

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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BURTON E. TRACY & CO., P.C.

Certified Public Accountants

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District at June 30, 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 April 30, 2010 on our consideration of MFL MarMac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

Overall Tax Rates decreased by approximately five cents (.05) per thousand dollars of assessed valuation. This is the fifth year in a row of a tax levy decrease. It is projected that the tax levy rate will decrease by another seven cents per thousand (.07) in 2010.

General Fund revenues increased from \$7,521,370 in fiscal 2008 to \$7,645,881 in fiscal 2009, while General Fund expenditures increased from \$7,580,117 in fiscal 2008 to \$7,994,450 in fiscal 2009. The District's General Fund balance decreased from \$1,762,811 in fiscal 2008 to \$1,446,737 in fiscal 2009, a 18% decrease.

The District's Solvency Ratio still remains in the teens. This is healthy, however it has been falling.

The change in General Fund revenues was attributable to higher property tax and federal grant revenues. The change in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MFL MarMac Community School District's operations in more

detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Funds.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

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

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

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental

fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other individuals, and other governments.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2008
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,434,574	7,110,525	145,534	106,456	8,580,108	7,216,981	19%
Capital assets	2,245,638	2,176,750	17,287	6,406	2,262,925	2,183,156	4%
Total assets	10,680,212	9,287,275	162,821	112,862	10,843,033	9,400,137	15%
Long-term liabilities	612,871	720,512	-	-	612,871	720,512	-15%
Other liabilities	4,328,947	2,823,054	5,186	4,411	4,334,133	2,827,465	53%
Total liabilities	4,941,818	3,543,566	5,186	4,411	4,947,004	3,547,977	39%
Net Assets:							
Invested in capital assets, net of related debt	1,840,638	1,681,750	17,287	6,406	1,857,925	1,688,156	10%
Restricted	2,389,710	2,189,190	-	-	2,389,710	2,189,190	9%
Unrestricted	1,508,046	1,872,769	140,348	102,045	1,648,394	1,974,814	-17%
TOTAL NET ASSETS	5,738,394	5,743,709	157,635	108,451	5,896,029	5,852,160	1%

The District's combined net assets increased by nearly 1%, or approximately \$43,869, over the prior year. The second largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$200,520 or 9% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$326,420, or 17%. This decrease in unrestricted net assets was significant, and it is a beginning result of decreased revenues for the future. A planned staff-size reduction is in correlation to student enrollment decline in order to combat this problem.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	548,365	639,232	246,282	243,322	794,647	882,554	-10%
Operating grants & contributions	1,326,142	1,045,139	220,156	199,808	1,546,298	1,244,947	242%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,812,109	2,657,496	-	-	2,812,109	2,657,496	6%
Income Surtax	294,529	254,862	-	-	294,529	254,862	16%
Statewide sales tax	494,379	511,734	-	-	494,379	511,734	-3%
Unrestricted state grants	3,582,816	3,748,747	-	-	3,582,816	3,748,747	-4%
Unrestricted investment earnings	106,809	161,885	418	681	107,227	162,566	-34%
Other revenues	47,917	(7,490)	-	-	47,917	(7,490)	740%
Total Revenues	9,213,066	9,011,605	466,856	443,811	9,679,922	9,455,416	2%
Expenses:							
Instruction	5,786,278	5,351,366	-	-	5,786,278	5,351,366	8%
Support services	2,406,639	2,455,517	-	-	2,406,639	2,455,517	-2%
Non-instructional programs	-	4,000	430,684	434,843	430,684	438,843	-2%
Other expenditures	1,012,452	651,700	-	-	1,012,452	651,700	55%
Total expenses	9,205,369	8,462,583	430,684	434,843	9,636,053	8,897,426	8%
Change in net assets before							
Contributed capital	7,697	549,022	36,172	8,968	43,869	557,990	-92%
Contributed capital	(13,012)	-	13,012	-	-	-	0%
CHANGE IN NET ASSETS	(5,315)	549,022	49,184	8,968	43,869	557,990	-92%
Net assets beginning of year	5,743,709	5,194,687	108,451	99,483	5,852,160	5,294,170	11%
Net assets end of year	5,738,394	5,743,709	157,635	108,451	5,896,029	5,852,160	1%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,213,066 and expenses were \$9,205,369.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost Of Services 2008
	\$	\$	\$	\$
Instruction	5,786,278	5,351,366	4,300,078	3,989,974
Support Services	2,406,639	2,455,517	2,396,749	2,445,882
Non-instructional	-	4,000		4,000
Other Expenses	1,012,452	651,700	634,035	338,356
TOTAL	<u>9,205,369</u>	<u>8,462,583</u>	<u>7,330,862</u>	<u>6,778,212</u>

The cost financed by users of the District’s programs was \$548,365.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,326,142.

The net cost of governmental activities was financed with \$3,601,017 in property and other taxes and \$3,582,816 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$466,856 and expenses were \$430,684. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,858,607, below last year’s ending fund balances of \$4,065,014.

Governmental Fund Highlights

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

The General Fund balance decreased from \$1,762,811 to \$1,446,737, due in part to the existing expenditure commitments of the District, and a gradual reduction in the overall size of the staff. This is in relation to the enrollment decline.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$488,032 in fiscal 2008 to \$667,661 in fiscal 2009. While revenues increased, the District continued controlled spending in the PPEL Fund during the year. The purpose of this was for infrastructure and energy conservation purposes. The PPEL fund will vary from year to year based upon needs. Future plans are to pay off all debt, which includes the fine-arts music addition.

The Management Fund balance increased from \$1,041,916 to \$1,091,654. The purpose of this increase is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$108,451 at June 30, 2008 to \$157,635 at June 30, 2009, representing a increase of approximately 45%. The district has continued to utilize the food cooperative offered by AEA 1.

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$33,672 less than budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$2.26 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is

presented in Note 5 to the financial statements. Depreciation expense for the year was \$189,873.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,422,250	1,448,080	-	-	1,422,250	1,448,080	-2%
Improvements	439,728	312,269	-	-	439,728	312,269	41%
Equipment & Furniture	373,660	406,401	17,287	6,406	390,947	412,807	-5%
TOTAL	2,245,638	2,176,750	17,287	6,406	2,262,925	2,183,156	4%

Long-Term Debt

At June 30, 2009, the District had \$612,871 in capital loan notes, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change 2008-2009
	2009 \$	2008 \$	
Capital Loan Notes	405,000	495,000	-18%
Termination Benefits	207,871	225,512	-8%
	612,871	720,512	-15%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Due to the completion of property revaluation assessments, the District's total taxable valuation will decrease .5 percent for property tax collected in fiscal year 2009.

School financing is highly dependent upon student enrollment. The District's September 2009 enrollment decreased by 40 students, and decreased by 125 students since 2005. This overall drop in enrollment will decrease the District's funding for fiscal year 2010 approximately \$500,000 per year. The district can anticipate this trend to continue. Currently the enrollment is at 825, and it is expected to decline over the next three years to about 775 students. This additional decline will cause the district to lose an additional \$475,000.00. The district has increased reserves and reduced staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2010 at a cost of \$80,000. To pay for this bus, the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2009 was the last year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). The District negotiated a new agreement during fiscal 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159.

BASIC FINANCIAL STATEMENTS

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,966,454	127,675	5,094,129
Receivables:			
Property tax:			
Delinquent	50,243	-	50,243
Succeeding year	2,969,317	-	2,969,317
Accounts	-	12,463	12,463
Due from other governments	448,560	-	448,560
Inventories	-	5,396	5,396
Capital assets, net of accumulated depreciation	2,245,638	17,287	2,262,925
	<u>10,680,212</u>	<u>162,821</u>	<u>10,843,033</u>
Liabilities			
Warrants in excess bank balance	938,379		938,379
Accounts payable	105,339	-	105,339
Salaries and benefits payable	216,294	-	216,294
Accrued interest payable	2,154	-	2,154
Deferred revenue:			
Succeeding year property tax	2,969,317	-	2,969,317
Other	97,464	5,186	102,650
Long-term liabilities:			
Portion due within one year:			
Notes payable	100,000	-	100,000
Termination benefits	53,054	-	53,054
Portion due after one year:			
Notes payable	305,000	-	305,000
Termination benefits	154,817	-	154,817
	<u>4,941,818</u>	<u>5,186</u>	<u>4,947,004</u>
Net assets			
Invested in capital assets, net of related debt	1,840,638	17,287	1,857,925
Restricted for:			
Categorical funding	61,125		61,125
Management levy	883,783	-	883,783
Physical plant and equipment levy	792,248	-	792,248
Other special revenue purposes	107,996	-	107,996
Sales tax capital projects	544,558	-	544,558
Unrestricted	1,508,046	140,348	1,648,394
	<u>5,738,394</u>	<u>157,635</u>	<u>5,896,029</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,369,877	175,936	685,715	-
Special	1,119,005	52,648	143,782	-
Other	1,297,396	318,301	109,818	-
	<u>5,786,278</u>	<u>546,885</u>	<u>939,315</u>	<u>-</u>
Support services:				
Student	100,377	-	-	-
Instructional staff	142,376	-	8,410	-
Administration	937,059	-	-	-
Operation and maintenance of plant	718,862	25	-	-
Transportation	507,965	1,455	-	-
	<u>2,406,639</u>	<u>1,480</u>	<u>8,410</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	570,296	-	60,000	-
Long-term debt interest	15,173	-	-	-
AEA flowthrough	318,417	-	318,417	-
Depreciation (unallocated)*	108,566	-	-	-
	<u>1,012,452</u>	<u>-</u>	<u>378,417</u>	<u>-</u>
Total governmental activities	<u>9,205,369</u>	<u>548,365</u>	<u>1,326,142</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	421,790	218,851	220,156	-
Preschool	8,894	27,431	-	-
Total business type activities	<u>430,684</u>	<u>246,282</u>	<u>220,156</u>	<u>-</u>
Total	<u>9,636,053</u>	<u>794,647</u>	<u>1,546,298</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other revenues				
Total general revenues				
contributed capital				
Total general revenues and contributed capital				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,508,226)	-	(2,508,226)
(922,575)	-	(922,575)
(869,277)	-	(869,277)
<u>(4,300,078)</u>	<u>-</u>	<u>(4,300,078)</u>
(100,377)	-	(100,377)
(133,966)	-	(133,966)
(937,059)	-	(937,059)
(718,837)	-	(718,837)
(506,510)	-	(506,510)
<u>(2,396,749)</u>	<u>-</u>	<u>(2,396,749)</u>
(510,296)	-	(510,296)
(15,173)	-	(15,173)
-	-	-
(108,566)	-	(108,566)
<u>(634,035)</u>	<u>-</u>	<u>(634,035)</u>
<u>(7,330,862)</u>	<u>-</u>	<u>(7,330,862)</u>
-	17,217	17,217
-	18,537	18,537
-	35,754	35,754
<u>(7,330,862)</u>	<u>35,754</u>	<u>(7,295,108)</u>
2,566,892	-	2,566,892
245,217	-	245,217
294,529	-	294,529
494,379	-	494,379
3,582,816	-	3,582,816
106,809	418	107,227
47,917	-	47,917
7,338,559	418	7,338,977
<u>(13,012)</u>	<u>13,012</u>	<u>-</u>
<u>7,325,547</u>	<u>13,430</u>	<u>7,338,977</u>
(5,315)	49,184	43,869
<u>5,743,709</u>	<u>108,451</u>	<u>5,852,160</u>
<u><u>5,738,394</u></u>	<u><u>157,635</u></u>	<u><u>5,896,029</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,660,732	1,074,889	663,309	567,524	4,966,454
Receivables:					
Property tax:					
Delinquent	42,229	3,662	4,352	-	50,243
Succeeding year	2,508,947	204,500	255,870	-	2,969,317
Interfund receivable/payable	-	15,422	-	50,000	65,422
Due from other governments	223,420	-	124,587	100,553	448,560
Total assets	<u>5,435,328</u>	<u>1,298,473</u>	<u>1,048,118</u>	<u>718,077</u>	<u>8,499,996</u>
Liabilities and Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	938,379				938,379
Accounts payable	37,498	2,319	-	65,522	105,339
Salaries and benefits payable	216,294	-	-	-	216,294
Interfund payable	65,422	-	-	-	65,422
Deferred revenue:					
Succeeding year property tax	2,508,947	204,500	255,870	-	2,969,317
Income surtax	124,587	-	124,587	-	249,174
Other	97,464	-	-	-	97,464
Total liabilities	<u>3,988,591</u>	<u>206,819</u>	<u>380,457</u>	<u>65,522</u>	<u>4,641,389</u>
Fund balances:					
Reserved for:					
Categorical funding	61,125	-	-	-	61,125
Debt service	-	-	-	1	1
Unreserved reported in:					
General fund	1,385,612	-	-	-	1,385,612
Special revenue funds	-	1,091,654	667,661	107,996	1,867,311
Capital projects funds	-	-	-	544,558	544,558
Total fund balances	<u>1,446,737</u>	<u>1,091,654</u>	<u>667,661</u>	<u>652,555</u>	<u>3,858,607</u>
Total liabilities and fund balances	<u>5,435,328</u>	<u>1,298,473</u>	<u>1,048,118</u>	<u>718,077</u>	<u>8,499,996</u>

MFL MARMAC 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 (Exhibit C)	3,858,607
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,245,638
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	249,174
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,154)
Long-term liabilities, notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(612,871)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,738,394</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,497,252	204,816	380,395	494,379	3,576,842
Tuition	180,640	-	-	-	180,640
Other	150,548	24,510	15,856	390,537	581,451
Intermediate sources	1,000	-	-	-	1,000
State sources	4,543,583	11	12	-	4,543,606
Federal sources	305,353	-	-	-	305,353
Total revenues	<u>7,678,376</u>	<u>229,337</u>	<u>396,263</u>	<u>884,916</u>	<u>9,188,892</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,325,680	56,968	-	-	3,382,648
Special	1,119,005	-	-	-	1,119,005
Other	1,001,523	-	-	295,873	1,297,396
	<u>5,446,208</u>	<u>56,968</u>	<u>-</u>	<u>295,873</u>	<u>5,799,049</u>
Support services:					
Student	100,377	-	-	-	100,377
Instructional staff	142,376	-	-	-	142,376
Administration	937,912	-	-	-	937,912
Operation and maintenance of plant	601,895	122,631	-	-	724,526
Transportation	447,265	-	37,058	49,158	533,481
	<u>2,229,825</u>	<u>122,631</u>	<u>37,058</u>	<u>49,158</u>	<u>2,438,672</u>
Other expenditures:					
Facilities acquisition	-	-	179,576	554,023	733,599
Long-term debt:					
Principal	-	-	-	90,000	90,000
Interest and fiscal charges	-	-	-	15,562	15,562
AEA flowthrough	318,417	-	-	-	318,417
	<u>318,417</u>	<u>-</u>	<u>179,576</u>	<u>659,585</u>	<u>1,157,578</u>
Total expenditures	<u>7,994,450</u>	<u>179,599</u>	<u>216,634</u>	<u>1,004,616</u>	<u>9,395,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(316,074)</u>	<u>49,738</u>	<u>179,629</u>	<u>(119,700)</u>	<u>(206,407)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	-	-	105,562	105,562
Operating transfers out	-	-	-	(105,562)	(105,562)
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(316,074)	49,738	179,629	(119,700)	(206,407)
Fund balances beginning of year	<u>1,762,811</u>	<u>1,041,916</u>	<u>488,032</u>	<u>772,255</u>	<u>4,065,014</u>
Fund balances end of year	<u><u>1,446,737</u></u>	<u><u>1,091,654</u></u>	<u><u>667,661</u></u>	<u><u>652,555</u></u>	<u><u>3,858,607</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(206,407)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	256,630	
Depreciation expense	<u>(187,742)</u>	68,888
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		24,174
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		90,000
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.		
		389
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>17,641</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(5,315)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	127,675
Accounts receivable	12,463
Inventories	5,396
Capital assets, net of accumulated depreciation	<u>17,287</u>
Total assets	<u>162,821</u>
Liabilities	
Deferred revenue	<u>5,186</u>
Net assets	
Invested in capital assets	17,287
Unrestricted	<u>140,348</u>
Total net assets	<u><u>157,635</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>246,282</u>
Operating expenses:	
Non-instructional programs:	
Salaries	170,231
Benefits	61,903
Purchased services	2,018
Supplies	194,401
Depreciation	<u>2,131</u>
Total operating expenses	<u>430,684</u>
Operating gain (loss)	<u>(184,402)</u>
Non-operating revenues:	
State sources	5,122
Federal sources	215,034
Interest income	418
Total non-operating revenues	<u>220,574</u>
Gain (loss) before contributions	36,172
Capital contributions	<u>13,012</u>
Change in net assets	49,184
Net assets beginning of year	<u>108,451</u>
Net assets end of year	<u><u>157,635</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	218,734
Cash received from preschool services	27,431
Cash payments to employees for services	(232,134)
Cash payments to suppliers for goods or services	(155,368)
Net cash used by operating activities	<u>(141,337)</u>
Cash flows from non-capital financing activities:	
State grants received	5,122
Federal grants received	175,258
Net cash provided by non-capital financing activities	<u>180,380</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>418</u>
Net increase (decrease) in cash and cash equivalents	39,461
Cash and cash equivalents at beginning of year	<u>88,214</u>
Cash and cash equivalents at end of year	<u><u>127,675</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(184,402)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	39,776
Depreciation	2,131
Decrease (increase) in inventories	1,275
Decrease (increase) in accounts receivable	(892)
(Decrease) increase in deferred revenue	775
Net cash used by operating activities	<u><u>(141,337)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$39,776 of federal commodities.

During the year, the School Nutrition Fund received \$13,012 of equipment from other funds.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	<u>Agency</u>
	<u>\$</u>
Assets	
Cash and pooled investments	<u>186,092</u>
Liabilities	
Accounts payable	31,203
Other payables	<u>154,889</u>
Total liabilities	<u>186,092</u>
Net Assets	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks 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.

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

3 Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Capital Projects Fund	General	50,000
Management Fund	General	15,422

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	105,562

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

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,401,279	-	-	4,401,279
Improvements other than buildings	466,946	139,145	-	606,091
Furniture and equipment	1,363,611	117,485	-	1,481,096
Total capital assets being deprec.	<u>6,231,836</u>	<u>256,630</u>	-	<u>6,488,466</u>
Less accumulated depreciation for:				
Buildings	2,953,199	25,830	-	2,979,029
Improvements other than buildings	154,677	11,686	-	166,363
Furniture and equipment	957,210	150,226	-	1,107,436
Total accumulated depreciation	<u>4,065,086</u>	<u>187,742</u>	-	<u>4,252,828</u>
Total capital assets being depreciated, net	<u>2,166,750</u>	<u>68,888</u>	-	<u>2,235,638</u>
Governmental activities capital assets, net	<u>2,176,750</u>	<u>68,888</u>	-	<u>2,245,638</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	69,047	13,012	-	82,059
Less accumulated depreciation	<u>62,641</u>	<u>2,131</u>	-	<u>64,772</u>
Business type activities capital assets, net	<u>6,406</u>	<u>10,881</u>	-	<u>17,287</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,310
Support services:	
Administration services	7,149
Operation and maintenance of plant services	2,336
Transportation	<u>59,381</u>
	79,176
Unallocated depreciation	<u>108,566</u>
Total depreciation expense – governmental activities	<u>187,742</u>
Business type activities:	
Food services	<u>2,131</u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital loan notes	495,000	-	90,000	405,000	100,000
Termination benefits	<u>225,512</u>	<u>28,068</u>	<u>45,709</u>	<u>207,871</u>	<u>53,054</u>
Total	<u>720,512</u>	<u>28,068</u>	<u>135,709</u>	<u>612,871</u>	<u>153,054</u>

Termination Benefit

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

At June 30, 2009, the District has obligations to twelve participants with a total liability of \$207,871. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$45,709.

Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	2.90	100,000	12,923	112,923
2011	3.10	100,000	10,023	110,023
2012	3.30	100,000	6,922	106,922
2013	3.45	105,000	3,622	108,622
		<u>405,000</u>	<u>33,490</u>	<u>438,490</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$336,799, \$310,429 and \$278,671 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$318,417 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 Commitments

As of June 30, 2009 the District had unearned construction contracts outstanding in the amounts of \$69,440.

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,338,933	246,700	4,585,633	4,662,604	4,662,604	(76,971)
Intermediate sources	1,000	-	1,000	1,300	1,300	(300)
State sources	4,543,606	5,122	4,548,728	4,640,016	4,640,016	(91,288)
Federal sources	305,353	215,034	520,387	385,500	385,500	134,887
Total revenues	<u>9,188,892</u>	<u>466,856</u>	<u>9,655,748</u>	<u>9,689,420</u>	<u>9,689,420</u>	<u>(33,672)</u>
Expenditures/Expenses:						
Instruction	5,799,049	-	5,799,049	5,827,745	6,100,000	300,951
Support services	2,438,672	-	2,438,672	2,635,450	2,800,000	361,328
Non-instructional programs	-	430,684	430,684	480,000	520,000	89,316
Other expenditures	1,157,578	-	1,157,578	1,093,813	1,700,000	542,422
Total expenditures/expenses	<u>9,395,299</u>	<u>430,684</u>	<u>9,825,983</u>	<u>10,037,008</u>	<u>11,120,000</u>	<u>1,294,017</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(206,407)	36,172	(170,235)	(347,588)	(1,430,580)	1,260,345
Other financing sources (uses) net	<u>-</u>	<u>13,012</u>	<u>13,012</u>	<u>25</u>	<u>25</u>	<u>12,987</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(206,407)	49,184	(157,223)	(347,563)	(1,430,555)	1,273,332
Balance beginning of year	<u>4,065,014</u>	<u>108,451</u>	<u>4,173,465</u>	<u>4,076,693</u>	<u>4,076,693</u>	<u>96,772</u>
Balance end of year	<u><u>3,858,607</u></u>	<u><u>157,635</u></u>	<u><u>4,016,242</u></u>	<u><u>3,729,130</u></u>	<u><u>2,646,138</u></u>	<u><u>1,370,104</u></u>

MFL MARMAC 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,082,992.

During the year ended June 30, 2009, expenditures did not exceed the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds	Capital Projects	Debt Service	Total
	Student Activity	Sales and Services Tax		
	\$	\$	\$	\$
Cash and pooled investments	112,424	455,099	1	567,524
Interfund receivable/payable	-	50,000	-	50,000
Due from other governments	-	100,553	-	100,553
Total assets	112,424	605,652	1	718,077
Liabilities & Fund Balances				
Liabilities				
Accounts payable	4,428	61,094	-	65,522
Fund balances:				
Reserved for debt service	-	-	1	1
Unreserved reported in:				
Special revenue funds	107,996	-	-	107,996
Capital projects funds	-	544,558	-	544,558
Total fund balances	107,996	544,558	1	652,555
Total liabilities and fund balances	112,424	605,652	1	718,077

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Reveue	Capital Projects		
	Student Activity	Sales and Services Tax	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	494,379	-	494,379
Other	315,171	75,366	-	390,537
Total revenues	<u>315,171</u>	<u>569,745</u>	<u>-</u>	<u>884,916</u>
Expenditures:				
Current:				
Instruction:				
Other	295,873	-	-	295,873
Support services:				
Transportation	-	49,158	-	49,158
Other expenditures:				
Facilities acquisition	-	554,023	-	554,023
Long-term debt:				
Principal	-	-	90,000	90,000
Interest and fiscal charges	-	-	15,562	15,562
Total expenditures	<u>295,873</u>	<u>603,181</u>	<u>105,562</u>	<u>1,004,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,298</u>	<u>(33,436)</u>	<u>(105,562)</u>	<u>(119,700)</u>
Other financing sources (uses):				
Operating transfers in	-	-	105,562	105,562
Operating transfers out	-	(105,562)	-	(105,562)
Total other financing sources (uses)	<u>-</u>	<u>(105,562)</u>	<u>105,562</u>	<u>-</u>
Net changes in fund balances	19,298	(138,998)	-	(119,700)
Fund balances beginning of year	<u>88,698</u>	<u>683,556</u>	<u>1</u>	<u>772,255</u>
Fund balances end of year	<u><u>107,996</u></u>	<u><u>544,558</u></u>	<u><u>1</u></u>	<u><u>652,555</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets			
Cash and cash equivalents	67,261	60,414	127,675
Accounts receivable	12,463	-	12,463
Due from other governments			-
Inventories	5,396	-	5,396
Capital assets, net of accumulated depreciation	17,287	-	17,287
Total assets	<u>102,407</u>	<u>60,414</u>	<u>162,821</u>
Liabilities			
Deferred revenue	5,186	-	5,186
Net assets			
Invested in capital assets	17,287	-	17,287
Unrestricted	79,934	60,414	140,348
Total net assets	<u>97,221</u>	<u>60,414</u>	<u>157,635</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	<u>218,851</u>	<u>27,431</u>	<u>246,282</u>
Operating expenses:			
Non-instructional programs:			
Salaries	162,641	7,590	170,231
Benefits	60,599	1,304	61,903
Purchased services	2,018	-	2,018
Supplies	194,401	-	194,401
Depreciation	<u>2,131</u>	<u>-</u>	<u>2,131</u>
Total operating expenses	<u>421,790</u>	<u>8,894</u>	<u>430,684</u>
Operating gain (loss)	<u>(202,939)</u>	<u>18,537</u>	<u>(184,402)</u>
Non-operating revenues:			
State sources	5,122	-	5,122
Federal sources	215,034	-	215,034
Interest income	<u>418</u>	<u>-</u>	<u>418</u>
Total non-operating revenues	<u>220,574</u>	<u>-</u>	<u>220,574</u>
Gain (loss) before capital contributions	17,635	18,537	36,172
Capital contributions	<u>13,012</u>	<u>-</u>	<u>13,012</u>
Change in net assets	30,647	18,537	49,184
Net assets beginning of year	<u>66,574</u>	<u>41,877</u>	<u>108,451</u>
Net assets end of year	<u><u>97,221</u></u>	<u><u>60,414</u></u>	<u><u>157,635</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	218,734	-	218,734
Cash received from preschool services	-	27,431	27,431
Cash payments to employees for services	(223,240)	(8,894)	(232,134)
Cash payments to suppliers for goods or services	(155,368)	-	(155,368)
Net cash provided by (used by) operating activities	<u>(159,874)</u>	<u>18,537</u>	<u>(141,337)</u>
Cash flows from non-capital financing activities:			
State grants received	5,122	-	5,122
Federal grants received	175,258	-	175,258
Net cash provided by non-capital financing activities	<u>180,380</u>	<u>-</u>	<u>180,380</u>
Cash flows from capital and related financing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>418</u>	<u>-</u>	<u>418</u>
Net increase (decrease) in cash and cash equivalents	20,924	18,537	39,461
Cash and cash equivalents at beginning of year	<u>46,337</u>	<u>41,877</u>	<u>88,214</u>
Cash and cash equivalents at end of year	<u>67,261</u>	<u>60,414</u>	<u>127,675</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(202,939)	18,537	(184,402)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	39,776	-	39,776
Depreciation	2,131	-	2,131
Decrease (increase) in inventories	1,275	-	1,275
Decrease (increase) in accounts receivable	(892)	-	(892)
(Decrease) increase in deferred revenue	775	-	775
Net cash provided by (used by) operating activities	<u>(159,874)</u>	<u>18,537</u>	<u>(141,337)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Fine arts	4,136	5,067	4,127	-	5,076
Middle school drama	292	665	404	-	553
Band	(250)	5,156	4,633	-	273
Girls basketball	-	12,533	12,533	-	-
General athletics	-	11,721	11,721	-	-
MS athletic equipment fund balance	127	-	-	-	127
MS athletic sup. fund balance	-	4,939	4,939	-	-
MS athletic fundraising fund balance	622	-	-	-	622
MS volleyball	557	2,027	1,015	-	1,569
Boys basketball (2013-2014)	1,056	2,004	2,096	-	964
2016 & 2017 boys basketball	18	1,860	1,240	-	638
MS track activities fund balance	-	86	-	-	86
Cross country	-	726	726	-	-
Cross country activities	140	732	600	-	272
Golf	-	400	400	-	-
Golf activities	(25)	40	-	-	15
2013 Girls basketball fund	172	-	-	-	172
Bulldog basketball club activities	5,467	6,527	7,467	-	4,527
Boys basketball	-	3,026	3,026	-	-
Football	-	5,859	5,859	-	-
Football activities fund balance	523	6,198	5,043	-	1,678
Youth football club	461	1,645	1,928	-	178
Baseball fund balance	(1,485)	4,655	3,691	-	(521)
Baseball activities	(197)	1,050	549	-	304
Boys track	-	2,441	2,441	-	-
Wrestling fund balance	-	9,575	9,575	-	-
Wrestling club fund balance	669	23,960	24,324	-	305
Volleyball fund balance	-	2,031	2,031	-	-
Bulldog volleyball club balance	190	2,009	1,838	-	361
Softball fund balance	(122)	5,847	7,776	1,645	(406)
Softball activities fund balance	11	3,781	1,832	(1,645)	315
Girls track fund	-	2,048	4,040	-	(1,992)
Girls track activities	34	300	182	-	152
Cheerleaders	528	3,551	2,885	-	1,194
Dance team fund balance	492	25	290	-	227
MS cheerleaders fund balance	470	-	92	-	378
Other unreserved fund balance M.S. 3M	4,215	3,500	4,128	-	3,587
FFA	(10,936)	30,301	21,745	-	(2,380)
High school student council	3,345	8,226	8,467	-	3,104
Middle school student council	388	-	284	-	104

See accompanying independent auditor's report.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Young Americans	(153)	4,738	4,358	-	227
High school peer helpers	344	320	360	-	304
Class of 2015	-	16,328	10,804	-	5,524
Class of 2014	4,421	5,034	10,697	1,242	-
Class of 2013	1,040	5,118	4,519	-	1,639
Class of 2007	(1,423)	-	-	-	(1,423)
Class of 2008	4,434	-	2,434	(2,000)	-
Class of 2009	3,161	5,583	6,110	-	2,634
Class of 2010	760	16,115	13,364	-	3,511
Class of 2011	503	120	88	-	535
Class of 2012	1,935	80	67	-	1,948
Music resale	(318)	1,051	1,062	-	(329)
Yearbook	3,153	12,716	4,120	2,000	13,749
Student activity tickets	25,831	-	2,262	-	23,569
Elem. fund raising	7,381	7,711	4,967	-	10,125
M.S. fund raising	-	7,893	5,463	(1,242)	1,188
HS fund raising	4,685	3,987	3,376	(101)	5,195
MS class trips	1,502	46,253	46,085	-	1,670
Electrathon team	(148)	470	423	101	-
Pepsi machine (M)	-	4,960	4,960	-	-
Pepsi (McG)	-	1,999	1,999	-	-
FFA savings	20,592	184	-	-	20,776
Cash on hand	100	-	-	-	100
Ending accruals	-	-	4,428	-	(4,428)
Total	88,698	315,171	295,873	-	107,996

MFL MARMAC COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Fund

Year ended June 30, 2009

	<u>Hawc Empowerment</u>	<u>Childcare</u>	<u>Employee Memorial</u>	<u>Total</u>
	\$	\$	\$	\$
Balance beginning of year	99,469	5,644	214	105,327
Additions:				
Collections	1,055,250	170,803	60	1,226,113
Deductions:				
Miscellaneous	<u>998,430</u>	<u>177,746</u>	<u>375</u>	<u>1,176,551</u>
Balance end of year	<u><u>156,289</u></u>	<u><u>(1,299)</u></u>	<u><u>(101)</u></u>	<u><u>154,889</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,576,842	3,419,092	3,418,679	3,280,104	3,317,657	2,799,270
Tuition	180,640	175,375	141,766	145,874	120,848	125,357
Other	581,451	625,741	608,135	481,720	437,260	416,695
Intermediate sources	1,000	-	1,151	2,441	-	4,265
State sources	4,543,606	4,550,235	4,382,392	4,202,997	4,160,293	3,986,806
Federal sources	305,353	243,652	215,634	204,975	241,235	336,641
Total revenues	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>	<u>7,669,034</u>
Expenditures:						
Instruction:						
Regular	3,382,648	3,169,523	3,275,897	3,060,145	2,962,300	2,934,875
Special	1,119,005	958,194	786,879	764,176	750,216	914,195
Other	1,297,396	1,176,705	1,090,837	941,952	884,218	608,974
Support services:						
Student	100,377	231,868	226,374	237,145	298,729	277,687
Instructional staff	142,376	137,531	140,152	143,944	133,498	180,711
Administration	937,912	869,170	828,117	780,254	848,247	833,883
Operation and maintenance	724,526	743,054	663,532	626,690	572,891	429,801
Transportation	533,481	504,467	444,979	469,674	380,805	343,605
Non-instructional programs		4,000	-	-	8,254	1,748
Other expenditures:						
Facilities acquisition	733,599	357,812	569,506	388,504	577,333	913,215
Long-term debt:						
Principal	90,000	210,000	105,000	100,000	100,000	15,000
Interest and other charges	15,562	21,529	26,576	29,361	32,198	34,878
AEA flowthrough	318,417	313,344	304,120	294,529	294,915	296,974
Total expenditures	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</u>	<u>7,785,546</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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

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

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A and 09-I-B are material weaknesses.

Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of MFL MarMac Community School District and other parties to whom MFL MarMac Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

April 30, 2010

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.

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

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

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

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

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

09-II-G Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2008, was understated by two students. Line 12 was overstated by .12 students due to an open enrolled student included in line 12a.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Deficit Balances: The Student Activity Fund has a few accounts with deficit balances.

Recommendation: The District should monitor this fund and investigate alternatives to eliminate these deficits.

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

Conclusion: Response accepted.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting. "We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditures accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

Conclusion: Response accepted.

09-II-L 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		-
Statewide sales and services tax revenue		494,379
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	388,817	
Debt service for school infrastructure:		
Revenue debt	105,562	494,379
	<u> </u>	<u> </u>
Ending balance		<u> </u> <u> </u>