0
Net OPEB liability	782	0
Incurred but not reported claims	0	266,791
TOTAL LIABILITES	3,302	276,064
NET ASSETS		
Invested in capital assets	129,843	0
Unrestricted	134,324	2,580,179
TOTAL NET ASSETS	\$ 264,167	2,580,179

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 312,059	2,136,385
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	24,596	0
Benefits	16,242	0
Services	4,086	865
Supplies	123	89
Total support services	45,047	954
Non-instructional programs:		
Food service operations:		
Salaries	167,475	0
Benefits	88,357	0
Services	5,299	0
Supplies	457,702	0
Depreciation	17,118	0
Other	70	0
	736,021	0
Other enterprise operations:		
Benefits	0	1,935,231
Services	0	10,025
Supplies	0	14,885
	0	1,960,141
Total non-instructional programs	736,021	1,960,141
TOTAL OPERATING EXPENSES	781,068	1,961,095
OPERATING INCOME (LOSS)	(469,009)	175,290
NON-OPERATING REVENUES (EXPENSES):		
Interest income	287	0
Loss on disposal of capital assets	(256)	0
State sources	9,361	0
Federal sources	465,693	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	475,085	0
Net income before capital contribution	6,076	175,290
Capital contributions	21,733	0
Changes in net assets	27,809	175,290
Net assets beginning of year	236,358	2,404,889
Net assets end of year	\$ 264,167	2,580,179

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 308,985	0
Cash received from miscellaneous operating activities	1,240	2,166,387
Cash payments to employees for services	(296,582)	(1,934,398)
Cash payments to suppliers for goods or services	(410,904)	(25,864)
Net cash provided by(used in)operating activities	<u>(397,261)</u>	<u>206,125</u>
Cash flows from non-capital financing activities:		
State grants received	9,361	0
Federal grants received	414,609	0
Net cash provided by non-capital financing activities	<u>423,970</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	287	0
Cash flows from capital financing activities:		
Purchase of assets	(5,051)	0
Net increase in cash and cash equivalents	21,945	206,125
Cash and cash equivalents at beginning of year	98,352	2,650,118
Cash and cash equivalents at end of year	<u>\$ 120,297</u>	<u>2,856,243</u>
Reconciliation of operating income(loss)to net cash provided by(used in)operating activities:		
Operating income(loss)	\$ (469,009)	175,290
Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities:		
Commodities consumed	51,084	0
Depreciation	17,118	0
Decrease in inventories	5,362	0
Decrease(increase)in accounts receivable	(1,834)	30,002
Decrease in accounts payable	(70)	(2,951)
Decrease in salaries and benefits payable	(694)	0
Increase in other postemployment benefits payable	782	0
Increase in incurred but not reported claims	0	3,784
Net cash provided by(used in)operating activities	<u>\$ (397,261)</u>	<u>206,125</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 120,297</u>	<u>2,856,243</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2009, the District received Federal commodities valued at \$51,084.		
During the year ended June 30, 2009, the District received contributed capital from the Capital Projects Fund valued at \$21,733.		
SEE NOTES TO FINANCIAL STATEMENTS.		

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 295,667	1,480
Accounts receivable	920	0
	<u>296,587</u>	<u>1,480</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>1,480</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 296,587</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,350
Interest income	7,451
Total additions	<u>9,801</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>14,444</u>
Change in net assets	(4,643)
Net assets beginning of year	<u>301,230</u>
Net assets end of year	<u>\$ 296,587</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Dubuque, Clinton, and Jackson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 expenses, including instructional, support and other costs.

The District's proprietary funds are the School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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, they 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - 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 imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 966,221</u>

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

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 503,432</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 234,026	0	0	234,026
Construction in progress	6,255,642	7,819	6,255,642	7,819
Total capital assets not being depreciated	<u>6,489,668</u>	<u>7,819</u>	<u>6,255,642</u>	<u>241,845</u>
Capital assets being depreciated:				
Buildings	11,680,492	6,538,515	0	18,219,007
Land improvements	1,156,265	27,087	0	1,183,352
Machinery and equipment	3,070,662	182,106	93,407	3,159,361
Total capital assets being depreciated	<u>15,907,419</u>	<u>6,747,708</u>	<u>93,407</u>	<u>22,561,720</u>
Less accumulated depreciation for:				
Buildings	5,656,745	324,404	0	5,981,149
Land improvements	537,401	45,190	0	582,591
Machinery and equipment	2,594,967	157,696	86,824	2,665,839
Total accumulated depreciation	<u>8,789,113</u>	<u>527,290</u>	<u>86,824</u>	<u>9,229,579</u>
Total capital assets being depreciated, net	<u>7,118,306</u>	<u>6,220,418</u>	<u>6,583</u>	<u>13,332,141</u>
Governmental activities capital assets, net	<u>\$ 13,607,974</u>	<u>6,228,237</u>	<u>6,262,225</u>	<u>13,573,986</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 256,394	26,784	2,217	280,961
Less accumulated depreciation	135,961	17,118	1,961	151,118
Business type activities capital assets, net	<u>\$ 120,433</u>	<u>9,666</u>	<u>256</u>	<u>129,843</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 19,359
Other		8,525
Support services:		
Instructional staff		1,902
Administration		20,149
Operation and maintenance of plant		6,220
Transportation		101,541
		<u>157,696</u>
Unallocated depreciation		<u>369,594</u>
Total governmental activities depreciation expense		<u>\$ 527,290</u>
Business type activities:		
Food services		<u>\$ 17,118</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 220,000	0	220,000	0	0
Revenue bonds	6,120,000	0	280,000	5,840,000	290,000
Early retirement	76,465	0	50,977	25,488	25,488
Compensated absences	37,004	38,376	37,004	38,376	38,376
Net OPEB liability	0	22,218	0	22,218	0
Total	<u>\$ 6,453,469</u>	<u>60,594</u>	<u>587,981</u>	<u>5,926,082</u>	<u>353,864</u>
Business type activities:					
Net OPEB liability	\$ 0	782	0	782	0

Revenue Bonds Payable

Details of the District's June 30, 2009 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bonds dated June 28, 2007				
	Interest Rate	Principal	Interest	Total	
2010	4.00	% \$ 290,000	227,800	517,800	
2011	4.00	300,000	216,000	516,000	
2012	4.00	310,000	203,800	513,800	
2013	4.00	320,000	191,200	511,200	
2014	4.00	420,000	176,400	596,400	
2015-2019	4.00	2,155,000	630,900	2,785,900	
2020-2023	4.00	2,045,000	167,300	2,212,300	
Total		\$ 5,840,000	1,813,400	7,653,400	

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$6,120,000 bonds issued in June 2007. The bonds were issued for the purpose of financing a portion of the costs of high school renovation. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$7,653,400. For the current year, \$280,000 in principal and \$239,200 in interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$860,313.

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

- a) \$604,800 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five on or before the date established by Board Resolution in accordance with Iowa Code 279.46 but no later than the first day

of school for the following school year as established annually by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's current salary (without extra duty increments, Phase III monies and extended term contracts). The District paid \$50,977 in early retirement benefits during the year ended June 30, 2009. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Plan members were required to contribute 3.90% of their annual salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the year ended June 30, 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$593,595, \$510,301, and \$476,697, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits for retirees and their spouses. There are 189 active and 19 retired members in the plan. Participants must be 55 or older at retirement.

The medical, prescription drug, and dental coverage is provided through a District self-funded plan with Alliance Select and Blue Dental. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 96,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	96,000
Contributions made	(73,000)
Increase in net OPEB obligation	<u>23,000</u>
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 23,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$73,000 to the benefit plan. Plan members eligible for benefits contributed \$117,000, or 62% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 96,000	76.04%	\$ 23,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,043,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,043,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,192,573, and the ratio of the UAAL to covered payroll was 14.50%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$511 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$2,580,179 at June 30, 2009. The incurred but not recorded and unpaid claims liability of \$266,791 reported in the plan at June 30, 2009 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural

disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(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 \$559,978 for the year ended June 30, 2009 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 \$108,889 for a parking lot at the High School Gym. As of June 30, 2009, costs of \$7,819 had been incurred against the contracts. The balance of \$101,070 remaining at June 30, 2009 will be paid as work on the project progresses.

(11) Categorical Funding

Categorical funding balances for the District as of June 30, 2009 were as follows:

<u>Project</u>	<u>Amount</u>
Professional Development	\$ 19,144
Market Factor	7,340
Gifted and Talented	73,920
Beginning Teacher Mentoring	3,239
Market Factor Incentives	11,597
Professional Development- Model Core Curriculum	<u>25,268</u>
Total	<u><u>\$ 140,508</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance -
Revenues:						
Local sources	\$ 7,977,253	312,346	8,289,599	8,360,640	8,360,640	(71,041)
State sources	8,718,009	9,361	8,727,370	9,024,814	9,024,814	(297,444)
Federal sources	961,826	465,693	1,427,519	946,231	946,231	481,288
Total revenues	<u>17,657,088</u>	<u>787,400</u>	<u>18,444,488</u>	<u>18,331,685</u>	<u>18,331,685</u>	<u>112,803</u>
Expenditures/Expenses:						
Instruction	11,075,603	0	11,075,603	11,806,342	11,735,893	660,290
Support services	4,745,653	45,047	4,790,700	4,375,803	4,809,706	19,006
Non-instructional programs	12,544	736,021	748,565	701,649	764,955	16,390
Other expenditures	1,780,852	0	1,780,852	2,292,968	2,190,765	409,913
Total expenditures/expenses	<u>17,614,652</u>	<u>781,068</u>	<u>18,395,720</u>	<u>19,176,762</u>	<u>19,501,319</u>	<u>1,105,599</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	42,436	6,332	48,768	(845,077)	(1,169,634)	1,218,402
Other financing sources, net	5,324	21,477	26,801	1,000	1,000	25,801
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	47,760	27,809	75,569	(844,077)	(1,168,634)	1,244,203
Balance beginning of year	4,792,113	236,358	5,028,471	2,819,079	2,819,079	2,209,392
Balance end of year	<u>\$ 4,839,873</u>	<u>264,167</u>	<u>5,104,040</u>	<u>1,975,002</u>	<u>1,650,445</u>	<u>3,453,595</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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 reclassifying and increasing budgeted expenditures by \$324,557.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAA as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ 0	\$ 1,043,000	\$ 1,043,000	0.00%	\$ 7,192,573	14.50%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Nonmajor Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Capital Projects	Debt Service	
ASSETS								
Cash and pooled investments	\$ 213,722	155,494	341,280	136,431	846,927	798,474	1,082,242	2,727,643
Receivables:								
Property tax:								
Delinquent	6,417	0	9,323	0	15,740	0	6,893	22,633
Succeeding year	250,000	0	340,516	0	590,516	0	0	590,516
Accounts	0	3,157	0	98	3,255	698	650	4,603
Due from other governments	53	0	35,809	0	35,862	219,442	45	255,349
TOTAL ASSETS	\$ 470,192	158,651	726,928	136,529	1,492,300	1,018,614	1,089,830	3,600,744
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 52	11,159	25,593	0	36,804	25,308	0	62,112
Salaries and benefits payable	0	810	0	0	810	0	0	810
Deferred revenue:								
Succeeding year property tax	250,000	0	340,516	0	590,516	0	0	590,516
	250,052	11,969	366,109	0	628,130	25,308	0	653,438
Fund balances:								
Reserved:								
Debt Service	0	0	0	0	0	0	1,089,830	1,089,830
Capital facility construction	0	0	0	0	0	416,390	0	416,390
Unreserved	220,140	146,682	360,819	136,529	864,170	576,916	0	1,441,086
Total fund balances	220,140	146,682	360,819	136,529	864,170	993,306	1,089,830	2,947,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 470,192	158,651	726,928	136,529	1,492,300	1,018,614	1,089,830	3,600,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Capital Projects	Debt Service	
REVENUES:								
Local sources:								
Local tax	\$ 249,138	0	301,137	0	550,275	860,313	223,706	1,634,294
Other	23,919	425,883	39,247	3,908	492,957	83,502	19,382	595,841
State sources	235	0	269	0	504	0	200	704
TOTAL REVENUES	273,292	425,883	340,653	3,908	1,043,736	943,815	243,288	2,230,839
EXPENDITURES:								
Current:								
Instruction:								
Regular	74,111	0	0	0	74,111	32,770	0	106,881
Other	0	398,907	0	0	398,907	0	0	398,907
	74,111	398,907	0	0	473,018	32,770	0	505,788
Support services:								
Student	1,722	0	0	0	1,722	0	0	1,722
Instructional staff	6,452	3,000	0	0	9,452	66,413	0	75,865
Administration	24,430	3,292	90,717	0	118,439	14	0	118,453
Operation and maintenance of plant	84,939	867	0	0	85,806	0	0	85,806
Transportation	33,572	21,326	80,781	0	135,679	0	0	135,679
	151,115	28,485	171,498	0	351,098	66,427	0	417,525
Non-instructional programs:								
Food service operations	3,504	0	0	0	3,504	0	0	3,504
Other expenditures:								
Facilities acquisition	0	0	145,693	0	145,693	331,028	0	476,721
Long-term debt:								
Principal	0	0	0	0	0	0	500,000	500,000
Interest and fiscal charges	0	0	0	0	0	0	244,153	244,153
	0	0	145,693	0	145,693	331,028	744,153	1,220,874
TOTAL EXPENDITURES	228,730	427,392	317,191	0	973,313	430,225	744,153	2,147,691
Excess(deficiency)of revenues over(under)expenditures	44,562	(1,509)	23,462	3,908	70,423	513,590	(500,865)	83,148
Other financing sources(uses):								
Transfers in	0	0	0	0	0	0	503,432	503,432
Transfers out						(503,432)	0	(503,432)
Proceeds from the disposal of property	1,376	0	1	0	1,377	0	0	1,377
Total other financing sources(uses)	1,376	0	1	0	1,377	(503,432)	503,432	1,377
Net change in fund balances	45,938	(1,509)	23,463	3,908	71,800	10,158	2,567	84,525
Fund balances beginning of year	174,202	148,191	337,356	132,621	792,370	983,148	1,087,263	2,862,781
Fund balances end of year	\$ 220,140	146,682	360,819	136,529	864,170	993,306	1,089,830	2,947,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drug testing	\$ 891	0	0	891
Interest	750	0	0	750
HS activity tickets	30	5	0	35
Activities control	4,675	745	30	5,390
HS speech	0	795	795	0
Speech fundraiser	0	5,544	3,395	2,149
HS vocal music	0	12,612	12,612	0
Harm helpers	2,229	4,331	2,621	3,939
HS band	0	2,516	2,516	0
HS band tour	0	28,106	28,106	0
Athletic control	20,935	7,821	2,019	26,737
Athletic pass	0	3,884	2,566	1,318
Coed cross country	0	2,594	2,594	0
Tennis fundraiser	579	1,205	1,266	518
HS cheerleaders	0	1,100	1,100	0
Cheerleaders fundraiser	3,573	9,048	10,491	2,130
Dance squad	0	250	250	0
Dance squad fundraiser	2,699	8,659	9,937	1,421
HS boys basketball	0	14,259	14,259	0
Boys basketball fundraiser	3,207	6,542	7,176	2,573
HS football	0	23,789	23,789	0
Football fundraiser	9,177	15,532	21,433	3,276
HS boys soccer	0	2,868	2,868	0
Boys soccer fundraiser	173	2,073	1,357	889
HS baseball	0	12,981	12,981	0
Baseball fundraiser	2,299	6,289	6,908	1,680
HS boys track	0	4,591	4,591	0
Track fundraiser	162	335	177	320
Boys tennis	0	1,307	1,307	0
HS boys golf	0	3,574	3,574	0
Boys golf fundraiser	717	2,900	2,297	1,320
HS wrestling	0	8,070	8,070	0
Wrestling fundraiser	948	11,137	10,488	1,597
HS girls basketball	0	9,416	9,416	0
Girls basketball fundraiser	4,415	7,690	10,624	1,481
HS volleyball	0	5,926	5,926	0
Volleyball fundraiser	257	6,675	5,873	1,059
HS girls soccer	0	2,834	2,834	0
HS girls soccer fundraiser	690	1,375	1,390	675
HS softball	0	5,466	5,466	0
Softball fundraiser	4,622	3,267	4,115	3,774
HS girls track	0	4,607	4,607	0

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Girls track fundraiser	1,075	183	678	580
Girls tennis	0	1,007	1,007	0
HS girls golf	0	1,980	1,980	0
Girls golf fundraiser	1,088	742	687	1,143
Club hope	0	13,645	11,738	1,907
HS yearbook	0	5,379	5,379	0
HS winter concessions	1,976	35,687	30,810	6,853
HS class of 2007	2,402	54	0	2,456
HS class of 2008	623	14	0	637
HS class of 2009	3,795	126	63	3,858
HS class of 2010	1,302	13,100	13,048	1,354
HS class of 2011	2,133	43	500	1,676
HS class of 2012	0	2,060	67	1,993
HS class of 2013	0	2,035	0	2,035
HS post grads	1,810	40	0	1,850
HS BPA	149	4,512	1,903	2,758
Hosa	22,773	6,744	10,906	18,611
FCCLA	1,703	2,435	1,417	2,721
FFA	1,261	30,308	27,809	3,760
National honor society	272	304	477	99
Student senate	2,667	8,111	8,611	2,167
Spanish club	5,574	20,689	20,759	5,504
French club	2,496	5,386	4,258	3,624
Maquoketan	230	5	0	235
HS SADD	227	5	0	232
MS chorus	1,281	100	490	891
MS band	3,196	3,497	5,774	919
MS boys athletics	4,833	4,577	4,684	4,726
MS mat refurbishing	4,293	21	4,294	20
MS girls athletics	3,937	3,418	4,338	3,017
MS awards	8,204	1,605	8,348	1,461
MS student council	4,017	4,442	4,072	4,387
MS card club	1,611	906	1,471	1,046
Elementary chorus	235	5	0	240
Total	<u>\$ 148,191</u>	<u>425,883</u>	<u>427,392</u>	<u>146,682</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Facility Construction	Local Option/ Statewide Sales and Services Tax	Total Capital Projects
ASSETS			
Cash and pooled investments	\$ 418,422	380,052	798,474
Accounts receivable	0	698	698
Due from other governments	0	219,442	219,442
TOTAL ASSETS	\$ 418,422	600,192	1,018,614
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,032	23,276	25,308
Fund balances:			
Reserved:			
Capital facility construction	416,390	0	416,390
Unreserved	\$ 0	576,916	576,916
Total fund balances	416,390	576,916	993,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 418,422	600,192	1,018,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Capital Facility Construction	Local Option/ Statewide Sales and Services Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	860,313	860,313
Other	76,276	7,226	83,502
State sources	0	0	0
Total revenues	76,276	867,539	943,815
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	32,770	32,770
Support services:			
Instructional staff	0	66,413	66,413
Administrative	0	14	14
	0	66,427	66,427
Other expenditures:			
Facilities acquisitions	323,075	7,953	331,028
Total expenditures	323,075	107,150	430,225
Excess(deficiency)of revenues over(under)expenditures	(246,799)	760,389	513,590
OTHER FINANCING USES:			
Transfer out	0	(503,432)	(503,432)
Net change in fund balances	(246,799)	256,957	10,158
Fund balance beginning of year	663,189	319,959	983,148
Fund balance end of year	\$ 416,390	576,916	993,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2009

	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 24,165	1,058,077	1,082,242
Receivables:			
Property tax:			
Delinquent	6,893	0	6,893
Accounts	0	650	650
Due from other governments	45	0	45
TOTAL ASSETS	\$ 31,103	1,058,727	1,089,830
LIABILITIES AND FUND BALANCES			
Fund balances:			
Reserved for debt service	31,103	1,058,727	1,089,830
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,103	1,058,727	1,089,830

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2009

	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 223,706	0	223,706
Other	27	19,355	19,382
State sources	200	0	200
Total revenues	<u>223,933</u>	<u>19,355</u>	<u>243,288</u>
EXPENDITURES:			
Other expenditures:			
Long-term debt:			
Principal	220,000	280,000	500,000
Interest and fiscal charges	4,553	239,600	244,153
Total expenditures	<u>224,553</u>	<u>519,600</u>	<u>744,153</u>
Deficiency of revenues under expenditures	(620)	(500,245)	(500,865)
Other financing sources:			
Transfer in	0	503,432	503,432
Excess(deficiency)of revenues and other financing sources over(under) expenditures and other financing uses	(620)	3,187	2,567
Fund balance beginning of year	<u>31,723</u>	<u>1,055,540</u>	<u>1,087,263</u>
Fund balance end of year	<u>\$ 31,103</u>	<u>1,058,727</u>	<u>1,089,830</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Stoddard Donation	\$ 107,067	1,179	0	108,246
Jan Donation	25,554	529	0	26,083
Other Scholarship	0	2,200	0	2,200
Total	<u>\$ 132,621</u>	<u>3,908</u>	<u>0</u>	<u>136,529</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund										
	Wendell	Joiner	Schuman	Other	Zimmerman	Bothwell	Wolf	Hute	Shimanek	Bureau Cats	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
ASSETS											
Cash and pooled investments	\$ 134,149	6,121	13,191	850	1,836	1,580	188	3,463	133,289	1,000	295,667
Accounts receivable	783	20	63	0	5	0	0	19	30	0	920
	134,932	6,141	13,254	850	1,841	1,580	188	3,482	133,319	1,000	296,587
LIABILITIES	0	0	0	0	0	0	0	0	0	0	0
NET ASSETS											
Reserved for scholarships	\$ 134,932	6,141	13,254	850	1,841	1,580	188	3,482	133,319	1,000	296,587

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund										Total
	Wendell Scholarship	Joiner Scholarship	Schuman Scholarship	Other Scholarship	Zimmerman Scholarship	Bothwell Scholarship	Wolf Scholarship	Hute Scholarship	Shimaneck Scholarship	Bureau Cats Scholarship	
ADDITIONS:											
Local sources:											
Gifts and contributions	\$ 0	0	0	1,350	0	300	200	500	0	0	2,350
Interest income	3,509	364	282	0	45	0	0	89	3,162	0	7,451
Total additions	3,509	364	282	1,350	45	300	200	589	3,162	0	9,801
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	5,344	600	0	1,000	400	500	200	400	3,000	3,000	14,444
Changes in net assets	(1,835)	(236)	282	350	(355)	(200)	0	189	162	(3,000)	(4,643)
Net assets beginning of year	136,767	6,377	12,972	500	2,196	1,780	188	3,293	133,157	4,000	301,230
Net assets end of year	\$ 134,932	6,141	13,254	850	1,841	1,580	188	3,482	133,319	1,000	296,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,694	30,414	31,628	1,480
LIABILITIES				
Accounts payable	\$ 19	0	19	0
Due to other groups	2,675	30,414	31,609	1,480
	\$ 2,694	30,414	31,628	1,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:										
Local sources:										
Local tax	\$ 5,630,705	5,540,702	5,677,215	5,275,463	5,086,399	5,212,755	4,884,422	4,064,961	3,936,513	3,526,752
Tuition	1,471,389	1,382,562	1,417,048	1,310,925	1,344,955	1,145,634	1,192,619	1,138,278	1,021,165	991,474
Other	875,159	1,153,884	882,531	894,134	731,758	706,578	624,718	518,030	688,221	697,198
Intermediate sources	0	0	165	67,380	62,691	56,787	56,326	52,870	48,489	52,293
State sources	8,718,009	8,759,891	8,015,028	7,382,870	7,189,981	6,935,450	7,003,502	6,994,771	7,116,031	6,771,733
Federal sources	961,826	512,234	555,941	616,074	951,591	1,210,073	1,067,204	920,873	700,846	512,121
Total	\$ 17,657,088	17,349,273	16,547,928	15,546,846	15,367,375	15,267,277	14,828,791	13,689,783	13,511,265	12,551,571
Expenditures:										
Instruction:										
Regular	\$ 5,763,001	5,494,974	5,313,578	5,232,550	5,031,911	4,953,183	4,955,125	4,824,693	4,843,785	4,322,431
Special	3,252,054	3,118,967	2,868,397	2,695,274	2,546,452	2,944,409	2,920,883	2,923,500	2,729,853	2,502,000
Other	2,060,548	1,966,120	1,992,986	1,910,065	1,835,834	1,386,010	1,515,386	1,508,076	1,469,348	1,383,039
Support services:										
Student	765,681	494,118	478,759	468,581	485,350	648,009	717,514	760,012	711,237	432,439
Instructional staff	585,951	501,442	472,364	533,538	424,137	348,957	343,134	361,580	371,989	334,560
Administration	1,539,072	1,369,717	1,414,106	1,294,067	1,138,680	1,056,431	1,071,494	1,050,783	989,762	1,038,903
Operation and maintenance of plant	1,238,015	1,161,128	1,080,629	1,100,601	1,000,149	962,709	924,900	845,197	832,340	728,805
Transportation	616,934	585,469	623,958	709,457	526,607	515,949	599,421	439,910	461,039	410,646
Other support	0	0	0	0	0	900	540	930	3,940	3,453
Non-instructional programs	12,544	12,688	12,698	9,002	5,256	32,927	31,988	31,846	31,963	30,795
Other expenditures:										
Facilities acquisitions	476,721	5,120,874	1,593,675	202,500	2,324,435	920,702	280,498	237,695	294,813	204,893
Long-term debt:										
Principal	500,000	295,000	815,000	785,000	550,000	1,570,000	220,000	210,000	210,000	205,000
Interest and fiscal charges	244,153	135,612	135,957	45,255	55,681	115,776	85,510	95,234	105,095	114,537
AEA flow-through	559,978	539,094	504,377	462,476	453,706	451,567	479,573	482,569	495,794	469,694
Total	\$ 17,614,652	20,795,203	17,306,484	15,448,366	16,378,198	15,907,529	14,145,966	13,772,025	13,550,958	12,181,195

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 09	\$ <u>339,369</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	109,196
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	<u>356,497</u>
			<u>465,693</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 09	254,082
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 08	<u>10,053</u>
			<u>264,135</u>
DISTRICT DEFINED IDEA SUBGRANTS- ISTAR	84.027	FY 09	<u>2,125</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>20,831</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>6,507</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>82,324</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	<u>10,342</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSE) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>129,535</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION -GRANTS TO STATES (PART B)			
	84.027	FY 09	<u>87,838</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS (PART B)			
	84.173	FY 09	<u>1,750</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES			
	84.323	FY 09	<u>220</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION - STATE GRANTS			
	84.365	FY 09	<u>314</u>
DEPARTMENT OF HUMAN SERVICES, MEDICAID: MEDICAL ASSISTANCE PROGRAM (MEDICAID ADMINISTRATION OR TIME STUDY)			
	93.778	FY 09	<u>2,254</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)			
	45.025	FY 09	<u>200</u>
TOTAL			<u>\$ 1,413,437</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting 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 Maquoketa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa 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 Maquoketa 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 Maquoketa Community School District's financial statements that is more than inconsequential will not be prevented or detected by Maquoketa Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Maquoketa 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 item II-A-09 is a material weakness.

Compliance and Other Matters

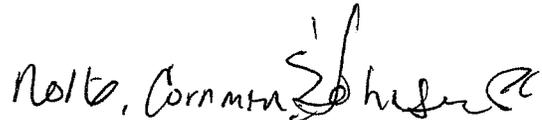
As part of obtaining reasonable assurance about whether Maquoketa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Maquoketa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Maquoketa 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 Maquoketa Community School District and other parties to whom Maquoketa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Maquoketa Community School District

Compliance

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

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

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.184 - Safe and Drug-Free Schools and Communities - National Programs
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by different people; however, there does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit in the Special Revenue, Student Activity Fund.

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

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

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

II-B-09 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - We previously had a separate account established for employee purchases and when we changed vendors it was overlooked. We have established a separate account for future employee purchases. We attempt to provide documentation whenever the payment amount differs from the invoice amount.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over major programs were noted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joanie Bowman, Teacher Spouse owns Bowman Oil Company	Fuel	\$81,703
Barb Bowman, Teacher Spouse owns Bowman Body Shop	Repairs	\$4,722
Kathy Klocke, Nurse Spouse owns Klocke Excavating	Bleacher Work	\$1,125
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Purchased Services	\$105
James Manderscheid, Custodian Installed Locks and Combination Changes	Purchased Services	\$1,105
Brian Moretz, Athletic Director Spouse worked school event gates	Purchased Services	\$78
Dennis Scott, Custodian Snow removal for the District	Purchased Services	\$175
Dennis Scott, Custodian Spouse owns Ronann's Floral Shoppe	Purchased Services	\$2,066

In accordance with Attorneys General opinion dated November 9, 1976, the transactions with the spouses do not appear to be a conflict of interest.

In accordance with Attorneys General opinion dated July 2, 1990, the transactions with James Manderscheid and Dennis Scott do not appear to be a conflict of interest.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			860,313
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	173,577	
Debt service for school infrastructure:			
Revenue debt		503,432	677,009
			<u>677,009</u>
Ending balance		\$	<u>183,304</u>