

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District, Marcus, Iowa, as of and for the year ended June 30, 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 Marcus-Meriden-Cleghorn 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 reports dated March 15, 2011, on our consideration of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcus-Meriden-Cleghorn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 15, 2011

## Management Discussion and Analysis

The Marcus-Meriden-Cleghorn Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The District spent \$257,185 more than it received; therefore the General Fund ending fund balance went from \$333,993 to \$76,808.
- Declining enrollment and the 10% Across the Board Cut contributed to a downturn in the District's financial position. The District's solvency ratio was directly affected by the cut and dropped to a negative 1.99% and while the cash balance of \$491,349 for the general fund remains sufficient, the district will need to take steps to balance its budget in order to remain able to meet its obligations without borrowing money.

### Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with comparison of the District's budget for the year.

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

**Figure A-1**  
**Marcus-Meriden-Cleghorn Community School District Annual Financial Report**

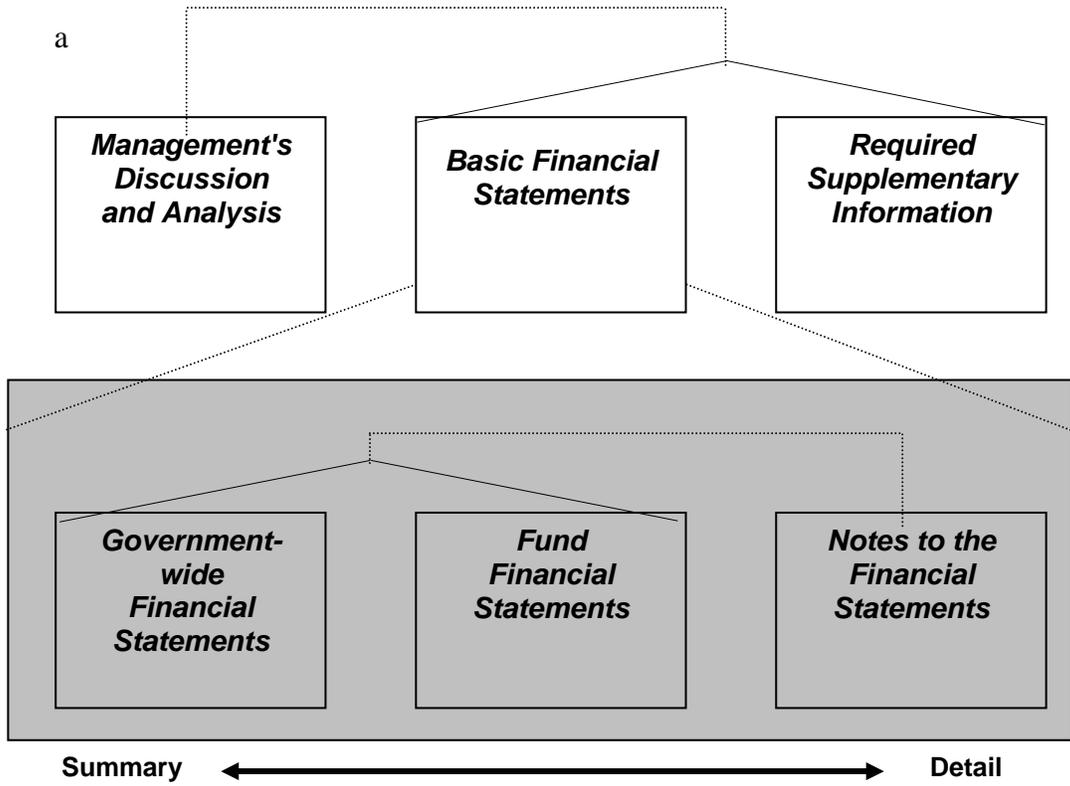


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information

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

they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

## Government-wide Financial Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has two kinds of funds:

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

whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District uses an internal service fund to account for its employee flexible benefit plan.

### Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the years ended June 30, 2009 and June 30, 2010.

**Figure A-3**  
**Condensed Statement of Net Assets as of June 30, 2008 and 2009**

	Governmental Activities		Business-type Activities		District Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 5,430,376	\$ 5,361,505	\$ 4,492	\$ 28,396	\$ 5,434,868	\$ 5,389,901
Capital Assets	3,810,153	3,963,791	66,689	59,713	3,876,842	4,023,504
<b>Total assets</b>	<b>9,240,529</b>	<b>9,325,296</b>	<b>71,181</b>	<b>88,109</b>	<b>9,311,710</b>	<b>9,413,405</b>
Long-term debt outstanding	2,666,653	2,567,887	-	286	2,666,653	2,568,173
Other liabilities	3,356,526	3,511,774	3,568	3,829	3,360,094	3,515,603
<b>Total liabilities</b>	<b>6,023,179</b>	<b>6,079,661</b>	<b>3,568</b>	<b>4,115</b>	<b>6,026,747</b>	<b>6,083,776</b>
Net Assets:						
Invested in capital assets, net of related debt	1,594,647	1,860,358	66,689	59,713	1,661,336	1,920,071
Restricted	1,118,390	1,252,687	-	-	1,118,390	1,252,687
Unrestricted	504,313	132,590	924	24,281	505,237	156,871
<b>Total net assets</b>	<b>3,217,350</b>	<b>3,245,635</b>	<b>67,613</b>	<b>83,994</b>	<b>3,284,963</b>	<b>3,329,629</b>

The District's total net assets increased by 1.36% or approximately \$45,000 from fiscal year 2009 to 2010.

The portion of the District's net assets identified as invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt increased by \$258,735. Majority of this increase is due to retiring general obligation bonds.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by approximately \$134,000 or 12.01% over the prior year. The increase is a result of sales taxes revenue collected but not spent and an increase in unspent categorical funding.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$348,000, or 68.95%. This reduction was a result of using carryover fund balances to meet financial obligations during the year from the 10% Across the Board Cut.

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

The net asset increase in the business-type activities can be attributed to the ala carte program and additional fees.

**Changes in net assets** – Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and June 30, 2010.

	Governmental Activities		Business-type Activities		School District Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 253,853	\$ 220,248	\$ 132,310	\$ 127,242	\$ 386,163	\$ 347,490
Operating Grants & Contributions	715,858	745,680	75,987	95,388	791,845	841,068
Capital Grants & Contributions	17,770	54,746	-	-	17,770	54,746
General revenues						
Property and Other Local taxes	2,796,782	2,952,676	-	-	2,796,782	2,952,676
Unrestricted state grants	1,365,600	851,642	-	-	1,365,600	851,642
Other	128,912	16,376	84	150	128,996	16,526
Transfers	(48,064)	-	48,064	-	-	-
<b>Total revenues</b>	<u>5,230,711</u>	<u>4,841,368</u>	<u>256,445</u>	<u>222,780</u>	<u>5,487,156</u>	<u>5,064,148</u>
<b>Expenses</b>						
Instruction	2,981,364	2,857,648	-	-	2,981,364	2,857,648
Support Services:						
Administrative & Business	545,343	515,049	-	-	545,343	515,049
Maintenance & Operations	457,960	401,568	-	-	457,960	401,568
Other Support Services	525,899	540,259	-	-	525,899	540,259
Non-Instructional Programs	-	-	208,608	206,399	208,608	206,399
Other Expenditures	537,217	498,559	-	-	537,217	498,559
<b>Total expenses</b>	<u>5,047,783</u>	<u>4,813,083</u>	<u>208,608</u>	<u>206,399</u>	<u>5,256,391</u>	<u>5,019,482</u>
<b>Increase (decrease) in net assets</b>	<b>\$ 182,928</b>	<b>\$ 28,285</b>	<b>\$ 47,837</b>	<b>\$ 16,381</b>	<b>\$ 230,765</b>	<b>\$ 44,666</b>

Figure A-5

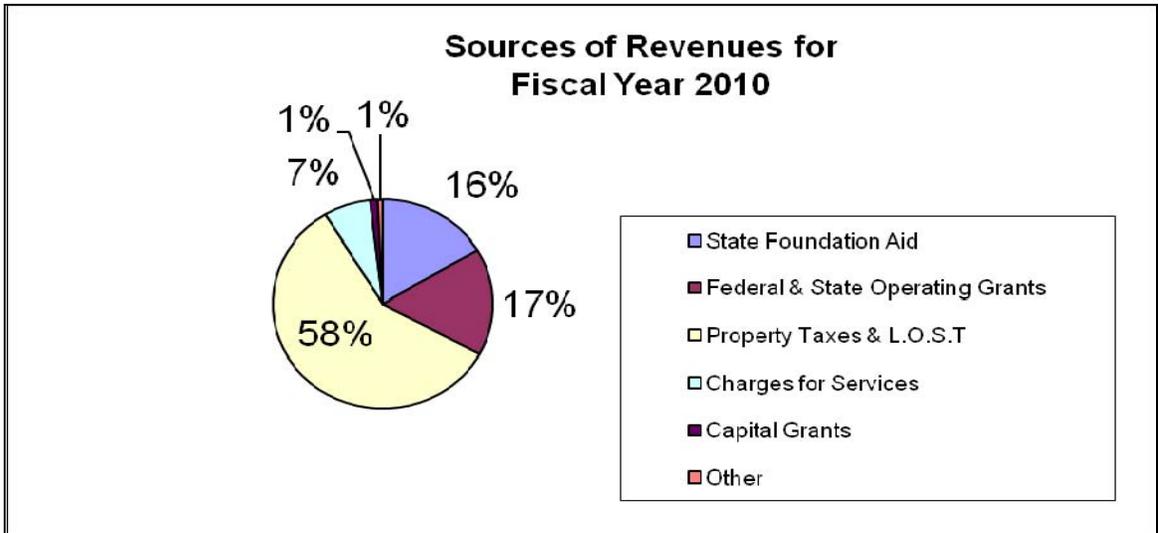
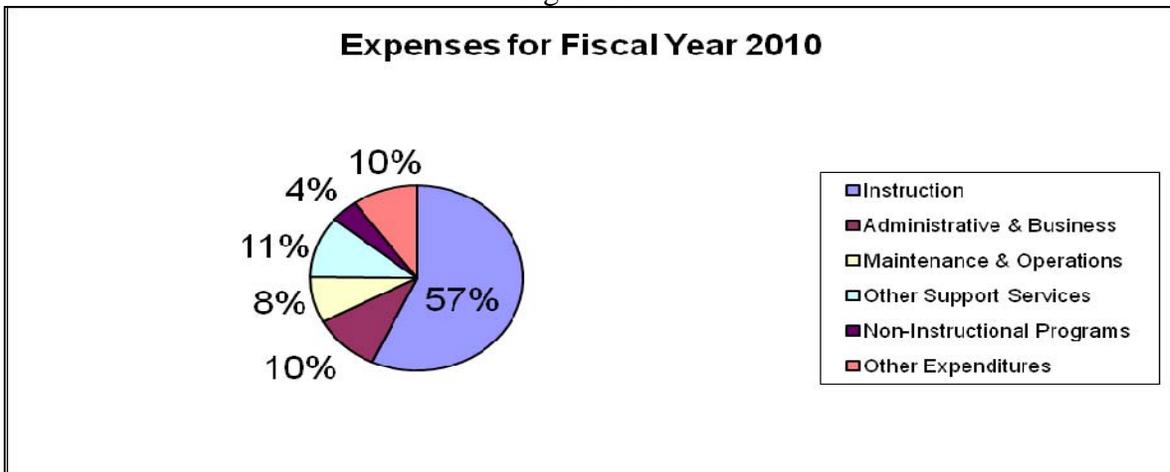


Figure A-6



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

### Governmental Activities

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

**Figure A-7**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Instruction	\$ 2,981,364	\$ 2,857,648	\$ 2,198,167	\$ 2,091,558
Support Services:				
Administration & Business	545,343	515,049	545,343	515,049
Maintenance & Operations	457,960	401,568	457,150	401,123
Other Support Services	525,899	540,259	524,439	537,154
Other Expenditures	537,217	498,559	335,203	247,525
<b>Total</b>	<b>\$ 5,047,783</b>	<b>\$ 4,813,083</b>	<b>\$ 4,060,302</b>	<b>\$ 3,792,409</b>

- The cost of all governmental activities this year was \$4,813,083.
- \$220,248 of the cost was financed by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$745,680.
- Most of the District's \$3,792,409 of net costs, however, were financed by the District and state taxpayers.
- This portion of governmental activities was financed with \$2,952,676 in property and other local taxes, \$851,642 of unrestricted state grants based on the statewide finance formula, and investment earnings.

### **Business-Type Activities**

Revenues of the District's business-type activities (school food and nutrition services) totaled \$222,780 and expenses totaled \$206,399. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business-type activity revenues exceeded expenses by \$16,381. Continuation of the ala carte menu, charging for second entrees, an increase in meal prices, and the completion of the kitchen construction project allowed us to cut costs to generate a surplus. The District continues to look at ways to generate more revenue in this area to finance the rising costs of operation.

### **Financial Analysis of the District's Funds**

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

### **Governmental Funds**

The District's General Fund cash position decreased significantly due to 2% allowable growth from the state combined with declining enrollment and the 10% Across the Board Cut that do not cover the change in revenues. As mentioned previously, deeper cuts are necessary for the District to remain financially sound.

The Management Levy increased its cash position after another increase in the levy. The increase was necessary in order to cover the increased property/liability costs for the District. The increased levy created a surplus in this fund for the fiscal year 2010. The fund had an increase of approximately \$59,000 and raised the ending cash balance to \$213,441.

The Capital Projects Fund was new in 2005 and continues to be used to account for the proceeds from and expenditures of sales tax revenues. There were no expenditures in 2005 or 2006; the monies were being accumulated for capital improvements-namely the construction of a kitchen between the primary and high school buildings in Marcus. The sale of the bonds for that project occurred in Dec. of 2006 with work on the project beginning in the spring of 2007. The project has since been completed and was in full operational capacity for the 2008-2009 fiscal year. There remains approximately \$446,000 in the Capital Projects Fund that can be used to pay down our current bond debt.

### **Proprietary Funds**

The School Nutrition Fund reported a \$16,381 increase in net assets due to the ala carte program and additional fees along with decreasing expenses.

### **Budgetary Highlights**

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

The District's receipts were \$522,754 less than budgeted receipts, a variance of 9%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2010, the District had invested \$4,023,504, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, transportation equipment and administrative offices. The increase that was seen this year was due to construction in progress with the new concession stand project and the paving of the south parking lot. (See Figure A-8) (More detailed information about capital assets can be found in Note 6 to the financial statements.) Total depreciation expense for the year was \$201,758.

The largest change in capital asset activity during the year occurred in the construction in progress category. At June 30, 2010 the District had started construction on a parking lot. The District has committed approximately \$48,000 to complete the project.

**Figure A-8**  
**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total School District	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 11,900	\$ 11,900	\$ -	\$ -	\$ 11,900	\$ 11,900
Construction in progress	\$ -	\$ 113,888	\$ -	\$ -	\$ -	\$ 113,888
Buildings & Improvements	\$ 3,678,284	\$ 3,662,707	\$ -	\$ -	\$ 3,678,284	\$ 3,662,707
Equipment & Fixtures	\$ 119,969	\$ 175,296	\$ 66,689	\$ 59,713	\$ 186,658	\$ 235,009
	<u>\$ 3,810,153</u>	<u>\$ 3,963,791</u>	<u>\$ 66,689</u>	<u>\$ 59,713</u>	<u>\$ 3,876,842</u>	<u>\$ 4,023,504</u>

### Long-Term Debt

At year-end, the District had \$2,550,000 in general obligation bonds and \$131,570 in other long-term debt outstanding in Figure A-9 below.

#### Outstanding Long-Term Debt

	Total School District	
	<u>2009</u>	<u>2010</u>
General Obligation Bonds	\$ 2,660,000	\$ 2,550,000
Early Retirement Benefits Payable	\$ 96,189	\$ 118,995
Net OPEB liability	\$ -	\$ 12,575
Total	<u>\$ 2,756,189</u>	<u>\$ 2,681,570</u>

## **Factors Bearing on the District's Future**

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

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding for public schools for fiscal year 2012 has not been set but allowable growth is anticipated to be 0% for a two year period. This would put a greater burden on our local tax payers as this would be the only way to increase our revenue due to declining enrollment.
- District budget enrollment increased 12 students for the 2009 count but will see a decrease of 10 students for the 2010 count which will have a negative impact for the fiscal year 2012 budget. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

## **Contacting the District's Financial Management**

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

## BASIC FINANCIAL STATEMENTS

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,189,953	32,942	2,222,895
Receivables:			
Property tax:			
Delinquent	22,218	-	22,218
Succeeding year	2,686,508	-	2,686,508
Accounts	1,411	11	1,422
Due from other governments	388,166	-	388,166
Internal balances	10,700	(10,700)	-
Inventories	-	6,143	6,143
Prepaid expenses	3,410	-	3,410
Unamortized bond issue costs	59,139	-	59,139
Capital assets, net of accumulated depreciation	3,963,791	59,713	4,023,504
<b>Total assets</b>	<b>9,325,296</b>	<b>88,109</b>	<b>9,413,405</b>
<b>Liabilities</b>			
Accounts payable	177,456	351	177,807
Salaries and benefits payable	314,070	233	314,303
Accrued interest payable	18,063	-	18,063
Deferred revenue:			
Succeeding year property tax	2,686,508	-	2,686,508
Other	158,890	3,245	162,135
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	115,000	-	115,000
Termination benefits	41,787	-	41,787
Portion due after one year:			
General obligation bonds payable	2,435,000	-	2,435,000
Bond premium	43,390	-	43,390
Termination benefits	77,208	-	77,208
Net OPEB liability	12,289	286	12,575
<b>Total liabilities</b>	<b>6,079,661</b>	<b>4,115</b>	<b>6,083,776</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,860,358	59,713	1,920,071
Restricted for:			
Categorical funding			
Categorical funding	156,126	-	156,126
Management levy	94,446	-	94,446
Physical plant and equipment levy	270,902	-	270,902
Other special revenue purposes	65,629	-	65,629
Sales tax capital projects	665,584	-	665,584
Unrestricted	132,590	24,281	156,871
<b>Total net assets</b>	<u><u>3,245,635</u></u>	<u><u>83,994</u></u>	<u><u>3,329,629</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	1,968,769	125,739	430,586	-
Special	424,020	-	67,207	-
Other	464,859	94,064	48,494	-
	<u>2,857,648</u>	<u>219,803</u>	<u>546,287</u>	<u>-</u>
<b>Support services:</b>				
Student	175,809	-	-	-
Instructional staff	103,122	-	-	-
Administration	515,049	-	-	-
Operation and maintenance of plant	401,568	445	-	-
Transportation	261,328	-	3,105	-
	<u>1,456,876</u>	<u>445</u>	<u>3,105</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	52,457	-	-	54,746
Long-term debt interest	109,959	-	-	-
AEA flowthrough	196,288	-	196,288	-
Depreciation (unallocated)*	139,855	-	-	-
	<u>498,559</u>	<u>-</u>	<u>196,288</u>	<u>54,746</u>
<b>Total governmental activities</b>	<b>4,813,083</b>	<b>220,248</b>	<b>745,680</b>	<b>54,746</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	206,399	127,242	95,388	-
<b>Total</b>	<b>5,019,482</b>	<b>347,490</b>	<b>841,068</b>	<b>54,746</b>

**General Revenues:**

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
<b>Total general revenues</b>	

**Change in net assets**

Net assets beginning of year	
Net assets end of year	

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,412,444)	-	(1,412,444)
(356,813)	-	(356,813)
(322,301)	-	(322,301)
<u>(2,091,558)</u>	<u>-</u>	<u>(2,091,558)</u>
(175,809)	-	(175,809)
(103,122)	-	(103,122)
(515,049)	-	(515,049)
(401,123)	-	(401,123)
(258,223)	-	(258,223)
<u>(1,453,326)</u>	<u>-</u>	<u>(1,453,326)</u>
2,289	-	2,289
(109,959)	-	(109,959)
-	-	-
(139,855)	-	(139,855)
<u>(247,525)</u>	<u>-</u>	<u>(247,525)</u>
(3,792,409)	-	(3,792,409)
<u>-</u>	<u>16,231</u>	<u>16,231</u>
<u>(3,792,409)</u>	<u>16,231</u>	<u>(3,776,178)</u>
2,166,542	-	2,166,542
214,290	-	214,290
255,434	-	255,434
316,410	-	316,410
829,653	-	829,653
21,989	150	22,139
16,376	-	16,376
<u>3,820,694</u>	<u>150</u>	<u>3,820,844</u>
28,285	16,381	44,666
<u>3,217,350</u>	<u>67,613</u>	<u>3,284,963</u>
<u>3,245,635</u>	<u>83,994</u>	<u>3,329,629</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	491,349	1,061,213	358,307	279,084	2,189,953
Receivables:					
Property tax:					
Delinquent	18,895	-	1,927	1,396	22,218
Succeeding year	2,292,021	-	219,487	175,000	2,686,508
Accounts	1,411	-	-	-	1,411
Interfund receivable	10,700	-	-	180	10,880
Prepaid expenses	-	-	-	3,410	3,410
Due from other governments	314,630	50,938	22,598	-	388,166
<b>Total assets</b>	<b>3,129,006</b>	<b>1,112,151</b>	<b>602,319</b>	<b>459,070</b>	<b>5,302,546</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	64,521	-	111,930	1,005	177,456
Salaries and benefits payable	314,070	-	-	-	314,070
Interfund payable	180	-	-	-	180
Deferred revenue:					
Succeeding year property tax	2,292,021	-	219,487	175,000	2,686,508
Income surtax	203,385	-	22,598	-	225,983
Other	178,021	-	-	-	178,021
Total liabilities	3,052,198	-	354,015	176,005	3,582,218
Fund balances:					
Reserved for:					
Categorical funding	156,126	-	-	-	156,126
Debt service	-	-	-	3,995	3,995
Unreserved reported in:					
General fund	(79,318)	-	-	-	(79,318)
Special revenue funds	-	-	248,304	279,070	527,374
Capital projects funds	-	1,112,151	-	-	1,112,151
Total fund balances	76,808	1,112,151	248,304	283,065	1,720,328
<b>Total liabilities and fund balances</b>	<b>3,129,006</b>	<b>1,112,151</b>	<b>602,319</b>	<b>459,070</b>	<b>5,302,546</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,720,328
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,963,791
Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds.	59,139
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	245,114
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.	(18,063)
Long-term liabilities, including bonds payable, bond premiums, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,724,674)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,245,635</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,233,970	316,410	238,346	149,079	2,937,805
Tuition	107,431	-	-	-	107,431
Other	29,169	12,135	53,374	108,089	202,767
State sources	1,321,569	-	109	79	1,321,757
Federal sources	288,841	-	-	-	288,841
Total revenues	<u>3,980,980</u>	<u>328,545</u>	<u>291,829</u>	<u>257,247</u>	<u>4,858,601</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,906,926	-	-	32,331	1,939,257
Special	422,877	-	-	-	422,877
Other	359,042	-	-	99,935	458,977
	<u>2,688,845</u>	<u>-</u>	<u>-</u>	<u>132,266</u>	<u>2,821,111</u>
Support services:					
Student	174,952	-	-	-	174,952
Instructional staff	102,836	-	-	-	102,836
Administration	506,793	-	-	-	506,793
Operation and maintenance of plant	320,740	-	10,563	61,039	392,342
Transportation	250,872	-	71,254	10,768	332,894
	<u>1,356,193</u>	<u>-</u>	<u>81,817</u>	<u>71,807</u>	<u>1,509,817</u>
Other expenditures:					
Facilities acquisition	-	2,942	287,681	-	290,623
Long-term debt:					
Principal	-	-	-	110,000	110,000
Interest and fiscal charges	-	-	-	113,450	113,450
AEA flowthrough	196,288	-	-	-	196,288
	<u>196,288</u>	<u>2,942</u>	<u>287,681</u>	<u>223,450</u>	<u>710,361</u>
Total expenditures	<u>4,241,326</u>	<u>2,942</u>	<u>369,498</u>	<u>427,523</u>	<u>5,041,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(260,346)</u>	<u>325,603</u>	<u>(77,669)</u>	<u>(170,276)</u>	<u>(182,688)</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	1,411	-	-	-	1,411
Sales of equipment and real property	1,750	-	-	-	1,750
Operating transfers in	-	-	-	223,450	223,450
Operating transfers out	-	(223,450)	-	-	(223,450)
Total other financing sources (uses)	<u>3,161</u>	<u>(223,450)</u>	<u>-</u>	<u>223,450</u>	<u>3,161</u>
Net change in fund balances	(257,185)	102,153	(77,669)	53,174	(179,527)
Fund balances beginning of year	<u>333,993</u>	<u>1,009,998</u>	<u>325,973</u>	<u>229,891</u>	<u>1,899,855</u>
Fund balances end of year	<u><u>76,808</u></u>	<u><u>1,112,151</u></u>	<u><u>248,304</u></u>	<u><u>283,065</u></u>	<u><u>1,720,328</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(179,527)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	348,420	
Depreciation expense	<u>(194,782)</u>	153,638
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(20,394)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		110,000
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.		779
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(22,806)	
Other postemployment benefits	<u>(12,289)</u>	<u>(35,095)</u>
The premium on bonds issued is amortized over the life of the bonds for the Statement of Activities.		2,712
Bond issue costs are recorded as an expense for the governmental funds, but are capitalized and amortized over the life of the bonds for the Statement of Activities.		(3,696)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(132)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>28,285</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	32,942
Accounts receivable	11
Inventories	6,143
Capital assets, net of accumulated depreciation	<u>59,713</u>
<b>Total assets</b>	<u>98,809</u>
<b>Liabilities</b>	
Accounts payable	351
Salaries and benefits payable	233
Deferred revenue	3,245
Interfund payable	10,700
Net OPEB liability	<u>286</u>
<b>Total liabilities</b>	<u>14,815</u>
<b>Net assets</b>	
Invested in capital assets	59,713
Unrestricted	<u>24,281</u>
<b>Total net assets</b>	<u><u>83,994</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	127,242	-
Operating expenses:		
Non-instructional programs:		
Salaries	81,601	-
Benefits	16,414	-
Purchased services	2,297	-
Supplies	99,033	132
Depreciation	6,976	-
Other	78	-
Total operating expenses	206,399	132
Operating gain (loss)	(79,157)	(132)
Non-operating revenues:		
State sources	2,209	-
Federal sources	93,179	-
Interest income	150	-
Total non-operating revenues	95,538	-
Change in net assets	16,381	(132)
Net assets beginning of year	67,613	132
Net assets end of year	83,994	-

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	127,690	-
Cash payments to employees for services	(98,278)	-
Cash payments to suppliers for goods or services	(86,271)	(132)
Net cash used by operating activities	<u>(56,859)</u>	<u>(132)</u>
Cash flows from non-capital financing activities:		
State grants received	2,209	-
Federal grants received	77,267	-
Net cash provided by non-capital financing activities	<u>79,476</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	150	-
Net increase (decrease) in cash and cash equivalents	22,767	(132)
Cash and cash equivalents at beginning of year	<u>10,175</u>	<u>132</u>
Cash and cash equivalents at end of year	<u><u>32,942</u></u>	<u><u>-</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(79,157)	(132)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	15,912	-
Depreciation	6,976	-
Decrease (increase) in inventories	(1,126)	-
Decrease (increase) in accounts receivable	(11)	-
(Decrease) increase in accounts payable	351	-
(Decrease) increase in salaries and benefits payable	(549)	-
(Decrease) increase in deferred revenue	459	-
(Decrease) increase in other postemployment benefits	286	-
Net cash used by operating activities	<u>(56,859)</u>	<u>(132)</u>

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

During the year ended June 30, 2010, the District received \$15,912 of federal commodities.

# MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

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

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks 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.

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

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

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

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

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental - Debt Service Fund	Capital Projects Fund	223,450

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

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid \$1,584 of interest on the ISCAP warrants.

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	113,888	-	113,888
Land	11,900	-	-	11,900
Total capital assets not being depr.	<u>11,900</u>	<u>113,888</u>	<u>-</u>	<u>125,788</u>
Capital assets being depreciated:				
Buildings	4,759,410	124,278	-	4,883,688
Improvements other than buildings	784,556	-	-	784,556
Furniture and equipment	881,440	110,254	34,087	957,607
Total capital assets being deprec.	<u>6,425,406</u>	<u>234,532</u>	<u>34,087</u>	<u>6,625,851</u>
Less accumulated depreciation for:				
Buildings	1,580,084	111,923	-	1,692,007
Improvements other than buildings	285,598	27,932	-	313,530
Furniture and equipment	761,471	54,927	34,087	782,311
Total accumulated depreciation	<u>2,627,153</u>	<u>194,782</u>	<u>34,087</u>	<u>2,787,848</u>
Total capital assets being depreciated, net	<u>3,798,253</u>	<u>39,750</u>	<u>-</u>	<u>3,838,003</u>
Governmental activities capital assets, net	<u>3,810,153</u>	<u>153,638</u>	<u>-</u>	<u>3,963,791</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	133,802	-	-	133,802
Less accumulated depreciation	<u>67,113</u>	<u>6,976</u>	<u>-</u>	<u>74,089</u>
Business type activities capital assets, net	<u>66,689</u>	<u>(6,976)</u>	<u>-</u>	<u>59,713</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other	5,025
Support services:	
Administration services	3,131
Operation and maintenance of plant services	8,083
Transportation	38,688
	<u>54,927</u>
Unallocated depreciation	<u>139,855</u>
Total depreciation expense – governmental activities	<u>194,782</u>
Business type activities:	
Food services	<u>6,976</u>

## 7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,660,000	-	110,000	2,550,000	115,000
Termination benefits	96,189	48,444	25,638	118,995	41,787
Net OPEB liability	-	12,289	-	12,289	-
	<u>2,756,189</u>	<u>60,733</u>	<u>135,638</u>	<u>2,681,284</u>	<u>156,787</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	286	-	286	-

### Termination Benefits

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

The fiscal year 2010 plan offered \$15,000 per participant, to be paid over three years.

At June 30, 2010, the District has obligations to eight participants with a total liability of \$118,995. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$25,638.

### General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.25	115,000	108,375	223,375
2012	4.25	120,000	103,488	223,488
2013	4.25	125,000	98,388	223,388
2014	4.25	130,000	93,075	223,075
2015	4.25	135,000	87,550	222,550
2016-2020	4.25	770,000	346,163	1,116,163
2021-2025	4.25	945,000	168,300	1,113,300
2026	4.25	210,000	8,925	218,925
		<u>2,550,000</u>	<u>1,014,264</u>	<u>3,564,264</u>

## 8. 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. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$170,887, \$166,305, and \$164,532 respectively, equal to the required contributions for each year.

## 9. 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, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 79 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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	28,093
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>28,093</u>
Contributions made	<u>15,518</u>
Increase in net OPEB obligation	12,575
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>12,575</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2010.

For the year ended June 30, 2010, the District contributed \$15,518 to the medical plan. Plan members eligible for benefits contributed \$36,047, or 70% 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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	28,093	55%	12,575

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was 291,619, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$291,619. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,695,000, and the ratio of the UAAL to covered payroll was 17.2%. 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 the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 group annuity mortality table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

## 10. Risk Management

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

## 11. 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 \$196,288 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.

## 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	4,407
Returning dropout and dropout prevention program	12,107
Teacher salary supplement	93,900
Home school assistance program	21,517
Educator quality, professional development	18,136
Market factor	3,775
Other	2,284
	<u>156,126</u>

## 13. Construction Commitment

The District has entered into contracts totaling \$158,416 for a parking lot. As of June 30, 2010 costs of \$110,242 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	3,248,003	127,392	3,375,395	3,477,063	3,477,063	(101,668)
State sources	1,321,757	2,209	1,323,966	1,824,570	1,824,570	(500,604)
Federal sources	288,841	93,179	382,020	302,502	302,502	79,518
Total revenues	<u>4,858,601</u>	<u>222,780</u>	<u>5,081,381</u>	<u>5,604,135</u>	<u>5,604,135</u>	<u>(522,754)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,821,111	-	2,821,111	3,608,069	3,608,069	786,958
Support services	1,509,817	-	1,509,817	1,906,450	1,906,450	396,633
Non-instructional programs	-	206,399	206,399	224,901	224,901	18,502
Other expenditures	710,361	-	710,361	2,027,223	2,027,223	1,316,862
Total expenditures/expenses	<u>5,041,289</u>	<u>206,399</u>	<u>5,247,688</u>	<u>7,766,643</u>	<u>7,766,643</u>	<u>2,518,955</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(182,688)	16,381	(166,307)	(2,162,508)	(2,162,508)	1,996,201
Other financing sources (uses) net	<u>3,161</u>	<u>-</u>	<u>3,161</u>	<u>2,500</u>	<u>2,500</u>	<u>661</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(179,527)	16,381	(163,146)	(2,160,008)	(2,160,008)	1,996,862
Balance beginning of year	<u>1,899,855</u>	<u>67,613</u>	<u>1,967,468</u>	<u>2,247,575</u>	<u>2,247,575</u>	<u>(280,107)</u>
Balance end of year	<u><u>1,720,328</u></u>	<u><u>83,994</u></u>	<u><u>1,804,322</u></u>	<u><u>87,567</u></u>	<u><u>87,567</u></u>	<u><u>1,716,755</u></u>

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

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

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

MARCUS-MERIDEN-CLEGHORN 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) %
2010	July 1, 2009	-	291,619	291,619	0.0%	1,695,000	17.2%

See Note 9 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

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	208,635	62,104	4,350	3,995	279,084
Receivables:					
Property tax:					
Delinquent	1,396	-	-	-	1,396
Succeeding year	175,000	-	-	-	175,000
Interfund receivable	-	180	-	-	180
Prepaid expenses	3,410	-	-	-	3,410
<b>Total assets</b>	<b>388,441</b>	<b>62,284</b>	<b>4,350</b>	<b>3,995</b>	<b>459,070</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	1,005	-	-	1,005
Deferred revenue:					
Succeeding year property tax	175,000	-	-	-	175,000
Total liabilities	175,000	1,005	-	-	176,005
Fund balances:					
Reserved for debt service	-	-	-	3,995	3,995
Unreserved reported in:					
Special revenue funds	213,441	61,279	4,350	-	279,070
Total fund balances	213,441	61,279	4,350	3,995	283,065
<b>Total liabilities and fund balances</b>	<b>388,441</b>	<b>62,284</b>	<b>4,350</b>	<b>3,995</b>	<b>459,070</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds				Total
	Management	Student	District	Debt Service	
	Levy	Activity Fund	Support Trust		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	149,079	-	-	-	149,079
Other	13,887	93,826	376	-	108,089
State sources	79	-	-	-	79
Total revenues	<u>163,045</u>	<u>93,826</u>	<u>376</u>	<u>-</u>	<u>257,247</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	32,331	-	-	-	32,331
Other instruction	-	99,935	-	-	99,935
Support services:					
Operation and maintenance of plant	61,039	-	-	-	61,039
Transportation services	10,768	-	-	-	10,768
Long-term debt:					
Principal	-	-	-	110,000	110,000
Interest and fiscal charges	-	-	-	113,450	113,450
Total expenditures	<u>104,138</u>	<u>99,935</u>	<u>-</u>	<u>223,450</u>	<u>427,523</u>
Net change in fund balances	58,907	(6,109)	376	(223,450)	(170,276)
Other financing sources (uses):					
Operating transfers in	-	-	-	223,450	223,450
Net change in fund balances	58,907	(6,109)	376	-	53,174
Fund balances beginning of year	<u>154,534</u>	<u>67,388</u>	<u>3,974</u>	<u>3,995</u>	<u>229,891</u>
Fund balances end of year	<u><u>213,441</u></u>	<u><u>61,279</u></u>	<u><u>4,350</u></u>	<u><u>3,995</u></u>	<u><u>283,065</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Business club	2,610	872	334	(3,149)	(1)
Boys basketball	4,069	3,732	2,612	440	5,629
Football	4,378	5,805	7,728	760	3,215
Girls basketball	4,473	6,085	5,774	360	5,144
Baseball	(2,966)	6,168	7,804	400	(4,202)
Golf	875	-	60	440	1,255
Bowling	-	-	452	300	(152)
Boys track	(1,322)	2,740	2,957	580	(959)
Girls track	540	1,930	2,602	600	468
Wrestling	(3,974)	1,462	2,699	280	(4,931)
Softball	4,626	6,611	7,489	500	4,248
Volleyball	4,212	6,817	9,628	620	2,021
Weight room	1	-	-	-	1
Yearbook	6,789	5,340	5,720	1,285	7,694
Pep/Jazz band	493	69	12	(345)	205
Vocal	(839)	-	80	1,725	806
Student council	498	5,788	5,245	2,160	3,201
Leadership club	3,472	2,042	2,555	2,943	5,902
PTSA	343	-	-	-	343
TSA	567	-	165	817	1,219
Speech	1,125	70	1,241	200	154
Cheerleaders	1,191	2,548	2,362	300	1,677
Art club	652	410	138	-	924
Drama club	1,740	235	1,270	-	705
Drill team	4,920	7,804	6,502	-	6,222
Spanish club	1,563	-	380	-	1,183
Library club	1,549	259	-	-	1,808
Video club	1,048	-	1,048	-	-
National Honor Society	202	663	1,051	-	(186)
Home economics	955	516	583	-	888
MMC marketing club	2,376	-	-	(2,376)	-
Lettermans club	4,262	11,831	5,168	(9,920)	1,005
Class of 2001	(55)	-	-	55	-
Class of 2008	675	-	675	-	-
Class of 2009	121	-	121	-	-
Class of 2010	740	-	66	-	674
Class of 2011	1,180	3,957	4,704	-	433
Class of 2012	780	800	-	-	1,580
Class of 2013	-	800	-	-	800
Character counts club	781	-	-	-	781

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Home economics	248	-	-	-	248
Annual	1,045	-	-	(1,045)	-
MS vocal	444	-	-	(444)	-
MS athletics	(5,106)	2,981	6,133	12,365	4,107
MS plays	359	-	-	(359)	-
MS student council	9,890	-	980	(8,909)	1
Family communication	38	-	-	-	38
TSA	592	-	-	(592)	-
MS lettermans	1,167	-	-	-	1,167
Elementary library club	1,032	27	-	(1,060)	(1)
Elementary activities	(319)	-	-	1,349	1,030
Kathy's Kids	2,100	4,979	3,597	-	3,482
Co-Curricular music	1,193	-	-	-	1,193
Odyssey of the mind	-	260	-	-	260
Fund balance-reg. not spent	205	225	-	(280)	150
Totals	<u>67,538</u>	<u>93,826</u>	<u>99,935</u>	<u>-</u>	<u>61,429</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,937,805	2,771,764	2,658,572	2,441,309	2,456,381	2,453,453	2,440,231
Tuition	107,431	108,099	120,433	118,182	119,589	151,067	126,867
Other	202,767	197,959	281,187	311,809	211,633	205,012	222,319
State sources	1,321,757	1,871,249	2,145,836	2,252,263	2,025,513	2,225,828	1,841,556
Federal sources	288,841	134,953	142,060	184,381	186,720	221,771	98,990
Total revenues	<u>4,858,601</u>	<u>5,084,024</u>	<u>5,348,088</u>	<u>5,307,944</u>	<u>4,999,836</u>	<u>5,257,131</u>	<u>4,729,963</u>
Expenditures:							
Instruction:							
Regular	1,939,257	2,067,648	2,183,502	2,203,337	2,211,222	2,101,243	2,171,633
Special	422,877	428,166	632,698	558,010	542,040	469,336	642,272
Other	458,977	509,522	478,531	537,800	536,757	537,082	393,645
Support services:							
Student	174,952	146,292	143,693	135,050	122,808	118,025	118,156
Instructional staff	102,836	140,876	68,179	93,390	80,638	128,593	85,520
Administration	506,793	538,342	531,691	590,186	538,965	493,963	479,096
Operation and maintenance	392,342	446,572	456,669	361,244	367,876	355,548	367,319
Transportation	332,894	214,000	285,824	197,448	211,876	247,936	184,288
Non-instructional programs	-	-	-	-	16,031	-	-
Other expenditures:							
Facilities acquisition	290,623	320,186	2,680,970	464,520	119,032	219,509	315,644
Long-term debt:							
Principal	110,000	105,000	55,000	-	-	-	-
Interest and other charges	113,450	117,712	169,787	-	-	-	-
AEA flowthrough	196,288	184,244	181,904	179,599	172,997	174,587	171,131
Total expenditures	<u>5,041,289</u>	<u>5,218,560</u>	<u>7,868,448</u>	<u>5,320,584</u>	<u>4,920,242</u>	<u>4,845,822</u>	<u>4,928,704</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 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 Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B and 10-I-C to be material weaknesses.

### Compliance and Other Matters

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

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

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

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

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

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

March 15, 2011

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

10-I-B Financial Reporting: During the audit, we identified material amounts of receivables, payables and prior year audit adjustments not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all receivables, payables and audit adjustments are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion: Response accepted.

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

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

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Brian Mugge, Board Member, Owner of Mugge Lite Construction	Repairs	1,411
Jerry Moser, Board Member	Athletic Official	330
Steve Liddle, employee, Owner of S & R Farms Ltd.	Spraying	3,842

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

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

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

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

10-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

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

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

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

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

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

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

Conclusion: Response accepted.

10-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$
		565,504
Statewide sales, services and use tax	316,410	
Interest revenue	<u>7,273</u>	323,683
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	153	
Debt service for school infrastructure:		
General obligation debt	<u>223,450</u>	<u>223,603</u>
Ending balance		<u>665,584</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	.93886	223,450
Physical plant and equipment levy	.39059	92,960

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

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

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

Conclusion: Response accepted.

10-II-N Deficit Balances: The General Fund has a deficit unreserved fund balance of \$79,318 and the Student Activity Fund has several accounts with deficit balances at June 30, 2010.

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

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

Conclusion: Response accepted.

10-II-O Bank Accounts: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Meriden employees were using the District's name and federal identification number on a bank account that is not part of the District's control system.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for accounting and reporting public funds. All monies that belong to the District should be included in the District's accounting records and subject to the legal requirements for public funds. Money that does not belong to the District should not be invested using the District's name or the District's federal identification number.

District Response: The bank account has been closed.

Conclusion: Response accepted.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

10-II-P Interfund loans: On October 22, 2009 the Iowa Department of Education issued a revised declaratory order covering interfund loans. The order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

There are interfund loans between the General, Student Activity and School Nutrition Funds that have been on the books for over two years.

Recommendation: The District should follow the October 22, 2009 declaratory order with respect to these loans.

District Response: We will repay the loans.

Conclusion: Response accepted.

10-II-Q Capital Improvements: The Code of Iowa requires that schools follow Chapters 26.2 through 26.13 when the cost of a capital improvement exceeds \$100,000. These chapters require that the District advertise for sealed bids, hold a public hearing, and have the project designed by a licensed engineer or architect. A capital improvement project may not be split into smaller projects to avoid these requirements. During fiscal year 2010 the District approved parking lot construction totaling approximately \$177,000 without holding a public hearing or having the project designed by an engineer or architect.

Recommendation: The District should review future capital improvement projects with its attorney to determine if Code of Iowa Chapters 26.2 through 26.13 apply.

District Response: We will do this in the future.

Conclusion: Response accepted.