MAQUOKETA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Maquoketa Community School District

Officials

| Name | Title | Term Expires |
|---|---|---|
| | **Board of Education (Before September 2009 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 |
| | **Board of Education (After September 2009 Election)** | |
| Anne Pitcher Hawks | President | 2011 |
| Brian Tabor | Vice President | 2013 |
| Marty Hudrlik | Board Member | 2013 |
| Mark Pape | Board Member | 2011 |
| Bill Schwenker | Board Member | 2011 |
| | **School Officials** | |
| Kim Huckstadt | Superintendent | 2010 |
| Barbara A. McKeon | District Secretary/Treasurer and Business Coordinator | 2010 |
| Steve Kahler | Attorney | 2010 |

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**(a professional corporation)**
**117 West 3rd Street North, Newton, Iowa 50208-3050**
**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, 2010, 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, 2010, 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 March 23, 2011 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 7 through 16 and 43 through 45 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, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 12, 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2011

## 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $15,430,196 in fiscal 2009 to $15,616,812 in fiscal 2010, while General Fund expenditures increased from $15,466,961 in fiscal 2009 to $16,275,992 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from $1,892,567 in fiscal 2009 to a balance of $1,233,387 in fiscal 2010, a 34.83% decrease from the prior year.

- The increase in General Fund revenues was attributable to an increase in federal revenue in fiscal 2010. 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 11.35% in fiscal 2009 to 7.13% in fiscal 2010. The Iowa Association of School Boards recommends a target range of 5-10%.

- The District received $856,444 from the State's Secure and Advanced Vision for Education Fund for fiscal year 2010. The proceeds may be used for purposes identified in the voter approved Revenue Purpose Statement on Sept. 9, 2008. The Revenue Purpose Statement identifies allowable expenditures of: Property Tax Relief; build and furnish new school building(s), build and furnish additions, remodeling, repair, expand and improve buildings; improve grounds; demolition work; furnish and equip district facilities; purchase or lease-purchase of buildings or equipment (to include transportation, technology and recreation equipment); implement energy conservation measures; sharing or rental of facilities; procuring or acquisition of libraries; opening roads to schoolhouses or buildings; provide funds for emergency repairs to respond to natural disasters or unanticipated mechanical, plumbing, structural, roof, electrical system failures; maintain public recreation places and playgrounds; provide funds for the payment of principal and interest or retirement of general obligation bonds issued for school infrastructure purposes, energy improvement loans, loan agreements authorized by Iowa Code.

## 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***

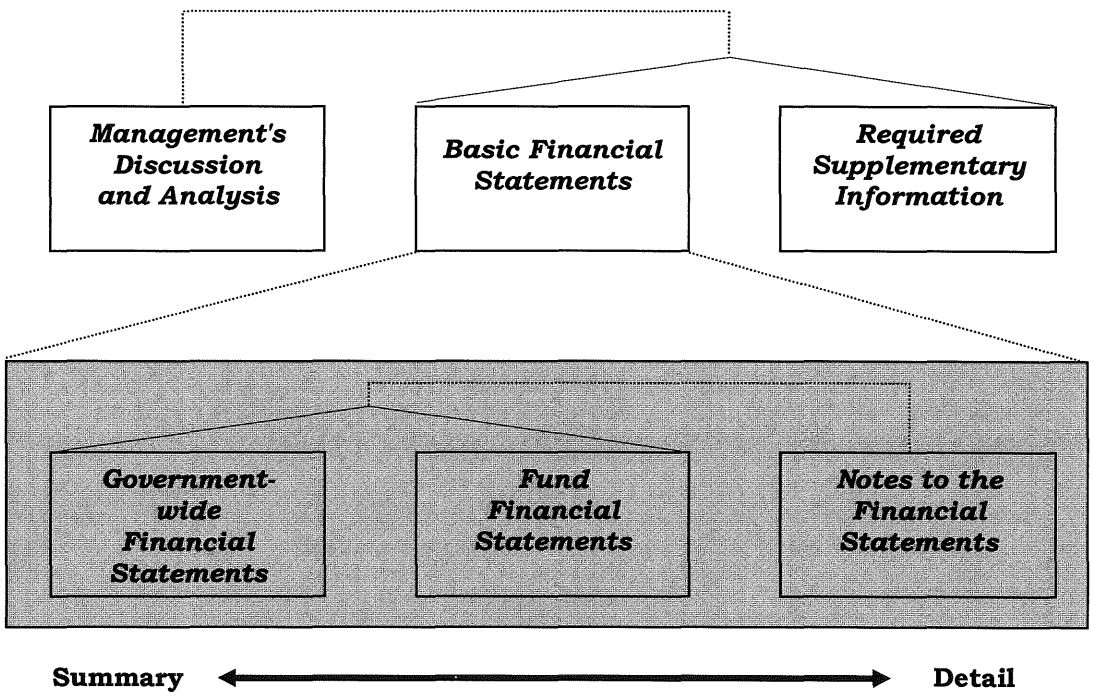

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

***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 | • Statement of net assets<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures, and changes in fund balances | • Statement of net assets<br>• Statement of revenues, expenses and changes in fund net assets<br>• Statement of cash flows | • Statement of fiduciary net assets<br>• 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, 2010 compared to June 30, 2009.

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, |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Current and other assets | $ 13,833,946 | 13,786,332 | 131,990 | 137,626 | 13,965,936 | 13,923,958 | 0.30% |
| Capital assets | 13,470,854 | 13,573,986 | 144,874 | 129,843 | 13,615,728 | 13,703,829 | -0.64% |
| Total assets | 27,304,800 | 27,360,318 | 276,864 | 267,469 | 27,581,664 | 27,627,787 | -0.17% |
| Long-term liabilities | 5,819,617 | 5,926,082 | 1,432 | 782 | 5,821,049 | 5,926,864 | -1.79% |
| Other liabilities | 6,111,674 | 5,973,582 | 10,618 | 2,520 | 6,122,292 | 5,976,102 | 2.45% |
| Total liabilities | 11,931,291 | 11,899,664 | 12,050 | 3,302 | 11,943,341 | 11,902,966 | 0.34% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 7,940,194 | 8,150,376 | 144,874 | 129,843 | 8,085,068 | 8,280,219 | -2.36% |
| Restricted | 3,046,613 | 2,645,936 | - | - | 3,046,613 | 2,645,936 | 15.14% |
| Unrestricted | 4,386,702 | 4,664,342 | 119,940 | 134,324 | 4,506,642 | 4,798,666 | -6.09% |
| Total net assets | $ 15,373,509 | 15,460,654 | 264,814 | 264,167 | 15,638,323 | 15,724,821 | -0.55% |

The District's combined net assets decreased by .55% or $86,498 from 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 $400,677 or 15.14% over the prior year. The increase was primarily due to the increase in the Capital Projects 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 - decreased $292,024 or 6.09%. The decrease was primarily due to the decrease in net assets in the General Fund Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business Type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Revenues and transfers: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | $ 1,986,070 | 1,951,489 | 282,442 | 312,059 | 2,268,512 | 2,263,548 | 0.22% |
| Operating grant, contributions and restricted interest | 4,009,465 | 2,891,862 | 513,424 | 475,054 | 4,522,889 | 3,366,916 | 34.33% |
| Capital grants, contributions and restricted interest | 97,440 | 61,086 | - | - | 97,440 | 61,086 | 59.51% |
| General revenues: | | | | | | | |
| Property tax | 4,079,661 | 4,236,640 | - | - | 4,079,661 | 4,236,640 | -3.71% |
| Income surtax | 647,424 | 603,389 | - | - | 647,424 | 603,389 | 7.30% |
| Statewide sales and service tax | 856,444 | 860,313 | - | - | 856,444 | 860,313 | -0.45% |
| Unrestricted state grants | 5,802,794 | 6,887,605 | - | - | 5,802,794 | 6,887,605 | -15.75% |
| Unrestricted investment earnings | 54,212 | 144,909 | 166 | 287 | 54,378 | 145,196 | -62.55% |
| Other | 246,787 | 89,432 | - | - | 246,787 | 89,432 | 175.95% |
| Transfers | - | (21,733) | - | 21,733 | - | - | 0.00% |
| Total revenues | 17,780,297 | 17,704,992 | 796,032 | 809,133 | 18,576,329 | 18,514,125 | 0.34% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 11,741,682 | 10,929,450 | - | - | 11,741,682 | 10,929,450 | 7.43% |
| Support services | 4,699,997 | 4,728,803 | 37,893 | 45,047 | 4,737,890 | 4,773,850 | -0.75% |
| Non-instructional programs | - | 5,529 | 757,492 | 736,277 | 757,492 | 741,806 | 2.11% |
| Other expenses | 1,425,763 | 1,248,607 | - | - | 1,425,763 | 1,248,607 | 14.19% |
| Total expenses | 17,867,442 | 16,912,389 | 795,385 | 781,324 | 18,662,827 | 17,693,713 | 5.48% |
| Changes in net assets | (87,145) | 792,603 | 647 | 27,809 | (86,498) | 820,412 | -110.54% |
| Net assets beginning of year | 15,460,654 | 14,668,051 | 264,167 | 236,358 | 15,724,821 | 14,904,409 | 5.50% |
| Net assets end of year | $ 15,373,509 | 15,460,654 | 264,814 | 264,167 | 15,638,323 | 15,724,821 | -0.55% |

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 64.04% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues, net transfers were approximately $18.58 million of which $17.78 million was for governmental activities and $0.80 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .34% increase in revenues and a 5.48% increase in expenses. Operating grants, contributions, and restricted interest increased by $1,155,973 to fund increases in expenditures. The increases in expenses are related to increases in negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

**Governmental Activities**

Revenues for governmental activities were $17,780,297 and expenses were $17,867,442 for the year ended June 30, 2010.

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, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | Change 2009-10 | 2010 | 2009 | Change 2009-10 |
| Instruction | $ 11,741,682 | 10,929,450 | 7.43% | 6,395,845 | 6,696,536 | -4.49% |
| Support services | 4,699,997 | 4,728,803 | -0.61% | 4,568,438 | 4,617,258 | -1.06% |
| Non- instructional program | - | 5,529 | -100.00% | - | 5,529 | -100.00% |
| Other expenses | 1,425,763 | 1,248,607 | 14.19% | 810,184 | 688,629 | 17.65% |
| Totals | $ 17,867,442 | 16,912,389 | 5.65% | 11,774,467 | 12,007,952 | -1.94% |

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was $1,986,070.
- Federal and state governments subsidized certain programs with grants and contributions totaling $4,106,905.
- The net cost of governmental activities was financed with $4,079,661 in property tax, $647,424 in income surtax, $856,444 in statewide sales and service tax, $5,802,794 in unrestricted state grants, $54,212 in unrestricted investment earnings and $246,787 in other general revenues.

**Business Type Activities**

Revenues, including transfers of the District's business type activities were $796,032 and expenses were $795,385. 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.

## 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 $4,396,940, below last year's ending fund balances of $4,839,873. The primary reason for the decrease was the decrease in the General Fund.

**Governmental Fund Highlights**

- The District's General Fund balance decreased from $1,892,567 on June 30, 2009 to $1,233,387 on June 30, 2010. The District's General Fund financial position is the product of many factors. An increase in the local tax and federal 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. 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 $993,306 in 2009, to $1,259,116 in 2010. This increase resulted from a decrease in expenditure from the prior year.

- The Debt Service Fund balance decreased from $1,089,830 in 2009, to $1,060,654 in 2010.
-

**Proprietary Fund Highlights**

School Nutrition Fund net assets increased from $264,167 at June 30, 2009 to $264,814 at June 30, 2010, representing an increase of .25%.

## 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 $343,348 less than budgeted revenues, a variance of 1.85%. 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, 2010 the District did amend their certified budget in all functions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**

At June 30, 2010, the District had invested $13.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $556,963.

The original cost of the District's capital assets was approximately $23.44 million. Governmental funds account for approximately $23.14 million, with the remainder of approximately $0.30 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction on progress totaled $7,819 at June 30, 2009, compared to $3,000 reported at June 30, 2010. This decrease resulted from the completion of the various construction projects.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Land | $ 234,026 | 234,026 | - | - | 234,026 | 234,026 | 0.00% |
| Construction in progress | 3,000 | 7,819 | - | - | 3,000 | 7,819 | -61.63% |
| Buildings | 11,943,831 | 12,237,858 | - | - | 11,943,831 | 12,237,858 | -2.40% |
| Land improvements | 666,549 | 600,761 | - | - | 666,549 | 600,761 | 10.95% |
| Machinery and equipment | 623,448 | 493,522 | 144,874 | 129,843 | 768,322 | 623,365 | 23.25% |
| Total | $ 13,470,854 | 13,573,986 | 144,874 | 129,843 | 13,615,728 | 13,703,829 | -0.64% |

**Long-Term Debt**

At June 30, 2010, the District had $5,857,659 in revenue bonds and other long-term debt outstanding. This represents a decrease of 1.17% 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, 2010, the District had revenue bonds payable of $5,550,000. These bonds are paid with statewide sales and service tax revenues transferred from the Capital Projects Fund.

The District had early retirement payable of $228,472 at June 30, 2010 payable from the Special Revenue, Management Levy Fund.

The District had compensated absences payable of $37,078 at June 30, 2010 payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Revenue bonds | $ 5,550,000 | 5,840,000 | - | - | 5,550,000 | 5,840,000 | -4.97% |
| Early retirement | 228,472 | 25,488 | - | - | 228,472 | 25,488 | 796.39% |
| Compensated absences | 37,078 | 38,376 | - | - | 37,078 | 38,376 | -3.38% |
| Net OPEB liability | 40,677 | 22,218 | 1,432 | 782 | 42,109 | 23,000 | 100.00% |
| Total | $ 5,856,227 | 5,926,082 | 1,432 | 782 | 5,857,659 | 5,926,864 | -1.17% |

## 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 FY 2010 state budget cut of 10% resulted in a significant decrease of $753,000 in General Fund revenue, shifting funding to property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/ or increase revenues.

- 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

Exhibit A

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and pooled investments | $ 7,921,303 | 112,001 | 8,033,304 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 100,418 | - | 100,418 |
| Succeeding year | 4,149,070 | - | 4,149,070 |
| Income surtax | 531,999 | - | 531,999 |
| Accounts | 144,438 | 388 | 144,826 |
| Due from other governments | 986,718 | - | 986,718 |
| Inventories | - | 19,601 | 19,601 |
| Capital assets, net of accumulated depreciation | 13,470,854 | 144,874 | 13,615,728 |
| **TOTAL ASSETS** | 27,304,800 | 276,864 | 27,581,664 |
| **LIABILITIES** | | | |
| Accounts payable | 170,317 | 4 | 170,321 |
| Salaries and benefits payable | 1,078,576 | 10,114 | 1,088,690 |
| Incurred but not reported claims | 295,559 | - | 295,559 |
| Interest payable | 111,000 | - | 111,000 |
| Deferred revenue: | | | |
| Succeeding year property tax | 4,149,070 | - | 4,149,070 |
| Other | 270,542 | 500 | 271,042 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Revenue bonds | 300,000 | - | 300,000 |
| Early retirement | 155,417 | - | 155,417 |
| Compensated absences | 37,078 | - | 37,078 |
| Portion due after one year: | | | |
| Revenue bonds | 5,250,000 | - | 5,250,000 |
| Early retirement payable | 73,055 | - | 73,055 |
| Net OPEB liability | 40,677 | 1,432 | 42,109 |
| **TOTAL LIABILITIES** | 11,931,291 | 12,050 | 11,943,341 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 7,940,194 | 144,874 | 8,085,068 |
| Restricted for: | | | |
| Categorical Funding | 121,316 | - | 121,316 |
| Capital projects | 1,239,776 | - | 1,239,776 |
| Debt service | 1,060,654 | - | 1,060,654 |
| Management levy | - | - | - |
| Physical plant and equipment levy | 352,482 | - | 352,482 |
| Other special revenue purposes | 272,385 | - | 272,385 |
| Unrestricted | 4,386,702 | 119,940 | 4,506,642 |
| **TOTAL NET ASSETS** | $ 15,373,509 | 264,814 | 15,638,323 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

# MAQUOKETA COMMUNITY SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2010

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| **Functions/Programs:** | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | $ 6,103,668 | 845,917 | 3,095,769 | - | (2,161,982) | - | (2,161,982) |
| Special | 3,149,050 | 718,083 | 246,571 | - | (2,184,396) | - | (2,184,396) |
| Other | 2,488,964 | 415,343 | 24,154 | - | (2,049,467) | - | (2,049,467) |
| | 11,741,682 | 1,979,343 | 3,366,494 | - | (6,395,845) | - | (6,395,845) |
| Support services: | | | | | | | |
| Student | 775,264 | - | - | - | (775,264) | - | (775,264) |
| Instructional staff | 472,017 | - | - | - | (472,017) | - | (472,017) |
| Administration | 1,531,330 | - | - | - | (1,531,330) | - | (1,531,330) |
| Operation and maintenance of plant | 1,275,383 | - | - | 97,440 | (1,177,943) | - | (1,177,943) |
| Transportation | 646,003 | 6,727 | 27,392 | - | (611,884) | - | (611,884) |
| | 4,699,997 | 6,727 | 27,392 | 97,440 | (4,568,438) | - | (4,568,438) |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 212,878 | - | - | - | (212,878) | - | (212,878) |
| Long-term debt interest | 222,400 | - | - | - | (222,400) | - | (222,400) |
| AEA flowthrough | 615,579 | - | 615,579 | - | - | - | - |
| Depreciation(unallocated)* | 374,906 | - | - | - | (374,906) | - | (374,906) |
| | 1,425,763 | - | 615,579 | - | (810,184) | - | (810,184) |
| Total governmental activities | 17,867,442 | 1,986,070 | 4,009,465 | 97,440 | (11,774,467) | - | (11,774,467) |
| Business Type activities: | | | | | | | |
| Support services: | | | | | | | |
| Administration | 35,123 | - | - | - | - | (35,123) | (35,123) |
| Operation and maintenance of plant | 2,770 | - | - | - | - | (2,770) | (2,770) |
| Total support services | 37,893 | - | - | - | - | (37,893) | (37,893) |
| Non-instructional programs: | | | | | | | |
| Food service operations | 757,492 | 282,442 | 513,424 | - | - | 38,374 | 38,374 |
| Total business type activities | 795,385 | 282,442 | 513,424 | - | - | 481 | 481 |
| Total | $ 18,662,827 | 2,268,512 | 4,522,889 | 97,440 | (11,774,467) | 481 | (11,773,986) |
| **General Revenues and Transfers:** | | | | | | | |
| General Revenues: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | $ 3,740,743 | - | 3,740,743 |
| Capital outlay | | | | | 338,918 | - | 338,918 |
| Income surtax | | | | | 647,424 | - | 647,424 |
| Statewide sales and service tax | | | | | 856,444 | - | 856,444 |
| Unrestricted state grants | | | | | 5,802,794 | - | 5,802,794 |
| Unrestricted investment earnings | | | | | 54,212 | 166 | 54,378 |
| Other general revenues | | | | | 246,787 | - | 246,787 |
| Total general revenues and transfers | | | | | 11,687,322 | 166 | 11,687,488 |
| Changes in net assets | | | | | (87,145) | 647 | (86,498) |
| Net assets beginning of year | | | | | 15,460,654 | 264,167 | 15,724,821 |
| Net assets end of year | | | | | $ 15,373,509 | 264,814 | 15,638,323 |

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | General | Capital Projects | Debt Service | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and pooled investments | $ 1,870,843 | 982,382 | 1,059,920 | 776,146 | 4,689,291 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 86,789 | - | - | 13,629 | 100,418 |
| Succeeding year | 3,560,273 | - | - | 588,797 | 4,149,070 |
| Income surtax | 531,999 | - | - | - | 531,999 |
| Accounts | 49,895 | 11,677 | 734 | 67,430 | 129,736 |
| Due from other governments | 708,092 | 274,835 | - | 3,791 | 986,718 |
| **TOTAL ASSETS** | $ 6,807,891 | 1,268,894 | 1,060,654 | 1,449,793 | 10,587,232 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 144,578 | 9,778 | - | 15,811 | 170,167 |
| Salaries and benefits payable | 1,067,112 | - | - | 1,402 | 1,068,514 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 3,560,273 | - | - | 588,797 | 4,149,070 |
| Income surtax | 531,999 | - | - | - | 531,999 |
| Other | 270,542 | - | - | - | 270,542 |
| Total liabilities | 5,574,504 | 9,778 | - | 606,010 | 6,190,292 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Categorical Funding | 121,316 | - | - | - | 121,316 |
| Debt service | - | - | 1,060,654 | - | 1,060,654 |
| Capital facility construction | - | 19,340 | - | - | 19,340 |
| Unreserved | 1,112,071 | 1,239,776 | - | 843,783 | 3,195,630 |
| Total fund balances | 1,233,387 | 1,259,116 | 1,060,654 | 843,783 | 4,396,940 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 6,807,891 | 1,268,894 | 1,060,654 | 1,449,793 | 10,587,232 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

MAQUOKETA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

| | |
|---|---|
| **Total fund balances of governmental funds (page 20)** | $ 4,396,940 |
| ***Amounts reported for governmental activities in the Statement of Net Assets are different because:*** | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 13,470,854 |
| 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. | (111,000) |
| Blending of the Internal Service Funds to be reflected on an entity-wide basis. | 2,940,943 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | 531,999 |
| 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. | (5,856,227) |
| **Net assets of governmental activities (page 18)** | $ 15,373,509 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

# MAQUOKETA COMMUNITY SCHOOL DISTRICT
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2010

| | General | Capital Projects | Debt Service | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | $ 4,117,972 | 856,444 | - | 586,612 | 5,561,028 |
| Tuition | 1,519,869 | - | - | - | 1,519,869 |
| Other | 232,086 | 117,455 | 9,906 | 568,241 | 927,688 |
| State sources | 7,828,426 | - | - | 1,559 | 7,829,985 |
| Federal sources | 1,913,682 | - | - | - | 1,913,682 |
| Total revenues | 15,612,035 | 973,899 | 9,906 | 1,156,412 | 17,752,252 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,958,904 | 67,070 | - | 221,470 | 6,247,444 |
| Special | 3,140,524 | - | - | - | 3,140,524 |
| Other | 2,162,277 | 910 | - | 375,295 | 2,538,482 |
| | 11,261,705 | 67,980 | - | 596,765 | 11,926,450 |
| Support services: | | | | | |
| Student | 785,766 | - | - | 1,658 | 787,424 |
| Instructional staff | 446,486 | - | - | 12,742 | 459,228 |
| Administration | 1,484,071 | - | - | 43,215 | 1,527,286 |
| Operation and maintenance of plant | 1,164,493 | - | - | 116,892 | 1,281,385 |
| Transportation | 517,892 | - | - | 208,444 | 726,336 |
| | 4,398,708 | - | - | 382,951 | 4,781,659 |
| Non-instructional programs: | | | | | |
| Food service operations | - | - | - | 4,115 | 4,115 |
| | - | - | - | 4,115 | 4,115 |
| Other expenditures: | | | | | |
| Facilities acquisitions | - | 174,306 | - | 180,420 | 354,726 |
| Long-term debt: | | | | | |
| Principal | - | - | 290,000 | - | 290,000 |
| Interest and fiscal charges | - | - | 228,200 | - | 228,200 |
| AEA flowthrough | 615,579 | - | - | - | 615,579 |
| | 615,579 | 174,306 | 518,200 | 180,420 | 1,488,505 |
| Total expenditures | 16,275,992 | 242,286 | 518,200 | 1,164,251 | 18,200,729 |
| Excess (deficiency) of revenues over (under) expenditures | (663,957) | 731,613 | (508,294) | (7,839) | (448,477) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 460,808 | 510,221 | - | 971,029 |
| Transfers out | - | (926,611) | (31,103) | (13,315) | (971,029) |
| Proceeds from the disposal of property | 4,777 | - | - | 767 | 5,544 |
| Total other financing sources (uses) | 4,777 | (465,803) | 479,118 | (12,548) | 5,544 |
| Net change in fund balances | (659,180) | 265,810 | (29,176) | (20,387) | (442,933) |
| Fund balance beginning of year | 1,892,567 | 993,306 | 1,089,830 | 864,170 | 4,839,873 |
| Fund balance end of year | $ 1,233,387 | 1,259,116 | 1,060,654 | 843,783 | 4,396,940 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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, 2010

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (page 22)** | | $ (442,933) |
| ***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 Activites 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 | $ 341,316 | |
| Depreciation expense | (444,448) | (103,132) |
| 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. | | 290,000 |
| 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. | | 5,800 |
| Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. | | 360,764 |
| 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 | $ (202,984) | |
| Compensated absences | 1,298 | |
| Other postemployment benefits | (18,459) | (220,145) |
| Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. | | 22,501 |
| **Changes in net assets of governmental activities (page 19)** | | $ (87,145) |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

| | Business Type Activities: Enterprise Fund | Governmental Activites: |
|---|---|---|
| | School Nutrition | Internal Service Fund |
| **ASSETS** | | |
| Cash and cash equivalents | $ 112,001 | 3,232,012 |
| Receivables: | | |
| Accounts | 388 | 14,702 |
| Inventories | 19,601 | - |
| Capital assets, net of accumulated depreciation | 144,874 | - |
| **TOTAL ASSETS** | 276,864 | 3,246,714 |
| **LIABILITIES** | | |
| Accounts payable | 4 | 150 |
| Salaries and benefits payable | 10,114 | 10,062 |
| Net OPEB liability | 1,432 | - |
| Incurred but not reported claims | - | 295,559 |
| Team nutrition grant | 500 | - |
| **TOTAL LIABILITES** | 12,050 | 305,771 |
| **NET ASSETS** | | |
| Invested in capital assets | 144,874 | - |
| Unrestricted | 119,940 | 2,940,943 |
| **TOTAL NET ASSETS** | $ 264,814 | 2,940,943 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

| | Business Type Activities: Enterprise Fund School Nutrition | Governmental Activites: Internal Service Fund |
|---|---|---|
| OPERATING REVENUE: | | |
| Local sources: | | |
| Charges for services | $ 282,442 | 2,254,062 |
| OPERATING EXPENSES: | | |
| Support services: | | |
| Administration services: | | |
| Salaries | 17,507 | - |
| Benefits | 11,502 | - |
| Services | 6,114 | 4,060 |
| | 35,123 | 4,060 |
| Operation and maintenance of plant: | | |
| Supplies | 2,770 | - |
| Total support services | 37,893 | - |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries | 185,405 | - |
| Benefits | 98,781 | - |
| Services | 8,389 | - |
| Supplies | 445,721 | - |
| Depreciation | 19,126 | - |
| Other | 70 | - |
| | 757,492 | - |
| Other enterprise operations: | | |
| Benefits | - | 1,854,043 |
| Services | - | 15,775 |
| Supplies | - | 19,420 |
| | - | 1,889,238 |
| Total non-instructional programs | 757,492 | 1,889,238 |
| TOTAL OPERATING EXPENSES | 795,385 | 1,893,298 |
| OPERATING INCOME(LOSS) | (512,943) | 360,764 |
| NON-OPERATING REVENUES(EXPENSES): | | |
| Interest income | 166 | - |
| State sources | 8,215 | - |
| Federal sources | 505,209 | - |
| TOTAL NON-OPERATING REVENUES(EXPENSES) | 513,590 | - |
| Changes in net assets | 647 | 360,764 |
| Net assets beginning of year | 264,167 | 2,580,179 |
| Net assets end of year | $ 264,814 | 2,940,943 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

| | Business Type Activities: Enterprise Fund School Nutrition | Governmental Activites: Internal Service Fund |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | $ 290,091 | - |
| Cash received from miscellaneous operating activities | 187 | 2,239,360 |
| Cash payments to employees for services | (303,209) | (1,824,336) |
| Cash payments to suppliers for goods or services | (397,559) | (39,255) |
| Net cash provided by(used in)operating activities | (410,490) | 375,769 |
| Cash flows from non-capital financing activities: | | |
| State grants received | 8,215 | - |
| Federal grants received | 427,970 | - |
| Net cash provided by non-capital financing activities | 436,185 | - |
| Cash flows from investing activities: | | |
| Interest on investments | 166 | - |
| Cash flows from capital financing activities: | | |
| Purchase of assets | (34,157) | - |
| Net increase(decrease) in cash and cash equivalents | (8,296) | 375,769 |
| Cash and cash equivalents at beginning of year | 120,297 | 2,856,243 |
| Cash and cash equivalents at end of year | $ 112,001 | 3,232,012 |
| Reconciliation of operating income(loss)to net cash provided by(used in)operating activities: | | |
| Operating income(loss) | $ (512,943) | 360,764 |
| Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities: | | |
| Commodities consumed | 77,739 | - |
| Depreciation | 19,126 | - |
| Increase in inventories | (10,496) | - |
| Decrease(increase)in accounts receivable | 7,836 | (14,702) |
| Decrease in accounts payable | (1,739) | (9,123) |
| Increase in salaries and benefits payable | 9,337 | 10,062 |
| Increase in other postemployment benefits payable | 650 | - |
| Increase in incurred but not reported claims | - | 28,768 |
| Net cash provided by(used in)operating activities | $ (410,490) | 375,769 |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at $77,739.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

| | Private Purpose Trust | |
|---|---|---|
| | Scholarship | Agency |
| **ASSETS** | | |
| Cash and pooled investments | $ 289,324 | 14,096 |
| Accounts receivable | 475 | - |
| | 289,799 | 14,096 |
| **LIABILITIES** | | |
| Accounts payable | - | 19 |
| Due to other groups | - | 14,077 |
| | - | 14,096 |
| **NET ASSETS** | | |
| Reserved for scholarships | $ 289,799 | - |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2010

| | Private Purpose Trust Scholarship |
|---|---|
| Additions: | |
| Local sources: | |
| Gifts and contributions | $ 1,500 |
| Interest income | 3,425 |
| Total additions | 4,925 |
| Deductions: | |
| Instruction: | |
| Regular: | |
| Scholarships awarded | 11,713 |
| Change in net assets | (6,788) |
| Net assets beginning of year | 296,587 |
| Net assets end of year | $ 289,799 |

SEE NOTES TO FINANCIAL STATEMENTS.

## (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 pre-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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles 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.

| Asset Class | | Amount |
|---|---|---|
| Land | $ | 2,500 |
| Buildings | | 2,500 |
| Land improvements | | 2,500 |
| Intangible assets | | 100,000 |
| 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:

| Asset Class | Estimated Useful Lives (In Years) |
|---|---|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangible assets | 2-10 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, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of $592,301 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, 2010 is as follows:

| Transfer to | Transfer from | | Amount |
|---|---|---|---|
| Debt Service | Capital Projects | $ | 510,221 |
| Capital Projects | Debt Service | | 31,103 |
| Capital Projects | Construction Projects Capital Projects | | 416,390 |
| Capital Projects | Student Activity | | 13,315 |
| | | $ | 971,029 |

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, 2010 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 234,026 | - | - | 234,026 |
| Construction in progress | 7,819 | 3,000 | 7,819 | 3,000 |
| Total capital assets not being depreciated | 241,845 | 3,000 | 7,819 | 237,026 |
| Capital assets being depreciated: | | | | |
| Buildings | 18,219,007 | 29,849 | - | 18,248,856 |
| Land improvements | 1,183,352 | 116,818 | - | 1,300,170 |
| Machinery and equipment | 3,159,361 | 292,857 | 93,389 | 3,358,829 |
| Total capital assets being depreciated | 22,561,720 | 439,524 | 93,389 | 22,907,855 |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,981,149 | 323,876 | - | 6,305,025 |
| Land improvements | 582,591 | 51,030 | - | 633,621 |
| Machinery and equipment | 2,665,839 | 162,931 | 93,389 | 2,735,381 |
| Total accumulated depreciation | 9,229,579 | 537,837 | 93,389 | 9,674,027 |
| Total capital assets being depreciated, net | 13,332,141 | (98,313) | - | 13,233,828 |
| Governmental activities capital assets, net | $ 13,573,986 | (95,313) | 7,819 | 13,470,854 |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Business type activities: | | | | |
| Machinery and equipment | $ 280,961 | 34,157 | 11,195 | 303,923 |
| Less accumulated depreciation | 151,118 | 19,126 | 11,195 | 159,049 |
| Business type activities capital assets, net | $ 129,843 | 15,031 | - | 144,874 |

Depreciation expense was charged by the District as follows:

| | |
|---|---|
| Governmental activities: | |
| Instruction: | |
| Regular | $ 25,635 |
| Other | 8,526 |
| Support services: | |
| Instructional staff | 1,455 |
| Administration | 14,506 |
| Operation and maintenance of plant | 6,967 |
| Transportation | 105,842 |
| | 162,931 |
| Unallocated depreciation | 374,906 |
| Total governmental activities depreciation expense | $ 537,837 |
| Business type activities: | |
| Food services | $ 19,126 |

## (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Revenue bonds | 5,840,000 | - | 290,000 | 5,550,000 | 300,000 |
| Early retirement | 25,488 | 310,835 | 107,851 | 228,472 | 155,417 |
| Compensated absences | 38,376 | 37,078 | 38,376 | 37,078 | 37,078 |
| Net OPEB liability | 22,218 | 18,459 | - | 40,677 | - |
| Total | $ 5,926,082 | 366,372 | 436,227 | 5,856,227 | 492,495 |

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---|---|---|---|---|---|
| Business type activities: | | | | | |
| Net OPEB liability | $ 782 | 650 | - | 1,432 | - |

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bonded indebtedness is as follows:

| Year Ending June 30, | Bonds dated June 28, 2007 | | | |
|---|---|---|---|---|
| | Interest Rate | Principal | Interest | Total |
| 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 | | $ 5,550,000 | 1,585,600 | 7,135,600 |

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 $7,135,600. For the current year, $290,000 in principal and $228,200 in interest was paid on the bonds and total local option (statewide) sales and services tax revenues were $856,444.

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, Teacher Salary Supplement wages and extended term contracts). The District paid $107,851 in early retirement benefits during the year ended June 30, 2010. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Plan members were required to contribute 4.10% of their annual salary and the District was required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. 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. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were $620,127, $593,595, and $510,301, 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 until they are Medicare eligible. 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, 2010, 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 | 1,035 |
| Adjustment to annual required contribution | (926) |
| Annual OPEB cost | 96,109 |
| Contributions made | (77,000) |
| Increase in net OPEB obligation | 19,109 |
| Net OPEB obligation beginning of year | 23,000 |
| Net OPEB obligation end of year | $ 42,109 |

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, 2010, the District contributed $77,000 to the benefit plan. Plan members eligible for benefits contributed $139,000, or 64.36% 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, 2010 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 |
| June 30, 2010 | 96,000 | 80.21% | 42,109 |

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, 2010, 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 $8,448,713, and the ratio of the UAAL to covered payroll was 12.35%. As of June 30, 2010, 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 $2,940,943 at June 30, 2010. The incurred but not recorded and unpaid claims liability of $295,559 reported in the plan at June 30, 2010 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 $615,579 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## (10) Categorical Funding

Categorical funding balances for the District as of June 30, 2010 were as follows:

| Project | Amount |
|---|---|
| Statewide Voluntary Preschool | $ 24,068 |
| Gifted and Talented | 21,445 |
| Educator Quality, Professional Development | 14,608 |
| Beginning Teacher Mentoring | 4,181 |
| Market Factor Incentives | 11,597 |
| Market Factor | 7,155 |
| Nonpublic Textbooks | 41 |
| Professional Development Model Core Curriculum | 38,221 |
| Total | $ 121,316 |

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, 2010

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual | Budgeted Amounts Original | Budgeted Amounts Final | Final to Actual Variance - |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Local sources | $ 8,008,585 | 282,608 | 8,291,193 | 8,098,621 | 8,098,621 | 192,572 |
| State sources | 7,829,985 | 8,215 | 7,838,200 | 9,395,605 | 9,395,605 | (1,557,405) |
| Federal sources | 1,913,682 | 505,209 | 2,418,891 | 1,397,406 | 1,397,406 | 1,021,485 |
| Total revenues | 17,752,252 | 796,032 | 18,548,284 | 18,891,632 | 18,891,632 | (343,348) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 11,926,450 | - | 11,926,450 | 12,258,289 | 12,508,289 | 581,839 |
| Support services | 4,781,659 | 37,893 | 4,819,552 | 5,083,505 | 5,133,505 | 313,953 |
| Non-instructional programs | 4,115 | 757,492 | 761,607 | 781,754 | 800,000 | 38,393 |
| Other expenditures | 1,488,505 | - | 1,488,505 | 2,279,502 | 1,979,502 | 490,997 |
| Total expenditures/expenses | 18,200,729 | 795,385 | 18,996,114 | 20,403,050 | 20,421,296 | 1,425,182 |
| Excess(deficiency)of revenues over(under)expenditures/expenses | (448,477) | 647 | (447,830) | (1,511,418) | (1,529,664) | 1,081,834 |
| Other financing sources, net | 5,544 | - | 5,544 | 1,000 | 1,000 | 4,544 |
| Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses | (442,933) | 647 | (442,286) | (1,510,418) | (1,528,664) | 1,086,378 |
| Balance beginning of year | 4,839,873 | 264,167 | 5,104,040 | 4,393,538 | 4,393,538 | 710,502 |
| Balance end of year | $ 4,396,940 | 264,814 | 4,661,754 | 2,883,120 | 2,864,874 | 1,796,880 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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 $18,246.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll ( c ) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|
| 2009 | July 1, 2008 | $ - | $ 1,043,000 | $ 1,043,000 | 0.00% | $ 7,192,573 | 14.50% |
| 2010 | July 1, 2008 | - | 1,043,000 | 1,043,000 | 0.00% | 8,448,713 | 12.35% |

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

Schedule 1

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

| | Nonmajor Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Support Trust | Total Special Revenue Funds |
| **ASSETS** | | | | | |
| Cash and pooled investments | $ 213,422 | 140,657 | 284,216 | 137,851 | 776,146 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 6,178 | - | 7,451 | - | 13,629 |
| Succeeding year | 250,001 | - | 338,796 | - | 588,797 |
| Accounts | 395 | 1,191 | 65,806 | 38 | 67,430 |
| Due from other governments | - | - | 3,791 | - | 3,791 |
| **TOTAL ASSETS** | $ 469,996 | 141,848 | 700,060 | 137,889 | 1,449,793 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 1,079 | 5,950 | 8,782 | - | 15,811 |
| Salaries and benefits payable | - | 1,402 | - | - | 1,402 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 250,001 | - | 338,796 | - | 588,797 |
| | 251,080 | 7,352 | 347,578 | - | 606,010 |
| Fund balances: | | | | | |
| Unreserved | 218,916 | 134,496 | 352,482 | 137,889 | 843,783 |
| Total fund balances | 218,916 | 134,496 | 352,482 | 137,889 | 843,783 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 469,996 | 141,848 | 700,060 | 137,889 | 1,449,793 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

| | Nonmajor Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Support Trust | Total Special Revenue Funds |
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | $ 247,694 | - | 338,918 | - | 586,612 |
| Other | 23,189 | 402,508 | 140,634 | 1,910 | 568,241 |
| State sources | 1,286 | - | 273 | - | 1,559 |
| TOTAL REVENUES | 272,169 | 402,508 | 479,825 | 1,910 | 1,156,412 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 95,423 | - | 126,047 | - | 221,470 |
| Other | - | 375,295 | - | - | 375,295 |
| | 95,423 | 375,295 | 126,047 | - | 596,765 |
| Support services: | | | | | |
| Student | 1,658 | - | - | - | 1,658 |
| Instructional staff | 12,742 | - | - | - | 12,742 |
| Administration | 25,964 | 2,283 | 14,968 | - | 43,215 |
| Operation and maintenance of plant | 100,906 | 862 | 14,574 | 550 | 116,892 |
| Transportation | 33,352 | 22,939 | 152,153 | - | 208,444 |
| | 174,622 | 26,084 | 181,695 | 550 | 382,951 |
| Non-instructional programs: | | | | | |
| Food service operations | 4,115 | - | - | - | 4,115 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 180,420 | - | 180,420 |
| TOTAL EXPENDITURES | 274,160 | 401,379 | 488,162 | 550 | 1,164,251 |
| Excess(deficiency)of revenues over(under)expenditures | (1,991) | 1,129 | (8,337) | 1,360 | (7,839) |
| Other financing sources(uses): | | | | | |
| Transfers out | - | (13,315) | - | - | (13,315) |
| Proceeds from the disposal of property | 767 | - | | - | 767 |
| Total other financing sources(uses) | 767 | (13,315) | - | - | (12,548) |
| Net change in fund balances | (1,224) | (12,186) | (8,337) | 1,360 | (20,387) |
| Fund balances beginning of year | 220,140 | 146,682 | 360,819 | 136,529 | 864,170 |
| Fund balances end of year | $ 218,916 | 134,496 | 352,482 | 137,889 | 843,783 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

| Account | Balance Beginning of Year | Revenues | Expendi-tures | Balance End of Year |
|---|---|---|---|---|
| Drug testing | $ 891 | - | - | 891 |
| Interest | 750 | 170 | 750 | 170 |
| HS activity tickets | 35 | - | - | 35 |
| Activities control | 5,390 | 38 | 3,494 | 1,934 |
| HS speech | - | 1,595 | 1,564 | 31 |
| Speech fundraiser | 2,149 | 7,774 | 8,420 | 1,503 |
| HS vocal music | - | 9,362 | 9,362 | - |
| Harm helpers | 3,939 | 5,562 | 7,389 | 2,112 |
| HS band | - | 3,097 | 3,097 | - |
| HS band tour | - | 16,165 | 16,165 | - |
| Athletic control | 26,737 | 4,141 | 4,132 | 26,746 |
| Athletic pass | 1,318 | 3,901 | 3,331 | 1,888 |
| Coed cross country | - | 2,700 | 2,700 | - |
| Cross country fundraiser | - | 772 | 496 | 276 |
| Tennis fundraiser | 518 | 1,505 | 1,191 | 832 |
| HS cheerleaders | - | 1,000 | 1,000 | - |
| Cheerleaders fundraiser | 2,130 | 13,307 | 12,607 | 2,830 |
| Dance squad | - | 250 | 250 | - |
| Dance squad fundraiser | 1,421 | 7,212 | 6,220 | 2,413 |
| HS boys basketball | - | 14,039 | 14,039 | - |
| Boys basketball fundraiser | 2,573 | 1,601 | 3,512 | 662 |
| HS football | - | 20,921 | 20,921 | - |
| Football fundraiser | 3,276 | 14,777 | 13,141 | 4,912 |
| HS boys soccer | - | 3,858 | 3,858 | - |
| Boys soccer fundraiser | 889 | 1,634 | 1,445 | 1,078 |
| HS baseball | - | 8,199 | 8,199 | - |
| Baseball fundraiser | 1,680 | 2,988 | 4,456 | 212 |
| HS boys track | - | 2,887 | 2,887 | - |
| Track fundraiser | 320 | - | 124 | 196 |
| Boys tennis | - | 1,000 | 1,000 | - |
| HS boys golf | - | 1,864 | 1,864 | - |
| Boys golf fundraiser | 1,320 | 2,935 | 1,476 | 2,779 |
| HS wrestling | - | 6,076 | 6,076 | - |
| Wrestling fundraiser | 1,597 | 4,835 | 5,550 | 882 |
| HS girls basketball | - | 8,519 | 8,519 | - |
| Girls basketball fundraiser | 1,481 | 3,820 | 4,360 | 941 |
| HS volleyball | - | 4,494 | 4,494 | - |
| Volleyball fundraiser | 1,059 | 1,919 | 2,051 | 927 |
| HS girls soccer | - | 2,686 | 2,686 | - |
| HS girls soccer fundraiser | 675 | 1,878 | 1,950 | 603 |
| HS softball | - | 7,575 | 7,575 | - |
| Softball fundraiser | 3,774 | 3,472 | 4,608 | 2,638 |
| HS girls track | - | 3,257 | 3,257 | - |

Schedule 3

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

| Account | Balance Beginning of Year | Revenues | Expendi-tures | Balance End of Year |
|---|---|---|---|---|
| Girls track fundraiser | 580 | 510 | 373 | 717 |
| Girls tennis | - | 1,000 | 1,000 | - |
| HS girls golf | - | 1,620 | 1,620 | - |
| Girls golf fundraiser | 1,143 | 554 | 586 | 1,111 |
| Club hope | 1,907 | 57,267 | 58,917 | 257 |
| HS yearbook | - | 1,930 | 1,930 | - |
| HS winter concessions | 6,853 | 29,664 | 33,517 | 3,000 |
| HS class of 2007 | 2,456 | 10 | 2,466 | - |
| HS class of 2008 | 637 | 3 | 640 | - |
| HS class of 2009 | 3,858 | 16 | 3,874 | - |
| HS class of 2010 | 1,354 | 5 | 1,359 | - |
| HS class of 2011 | 1,676 | 13,268 | 11,871 | 3,073 |
| HS class of 2012 | 1,993 | 123 | 245 | 1,871 |
| HS class of 2013 | 2,035 | 15 | - | 2,050 |
| HS class of 2014 | - | 1,511 | - | 1,511 |
| HS post grads | 1,850 | 40 | (4,481) | 6,371 |
| HS BPA | 2,758 | 4,416 | 5,646 | 1,528 |
| Hosa | 18,611 | 6,869 | 9,613 | 15,867 |
| FCCLA | 2,721 | 774 | 1,435 | 2,060 |
| FFA | 3,760 | 31,079 | 27,406 | 7,433 |
| National honor society | 99 | 756 | 541 | 314 |
| Student senate | 2,167 | 6,377 | 6,991 | 1,553 |
| Spanish club | 5,504 | 6,910 | 5,560 | 6,854 |
| French club | 3,624 | 9,985 | 9,077 | 4,532 |
| Maquoketan | 235 | 2 | - | 237 |
| HS SADD | 232 | 27 | - | 259 |
| MS chorus | 891 | 118 | 413 | 596 |
| MS band | 919 | 7,287 | 7,198 | 1,008 |
| MS boys athletics | 4,726 | 4,817 | 4,781 | 4,762 |
| MS mat refurbishing | 20 | 1 | - | 21 |
| MS girls athletics | 3,017 | 3,625 | 3,074 | 3,568 |
| MS awards | 1,461 | 2,613 | 2,544 | 1,530 |
| MS student council | 4,387 | 4,896 | 5,246 | 4,037 |
| MS card club | 1,046 | 634 | 922 | 758 |
| Elementary chorus | 240 | 1 | 114 | 127 |
| Total | $ 146,682 | 402,508 | 414,694 | 134,496 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2010

| | Contruction Projects | Local Option/ Statewide Sales and Services Tax | Total Capital Projects |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and pooled investments | $ 19,340 | 963,042 | 982,382 |
| Accounts receiveable | - | 11,677 | 11,677 |
| Due from other governments | - | 274,835 | 274,835 |
| **TOTAL ASSETS** | $ 19,340 | 1,249,554 | 1,268,894 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ - | 9,778 | 9,778 |
| Fund balances: | | | |
| Reserved: | | | |
| Capital facility construction | 19,340 | - | 19,340 |
| Unreserved | - | 1,239,776 | 1,239,776 |
| Total fund balances | 19,340 | 1,239,776 | 1,259,116 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 19,340 | 1,249,554 | 1,268,894 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

| | Capital Facility Construction | Construction Projects | Local Option/ Statewide Sales and Services Tax | Total |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax | $ - | - | 856,444 | 856,444 |
| Other | - | 19,340 | 98,115 | 117,455 |
| Total revenues | - | 19,340 | 954,559 | 973,899 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | - | - | 67,980 | 67,980 |
| Other expenditures: | | | | |
| Facilities acquisitions | - | - | 174,306 | 174,306 |
| Total expenditures | - | - | 242,286 | 242,286 |
| Excess(deficiency)of revenues over(under)expenditures | - | 19,340 | 712,273 | 731,613 |
| OTHER FINANCING USES: | | | | |
| Transfer in | - | - | 460,808 | 460,808 |
| Transfer out | (416,390) | - | (510,221) | (926,611) |
| Net change in fund balances | (416,390) | 19,340 | 662,860 | 265,810 |
| Fund balance beginning of year | 416,390 | - | 576,916 | 993,306 |
| Fund balance end of year | $ - | 19,340 | 1,239,776 | 1,259,116 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 6

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

| | Debt Service | Debt Sinking | Total |
|---|---|---|---|
| REVENUES: | | | |
| Local sources: | | | |
| Other | $ - | 9,906 | 9,906 |
| Total revenues | - | 9,906 | 9,906 |
| EXPENDITURES: | | | |
| Other expenditures: | | | |
| Long-term debt: | | | |
| Principal | - | 290,000 | 290,000 |
| Interest and fiscal charges | - | 228,200 | 228,200 |
| Total expenditures | - | 518,200 | 518,200 |
| Deficiency of revenues under expenditures | - | (508,294) | (508,294) |
| Other financing sources: | | | |
| Transfer in | - | 510,221 | 510,221 |
| Transfer out | (31,103) | - | (31,103) |
| Total other financing sources | (31,103) | 510,221 | 479,118 |
| Excess(deficiency)of revenues and other financing sources over(under) expenditures and other financing uses | (31,103) | 1,927 | (29,176) |
| Fund balance beginning of year | 31,103 | 1,058,727 | 1,089,830 |
| Fund balance end of year | $ - | 1,060,654 | 1,060,654 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 7

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2010

| Account | Balance Beginning of Year | Revenues | Expendi-tures | Balance End of Year |
|---|---|---|---|---|
| Stoddard Donation | $ 108,246 | 123 | - | 108,369 |
| Jan Donation | 26,083 | 362 | - | 26,445 |
| Other Scholarship | 2,200 | 1,425 | 550 | 3,075 |
| Total | $ 136,529 | 1,910 | 550 | 137,889 |

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT

# MAQUOKETA COMMUNITY SCHOOL DISTRICT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
FIDUCIARY FUND, PRIVATE PURPOSE TRUST
JUNE 30, 2010

| | Private Purpose Trust - Scholarship Fund | | | | |
|---|---|---|---|---|---|
| | Wendell Scholarship | Joiner Scholarship | Schuman Scholarship | Other Scholarship | Zimmerman Scholarship |
| **ASSETS** | | | | | |
| Cash and pooled investments | $ 130,714 | 6,118 | 11,372 | 400 | 1,463 |
| Accounts receivable | 397 | 4 | 65 | - | 1 |
| | 131,111 | 6,122 | 11,437 | 400 | 1,464 |
| **LIABILITIES** | - | - | - | - | - |
| **NET ASSETS** | | | | | |
| Reserved for scholarships | $ 131,111 | 6,122 | 11,437 | 400 | 1,464 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 8

| Private Purpose Trust - Scholarship Fund | | | | | |
|---|---|---|---|---|---|
| Bothwell Scholarship | Wolf Scholarship | Hute Scholarship | Shimanek Scholarship | Bureau Cats Scholarship | Total |
| 1,630 | 188 | 3,606 | 132,833 | 1,000 | 289,324 |
| - | - | 8 | - | - | 475 |
| 1,630 | 188 | 3,614 | 132,833 | 1,000 | 289,799 |
| - | - | - | - | - | - |
| 1,630 | 188 | 3,614 | 132,833 | 1,000 | 289,799 |

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FIDUCIARY FUND, PRIVATE PURPOSE TRUST
YEAR ENDED JUNE 30, 2010

| | Private Purpose Trust - Scholarship Fund | | | | |
|---|---|---|---|---|---|
| | Wendell Scholarship | Joiner Scholarship | Schuman Scholarship | Other Scholarship | Zimmerman Scholarship |
| ADDITIONS: | | | | | |
| Local sources: | | | | | |
| Gifts and contributions | $ - | - | - | 500 | - |
| Interest income | 1,492 | 181 | 183 | - | 23 |
| Total additions | 1,492 | 181 | 183 | 500 | 23 |
| DEDUCTIONS: | | | | | |
| Instruction: | | | | | |
| Regular: | | | | | |
| Scholarships awarded | 5,313 | 200 | 2,000 | 950 | 400 |
| Changes in net assets | (3,821) | (19) | (1,817) | (450) | (377) |
| Net assets beginning of year | 134,932 | 6,141 | 13,254 | 850 | 1,841 |
| Net assets end of year | $ 131,111 | 6,122 | 11,437 | 400 | 1,464 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 9

| Private Purpose Trust - Scholarship Fund | | | | | |
|---|---|---|---|---|---|
| Bothwell Scholarship | Wolf Scholarship | Hute Scholarship | Shimanek Scholarship | Bureau Cats Scholarship | Total |
| 300 | 200 | 500 | - | - | 1,500 |
| - | - | 32 | 1,514 | - | 3,425 |
| 300 | 200 | 532 | 1,514 | - | 4,925 |
| 250 | 200 | 400 | 2,000 | - | 11,713 |
| 50 | - | 132 | (486) | - | (6,788) |
| 1,580 | 188 | 3,482 | 133,319 | 1,000 | 296,587 |
| 1,630 | 188 | 3,614 | 132,833 | 1,000 | 289,799 |

Schedule 10

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2010

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and pooled investments | $ 1,480 | 62,834 | 50,218 | 14,096 |
| LIABILITIES | | | | |
| Accounts payable | $ - | 19 | - | 19 |
| Due to other groups | 1,480 | 62,815 | 50,218 | 14,077 |
| | $ 1,480 | 62,834 | 50,218 | 14,096 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# MAQUOKETA COMMUNITY SCHOOL DISTRICT

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, | | | |
| | 2010 | 2009 | 2008 | 2007 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | $ 5,561,028 | 5,630,705 | 5,540,702 | 5,677,215 |
| Tuition | 1,519,869 | 1,471,389 | 1,382,562 | 1,417,048 |
| Other | 927,688 | 875,159 | 1,153,884 | 882,531 |
| Intermediate sources | - | - | - | 165 |
| State sources | 7,829,985 | 8,718,009 | 8,759,891 | 8,015,028 |
| Federal sources | 1,913,682 | 961,826 | 512,234 | 555,941 |
| Total | $ 17,752,252 | 17,657,088 | 17,349,273 | 16,547,928 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | $ 6,247,444 | 5,763,001 | 5,494,974 | 5,313,578 |
| Special | 3,140,524 | 3,252,054 | 3,118,967 | 2,868,397 |
| Other | 2,538,482 | 2,060,548 | 1,966,120 | 1,992,986 |
| Support services: | | | | |
| Student | 787,424 | 765,681 | 494,118 | 478,759 |
| Instructional staff | 459,228 | 585,951 | 501,442 | 472,364 |
| Administration | 1,527,286 | 1,539,072 | 1,369,717 | 1,414,106 |
| Operation and maintenance of plant | 1,281,385 | 1,238,015 | 1,161,128 | 1,080,629 |
| Transportation | 726,336 | 616,934 | 585,469 | 623,958 |
| Other support | - | - | - | - |
| Non-instructional programs | 4,115 | 12,544 | 12,688 | 12,698 |
| Other expenditures: | | | | |
| Facilities acquisitions | 354,726 | 476,721 | 5,120,874 | 1,593,675 |
| Long-term debt: | | | | |
| Principal | 290,000 | 500,000 | 295,000 | 815,000 |
| Interest and fiscal charges | 228,200 | 244,153 | 135,612 | 135,957 |
| AEA flow-through | 615,579 | 559,978 | 539,094 | 504,377 |
| Total | $ 18,200,729 | 17,614,652 | 20,795,203 | 17,306,484 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| 5,275,463 | 5,086,399 | 5,212,755 | 4,884,422 | 4,064,961 | 3,936,513 |
| 1,310,925 | 1,344,955 | 1,145,634 | 1,192,619 | 1,138,278 | 1,021,165 |
| 894,134 | 731,758 | 706,578 | 624,718 | 518,030 | 688,221 |
| 67,380 | 62,691 | 56,787 | 56,326 | 52,870 | 48,489 |
| 7,382,870 | 7,189,981 | 6,935,450 | 7,003,502 | 6,994,771 | 7,116,031 |
| 616,074 | 951,591 | 1,210,073 | 1,067,204 | 920,873 | 700,846 |
| 15,546,846 | 15,367,375 | 15,267,277 | 14,828,791 | 13,689,783 | 13,511,265 |
| 5,232,550 | 5,031,911 | 4,953,183 | 4,955,125 | 4,824,693 | 4,843,785 |
| 2,695,274 | 2,546,452 | 2,944,409 | 2,920,883 | 2,923,500 | 2,729,853 |
| 1,910,065 | 1,835,834 | 1,386,010 | 1,515,386 | 1,508,076 | 1,469,348 |
| 468,581 | 485,350 | 648,009 | 717,514 | 760,012 | 711,237 |
| 533,538 | 424,137 | 348,957 | 343,134 | 361,580 | 371,989 |
| 1,294,067 | 1,138,680 | 1,056,431 | 1,071,494 | 1,050,783 | 989,762 |
| 1,100,601 | 1,000,149 | 962,709 | 924,900 | 845,197 | 832,340 |
| 709,457 | 526,607 | 515,949 | 599,421 | 439,910 | 461,039 |
| - | - | 900 | 540 | 930 | 3,940 |
| 9,002 | 5,256 | 32,927 | 31,988 | 31,846 | 31,963 |
| 202,500 | 2,324,435 | 920,702 | 280,498 | 237,695 | 294,813 |
| 785,000 | 550,000 | 1,570,000 | 220,000 | 210,000 | 210,000 |
| 45,255 | 55,681 | 115,776 | 85,510 | 95,234 | 105,095 |
| 462,476 | 453,706 | 451,567 | 479,573 | 482,569 | 495,794 |
| 15,448,366 | 16,378,198 | 15,907,529 | 14,145,966 | 13,772,025 | 13,550,958 |

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|---|---|---|
| DIRECT: | | | |
| DEPARTMENT OF EDUCTION: | | | |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS | 84.184 | FY 10 | $ 364,774 |
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 10 | 103,533 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 10 | 390,654 |
| | | | 494,187 |
| TEAM NUTRITION GRANT | 10.574 | FY 10 | 249 |
| SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION | 10.579 | FY 10 | 10,773 |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 4041-G | 295,312 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 4041-GC | 32,853 |
| TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE) | 84.010 | FY 10 | 17,100 |
| ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 10 | 77,158 |
| | | | 422,423 |
| VOCATIONAL EDUCATION - BASIC GRANTS TO STATES GRANTS TO STATES | 84.048 | FY 10 | 19,797 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 10 | 6,805 |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 09 | 9,368 |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 10 | 85,981 |
| | | | 95,349 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA) | 84.369 | FY 10 | 10,329 |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 10 | 709,896 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|---|---|---|
| INDIRECT(CONTINUED): | | | |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION -GRANTS TO STATES (PART B) | 84.027 | FY 10 | 87,809 |
| ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT | 84.391 | FY 10 | 158,762 |
| | | | 246,571 |
| SPECIAL EDUCATION - PRESCHOOL GRANTS (PART B) | 84.173 | FY 10 | 2,540 |
| TITLE III - ENGLISH LANGUAGE ACQUISITION - STATE GRANTS | 84.365 | FY 10 | 756 |
| DEPARTMENT OF HUMAN SERVICES, MEDICAID: | | | |
| MEDICAL ASSISTANCE PROGRAM (MEDICAID ADMINISTRATION OR TIME STUDY) | 93.778 | FY 10 | 1,604 |
| NATIONAL ENDOWMENT FOR THE ARTS: | | | |
| IOWA ARTS COUNCIL: | | | |
| PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS) | 45.025 | FY 10 | 200 |
| TOTAL | | | $ 2,386,253 |

* Includes $77,739 of non-cash awards.

**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.

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

To the Board of Education of 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-B-10 and II-C-10 to be a significant deficiencies.

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, 2010 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2011

# NOLTE, CORNMAN & JOHNSON P.C.

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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, 2010. 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, 2010.

### 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. However, we identified a deficiency in internal control over compliance that we consider to be significant deficiency, as defined below.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned costs as item III-A-10 to be a significant deficiency.

Maquoketa Community School District's responses to the 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.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2011

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

(a) Unqualified opinions were issued on the financial statements.

(b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A significant deficiency 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 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Clustered Programs:
Nutrition Cluster
- CFDA Number 10.555 - National School Lunch Program
- CFDA Number 10.553 - School Breakfast Program

Title I Cluster
- CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act

Special Education Cluster
- CFDA Number 84.027 - Special Education - Grants to States (Part B)
- CFDA Number 84.391 - Special Education - Grants to States, 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, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 - The District will review its control procedures periodically.

Conclusion - Response accepted.

II-B-10 Employee Meal Reimbursement - We noted during the audit that an employee was reimbursed $18 for dinner. The District's policy 401.7 allows for up to $14.50 for dinner.

Recommendation - The District should review its procedures to ensure that meals are reimbursed at the approved Board Policy rate.

Response - District will review Board Policy 401.7 and either change the policy or make procedure changes for reimbursement.

Conclusion - Response accepted.

II-C-10 Student Activity Fund - We noted during our audit of the Student Activity Fund that the District purchased student's meals for trips without any documentation. The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip.

Recommendation - The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response - The District will obtain signatures from students/sponsors whom receive cash for meals.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-10 Free and Reduced Lunch Applications - We noted during our audit that one of the free and reduced lunch applications in our testing were marked as reduced, but actually should have been marked as denied.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - Our response to this item is that it was an unintentional human error and that we will report it to the Iowa Department of Food and Nutrition.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased shirts for coaches from the Student Activity Fund. The purchase of coaches clothing does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to refrain from purchasing shirts for coaches.

Response - We will have the Activities Directors/Principals to inform Coaches and Sponsors that Coaches Shirts are not an allowable expense. They may purchase their clothing or request donations from a Boosters organization.

Conclusion - Response accepted.

IV-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|---|---|
| Barb Bowman, Teacher<br>Spouse owns Bowman Oil Company | Fuel | $65,294 |
| Tracy Wilkins<br>Spouse was a ticket taker | Purchased Services | $ 215 |
| Kathy Klocke, Nurse<br>Spouse owns Klocke Excavating | Purchased Services | $ 3,604 |
| Sue Mayberry, Teacher<br>Spouse owns Mayberry Appliance Center | Purchased Services | $ 349 |
| James Manderscheid, Custodian<br>Installed Locks and Combination Changes | Purchased Services | $ 1,739 |
| Dennis Scott, Custodian<br>Spouse owns Ronann's Floral Shoppe | Purchased Services | $ 1,835 |

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 do not appear to be a conflict of interest.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - We noted during our audit that the District purchased various computer parts totaling $2,874.16 from the statewide sales and servicing tax dollars. These expenditures do not meet the requirements of appropriate equipment under Chapter 423F.3 of the Code of Iowa.

Recommendation- We recommend a corrective transfer from the General Fund to the Capital Projects fund for $2,874.16.

Response - Maquoketa Schools Revenue Purpose Statement includes technology equipment and we thought they were allowable expenditures. We are awaiting clarification from the Dept. of Ed on this issue.

Conclusion - Response accepted.

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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

| | | |
|---|---|---|
| Beginning Balance | | $ 183,304 |
| Statewide sales and services tax revenue | | 856,444 |
| Expenditures/transfers out: | | |
| School infrastructure: | | |
| Equipment | $ 79,213 | |
| Other improvements | 163,073 | |
| Debt service for school infrastructure: | | |
| Revenue debt | 510,221 | 752,507 |
| Ending balance | | $ 287,241 |

The District did not reduce any tax levies as a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010.

| | Per $1000 of Taxable Valuation | Property Tax Dollars |
|---|---|---|
| Physical plant and equipment levy | $ 0.67000 | $ 228,146 |

II-M-10 PPEL Expenditures - We noted that the District purchased some mobile labs and other computer equipment from the Physical Plant and Equipment Levy Fund totaling $40,779.23 that do not appear appropriate under Chapter 298.3 of the Code of Iowa.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa. We also recommend that a corrective transfer of $40,779.23 be made from the General Fund to the PPEL Fund.

Response - Of this amount, we feel $973.44 was an allowable expense from the fund as furnishings for the 2007 High School Gymnasium addition and will make a corrective transfer from Statewide Sales, Services and Use Tax Fund to the Physical Plant and Equipment Fund.

The District will make a corrective transfer for $687.79 from the General Fund to the Physical Plant and Equipment Fund.

We feel $39,118.00 of these expenditures were allowable under our Revenue Purpose Statement and will make a transfer from the Statewide Sales, Services and Use Tax Fund to the Physical Plant and Equipment Fund. We are aware that the auditor is questioning the allowability of these types of purchases with statewide sales, services and use tax revenue.

Conclusion - Response accepted.