

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District, Monona, Iowa, as of and for the year ended June 30, 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 basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2011 on our consideration of MFL MarMac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 28, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2010 FINANCIAL HIGHLIGHTS**

Overall Tax Rates decreased by approximately four cents. (.04) per thousand dollars of assessed valuation. This is the sixth year in a row of a tax levy decrease

General Fund revenues decreased from \$7,645,881 in fiscal 2009 to \$7,610,175 in fiscal 2010, while General Fund expenditures increased from \$7,994,450 in fiscal 2009 to \$8,223,163 in fiscal 2010. The District's General Fund balance decreased from \$1,446,737 in fiscal 2009 to \$837,136 in fiscal 2010, a 42% decrease.

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

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

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MFL MarMac Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

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

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

**Figure A-1**  
**Major Features of the Government-wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

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

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,434,574	8,180,575	145,534	141,541	8,580,108	8,322,116	-3%
Capital assets	2,245,638	2,743,395	17,287	15,264	2,262,925	2,758,659	22%
<b>Total assets</b>	<b>10,680,212</b>	<b>10,923,970</b>	<b>162,821</b>	<b>156,805</b>	<b>10,843,033</b>	<b>11,080,775</b>	<b>2%</b>
Long-term liabilities	612,871	596,767	-	20,792	612,871	617,559	1%
Other liabilities	4,328,947	4,875,311	5,186	13,776	4,334,133	4,889,087	13%
<b>Total liabilities</b>	<b>4,941,818</b>	<b>5,472,078</b>	<b>5,186</b>	<b>34,568</b>	<b>4,947,004</b>	<b>5,506,646</b>	<b>11%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,840,638	2,743,395	17,287	15,264	1,857,925	2,758,659	48%
Restricted	2,389,710	2,111,482	-	-	2,389,710	2,111,482	-12%
Unrestricted	1,508,046	597,015	140,348	106,973	1,648,394	703,988	-57%
<b>TOTAL NET ASSETS</b>	<b>5,738,394</b>	<b>5,451,892</b>	<b>157,635</b>	<b>122,237</b>	<b>5,896,029</b>	<b>5,574,129</b>	<b>-5%</b>

The District's combined net assets decreased by nearly 5%, or approximately \$321,900, over the prior year. The second largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$278,228 or 12% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$944,406, or 57%. This decrease in unrestricted net assets was significant, and it is a beginning result of decreased revenues for the future. A planned staff-size reduction is in correlation to student enrollment decline in order to combat this problem.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	548,365	485,319	246,282	195,509	794,647	680,828	-14%
Operating grants & contributions	1,326,142	1,825,382	220,156	231,194	1,546,298	2,056,576	33%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,812,109	2,943,761	-	-	2,812,109	2,943,761	5%
Income Surtax	294,529	311,476	-	-	294,529	311,476	6%
Statewide sales tax	494,379	506,260	-	-	494,379	506,260	2%
Unrestricted state grants	3,582,816	2,934,306	-	-	3,582,816	2,934,306	-18%
Unrestricted investment earnings	106,809	62,251	418	147	107,227	62,398	-42%
Other revenues	47,917	3,387	-	-	47,917	3,387	-93%
<b>Total Revenues</b>	<b>9,213,066</b>	<b>9,072,142</b>	<b>466,856</b>	<b>426,850</b>	<b>9,679,922</b>	<b>9,498,992</b>	<b>-2%</b>
Expenses:							
Instruction	5,786,278	6,239,761	-	-	5,786,278	6,239,761	8%
Support services	2,406,639	2,488,783	-	-	2,406,639	2,488,783	3%
Non-instructional programs	-	-	430,684	462,248	430,684	462,248	7%
Other expenditures	1,012,452	624,692	-	-	1,012,452	624,692	-38%
<b>Total expenses</b>	<b>9,205,369</b>	<b>9,353,236</b>	<b>430,684</b>	<b>462,248</b>	<b>9,636,053</b>	<b>9,815,484</b>	<b>2%</b>
<b>Change in net assets before</b>							
Contributed capital	7,697	(281,094)	36,172	(35,398)	43,869	(316,492)	-821%
Contributed capital	(13,012)	(5,408)	13,012	-	-	(5,408)	-100%
<b>CHANGE IN NET ASSETS</b>	<b>(5,315)</b>	<b>(286,502)</b>	<b>49,184</b>	<b>(35,398)</b>	<b>43,869</b>	<b>(321,900)</b>	<b>-834%</b>
Net assets beginning of year	5,743,709	5,738,394	108,451	157,635	5,852,160	5,896,029	1%
Net assets end of year	5,738,394	5,451,892	157,635	122,237	5,896,029	5,574,129	-5%

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$9,072,142 and expenses were \$9,353,236.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost Of Services 2009</b>	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2009</b>	<b>Net Cost Of Services 2010</b>
	\$	\$	\$	\$
Instruction	5,786,278	6,239,761	4,300,078	4,289,607
Support Services	2,406,639	2,488,783	2,396,749	2,485,325
Non-instructional	-	-	-	-
Other Expenses	1,012,452	624,692	634,035	267,603
<b>TOTAL</b>	<u>9,205,369</u>	<u>9,353,236</u>	<u>7,330,862</u>	<u>7,042,535</u>

The cost financed by users of the District’s programs was \$485,319.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,825,382.

The net cost of governmental activities was financed with \$3,761,497 in property and other taxes and \$2,934,306 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$426,850 and expenses were \$462,248. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,035,456, below last year’s ending fund balances of \$3,858,607.

**Governmental Fund Highlights**

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

The General Fund balance decreased from \$1,446,737 to \$837,136, due in part to the existing expenditure commitments of the District, and a gradual reduction in the overall size of the staff. This is in relation to the enrollment decline.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$667,661 in fiscal 2009 to \$601,603 in fiscal 2010. The District continued controlled spending in the PPEL Fund during the year. The purpose of this was for infrastructure and energy conservation purposes. The PPEL fund will vary from year to year based upon needs. Earlier this year the music addition debt was paid in full, making the district have no bonded indebtedness.

The Management Fund balance increased from \$1,091,654 to \$1,185,937. The purpose of this increase is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$97,221 at June 30, 2009 to \$51,364 at June 30, 2010, representing a decrease of approximately 47%. The district has continued to utilize the food cooperative offered by AEA 1.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$1,353,075 less than budgeted receipts.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested \$2.76 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$212,696.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	13,000	-	-	-	13,000	100
Buildings	1,422,250	1,885,020	-	-	1,422,250	1,885,020	33%
Improvements	439,728	411,985	-	-	439,728	411,985	-6%
Equipment & Furniture	373,660	423,390	17,287	15,264	390,947	438,654	12%
<b>TOTAL</b>	<u>2,235,638</u>	<u>2,743,395</u>	<u>17,287</u>	<u>15,264</u>	<u>2,252,925</u>	<u>2,758,659</u>	<u>22%</u>

**Long-Term Debt**

At June 30, 2010, the District had \$296,774 in capital loan notes and other long-term debt outstanding. This represents a decrease of approximately 52% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change 2009-2109
	2009 \$	2010 \$	
Capital Loan Notes	405,000	-	-100%
Termination Benefits	207,871	296,774	43%
	<u>612,871</u>	<u>296,774</u>	<u>-52%</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

School financing is highly dependent upon student enrollment. The District's September 2010 enrollment decreased by 30 students, and has decreased by 320 students since 2001. This overall drop in enrollment will decrease the District's funding for fiscal year 2010 approximately \$300,000 per year. The district can anticipate this trend to continue. Currently the enrollment is at 800, and it is expected to decline over the next three years to about 775 students. This additional decline will cause the district to lose an additional \$275,000.00. The district has increased reserves and reduced staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2011 at a cost of \$80,000. To pay for this bus, the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2010 was the first year of a three-year contract with the MFL MarMac Education Teacher Association (MEA).

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,318,056	131,384	4,449,440
Receivables:			
Property tax:			
Delinquent	150,812	-	150,812
Succeeding year	3,106,154	-	3,106,154
Accounts	17,592	4,984	22,576
Due from other governments	587,961	5,173	593,134
Capital assets, net of accumulated depreciation	2,743,395	15,264	2,758,659
	<u>10,923,970</u>	<u>156,805</u>	<u>11,080,775</u>
<b>Liabilities</b>			
Warrants issued in excess of bank balance	1,413,238	-	1,413,238
Accounts payable	73,474	-	73,474
Salaries and benefits payable	233,210	-	233,210
Deferred revenue:			
Succeeding year property tax	3,106,154	-	3,106,154
Other	49,235	13,776	63,011
Long-term liabilities:			
Portion due within one year:			
Termination benefits	84,278	-	84,278
Portion due after one year:			
Termination benefits	212,496	-	212,496
Net OPEB liability	299,993	20,792	320,785
	<u>5,472,078</u>	<u>34,568</u>	<u>5,506,646</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,743,395	15,264	2,758,659
Restricted for:			
Categorical funding	75,032	-	75,032
Management levy	889,163	-	889,163
Physical plant and equipment levy	736,507	-	736,507
Other special revenue purposes	125,451	-	125,451
Sales tax capital projects	285,328	-	285,328
Debt service	1	-	1
Unrestricted	597,015	106,973	703,988
	<u>5,451,892</u>	<u>122,237</u>	<u>5,574,129</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,871,001	166,261	1,067,351	-
Special	937,527	17,734	205,334	-
Other	1,431,233	297,866	195,608	-
	<u>6,239,761</u>	<u>481,861</u>	<u>1,468,293</u>	<u>-</u>
Support services:				
Student	95,934	-	-	-
Instructional staff	152,846	-	-	-
Administration	1,021,480	-	-	-
Operation and maintenance of plant	764,010	25	-	-
Transportation	454,513	3,433	-	-
	<u>2,488,783</u>	<u>3,458</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	133,860	-	-	-
Long-term debt interest	13,704	-	-	-
AEA flowthrough	357,089	-	357,089	-
Depreciation (unallocated)*	120,039	-	-	-
	<u>624,692</u>	<u>-</u>	<u>357,089</u>	<u>-</u>
Total governmental activities	<u>9,353,236</u>	<u>485,319</u>	<u>1,825,382</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	446,529	169,331	231,194	-
Preschool	15,719	26,178	-	-
Total business type activities	<u>462,248</u>	<u>195,509</u>	<u>231,194</u>	<u>-</u>
Total	<u>9,815,484</u>	<u>680,828</u>	<u>2,056,576</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other revenues				
Total general revenues				
contributed capital				
Total general revenues and contributed capital				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,637,389)	-	(2,637,389)
(714,459)	-	(714,459)
(937,759)	-	(937,759)
<u>(4,289,607)</u>	<u>-</u>	<u>(4,289,607)</u>
(95,934)	-	(95,934)
(152,846)	-	(152,846)
(1,021,480)	-	(1,021,480)
(763,985)	-	(763,985)
(451,080)	-	(451,080)
<u>(2,485,325)</u>	<u>-</u>	<u>(2,485,325)</u>
(133,860)	-	(133,860)
(13,704)	-	(13,704)
-	-	-
(120,039)	-	(120,039)
<u>(267,603)</u>	<u>-</u>	<u>(267,603)</u>
<u>(7,042,535)</u>	<u>-</u>	<u>(7,042,535)</u>
-	(46,004)	(46,004)
-	10,459	10,459
<u>-</u>	<u>(35,545)</u>	<u>(35,545)</u>
<u>(7,042,535)</u>	<u>(35,545)</u>	<u>(7,078,080)</u>
2,688,483	-	2,688,483
255,278	-	255,278
311,476	-	311,476
506,260	-	506,260
2,934,306	-	2,934,306
62,251	147	62,398
3,387	-	3,387
<u>6,761,441</u>	<u>147</u>	<u>6,761,588</u>
<u>(5,408)</u>	<u>-</u>	<u>(5,408)</u>
<u>6,756,033</u>	<u>147</u>	<u>6,756,180</u>
(286,502)	(35,398)	(321,900)
<u>5,738,394</u>	<u>157,635</u>	<u>5,896,029</u>
<u>5,451,892</u>	<u>122,237</u>	<u>5,574,129</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	2,347,439	1,144,454	617,823	208,340	4,318,056
Receivables:					
Property tax:					
Delinquent	134,738	10,982	5,092	-	150,812
Succeeding year	2,667,370	193,000	245,784	-	3,106,154
Accounts	-	-	-	1,592	1,592
Interfund receivable	16,000	30,501	-	50,000	96,501
Due from other governments	301,597	-	134,904	151,460	587,961
<b>Total assets</b>	<b>5,467,144</b>	<b>1,378,937</b>	<b>1,003,603</b>	<b>411,392</b>	<b>8,261,076</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Warrants issued in excess of bank balance	1,413,238	-	-	-	1,413,238
Accounts payable	51,550	-	21,312	612	73,474
Salaries and benefits payable	233,210	-	-	-	233,210
Interfund payable	80,501	-	-	-	80,501
Deferred revenue:					
Succeeding year property tax	2,667,370	193,000	245,784	-	3,106,154
Income surtax	134,904	-	134,904	-	269,808
Other	49,235	-	-	-	49,235
Total liabilities	4,630,008	193,000	402,000	612	5,225,620
Fund balances:					
Reserved for:					
Categorical funding	75,032	-	-	-	75,032
Debt service	-	-	-	1	1
Unreserved reported in:					
General fund	762,104	-	-	-	762,104
Special revenue funds	-	1,185,937	601,603	125,451	1,912,991
Capital projects funds	-	-	-	285,328	285,328
Total fund balances	837,136	1,185,937	601,603	410,780	3,035,456
<b>Total liabilities and fund balances</b>	<b>5,467,144</b>	<b>1,378,937</b>	<b>1,003,603</b>	<b>411,392</b>	<b>8,261,076</b>

## MFL MARMAC 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>	3,035,456
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,743,395
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	269,808
Long-term liabilities, including 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>(596,767)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,451,892</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,631,285	202,619	400,699	506,260	3,740,863
Tuition	139,533	-	-	-	139,533
Other	79,928	19,948	6,966	301,195	408,037
State sources	3,860,150	111	148	-	3,860,409
Federal sources	899,279	-	-	-	899,279
Total revenues	<u>7,610,175</u>	<u>222,678</u>	<u>407,813</u>	<u>807,455</u>	<u>9,048,121</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,590,153	7,119	-	-	3,597,272
Special	875,152	-	-	-	875,152
Other	1,153,326	-	-	277,907	1,431,233
	<u>5,618,631</u>	<u>7,119</u>	<u>-</u>	<u>277,907</u>	<u>5,903,657</u>
Support services:					
Student	95,078	-	-	-	95,078
Instructional staff	140,965	-	-	-	140,965
Administration	1,019,805	-	-	-	1,019,805
Operation and maintenance of plant	578,745	121,276	40,000	-	740,021
Transportation	412,850	-	82,410	-	495,260
	<u>2,247,443</u>	<u>121,276</u>	<u>122,410</u>	<u>-</u>	<u>2,491,129</u>
Other expenditures:					
Facilities acquisition	-	-	193,875	508,051	701,926
Long-term debt:					
Principal	-	-	-	405,000	405,000
Interest and fiscal charges	-	-	-	15,858	15,858
AEA flowthrough	357,089	-	-	-	357,089
	<u>357,089</u>	<u>-</u>	<u>193,875</u>	<u>928,909</u>	<u>1,479,873</u>
Total expenditures	<u>8,223,163</u>	<u>128,395</u>	<u>316,285</u>	<u>1,206,816</u>	<u>9,874,659</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Management Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>(612,988)</u>	<u>94,283</u>	<u>91,528</u>	<u>(399,361)</u>	<u>(826,538)</u>
Other financing sources (uses):					
Sales of materials and equipment	3,387	-	-	-	3,387
Operating transfers in	-	-	-	420,858	420,858
Operating transfers out	-	-	(157,586)	(263,272)	(420,858)
Total other financing sources (uses)	<u>3,387</u>	<u>-</u>	<u>(157,586)</u>	<u>157,586</u>	<u>3,387</u>
Net change in fund balances	(609,601)	94,283	(66,058)	(241,775)	(823,151)
Fund balances beginning of year	<u>1,446,737</u>	<u>1,091,654</u>	<u>667,661</u>	<u>652,555</u>	<u>3,858,607</u>
Fund balances end of year	<u><u>837,136</u></u>	<u><u>1,185,937</u></u>	<u><u>601,603</u></u>	<u><u>410,780</u></u>	<u><u>3,035,456</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(823,151)
<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	713,838	
Disposal of assets with remaining basis	(5,408)	
Depreciation expense	<u>(210,673)</u>	497,757
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		20,634
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.		405,000
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.		2,154
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	(88,903)	
Other postemployment benefits	<u>(299,993)</u>	<u>(388,896)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(286,502)</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	131,384
Accounts receivable	4,984
Due from other governments	5,173
Capital assets, net of accumulated depreciation	<u>15,264</u>
<b>Total assets</b>	<u>156,805</u>
<b>Liabilities</b>	
Deferred revenue	13,776
Net OPEB liability	<u>20,792</u>
<b>Total liabilities</b>	<u>34,568</u>
<b>Net assets</b>	
Invested in capital assets	15,264
Unrestricted	<u>106,973</u>
<b>Total net assets</b>	<u><u>122,237</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>195,509</u>
Operating expenses:	
Non-instructional programs:	
Salaries	176,825
Benefits	78,247
Purchased services	3,535
Supplies	201,618
Depreciation	<u>2,023</u>
Total operating expenses	<u>462,248</u>
Operating gain (loss)	<u>(266,739)</u>
Non-operating revenues:	
State sources	4,335
Federal sources	226,859
Interest income	147
Total non-operating revenues	<u>231,341</u>
Change in net assets	(35,398)
Net assets beginning of year	<u>157,635</u>
Net assets end of year	<u><u>122,237</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	185,400
Cash received from preschool services	26,178
Cash payments to employees for services	(234,280)
Cash payments to suppliers for goods or services	<u>(167,028)</u>
Net cash used by operating activities	<u>(189,730)</u>
Cash flows from non-capital financing activities:	
State grants received	4,335
Federal grants received	<u>188,957</u>
Net cash provided by non-capital financing activities	<u>193,292</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>147</u>
Net increase (decrease) in cash and cash equivalents	3,709
Cash and cash equivalents at beginning of year	<u>127,675</u>
Cash and cash equivalents at end of year	<u><u>131,384</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(266,739)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	37,902
Depreciation	2,023
Decrease (increase) in inventories	223
Decrease (increase) in accounts receivable	7,479
(Decrease) increase in deferred revenue	8,590
(Decrease) increase in other postemployment benefits	<u>20,792</u>
Net cash used by operating activities	<u><u>(189,730)</u></u>

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

During the year ended June 30, 2010, the District received \$37,902 of federal commodities.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	188,857
Due from other governments	<u>15,386</u>
<b>Total assets</b>	<u>204,243</u>
<b>Liabilities</b>	
Accounts payable	18,354
Interfund payable	16,000
Other payables	<u>169,889</u>
<b>Total liabilities</b>	<u>204,243</u>
<b>Net assets</b>	<u><u>-</u></u>

# MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 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
		\$
General Fund	Agency Fund	16,000
Nonmajor Capital Projects Fund	General Fund	50,000
Management Fund	General Fund	30,501

Interfund payables are temporary loans to be repaid by Oct 1, 2010 with interest.

#### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Major Property Plant Equipment Fund	157,586
Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	263,272

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

#### 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	-	13,000	-	13,000
Total capital assets not being depr.	10,000	13,000	-	23,000
Capital assets being depreciated:				
Buildings	4,401,279	543,505	-	4,944,784
Improvements other than buildings	606,091	11,561	-	617,652
Furniture and equipment	1,481,096	145,772	50,400	1,576,468
Total capital assets being deprec.	6,488,466	700,838	50,400	7,138,904
Less accumulated depreciation for:				
Buildings	2,979,029	80,735	-	3,059,764
Improvements other than buildings	166,363	39,304	-	205,667
Furniture and equipment	1,107,436	90,634	44,992	1,153,078
Total accumulated depreciation	4,252,828	210,673	44,992	4,418,509
Total capital assets being depreciated, net	2,235,638	490,165	5,408	2,720,395
Governmental activities capital assets, net	2,245,638	503,165	5,408	2,743,395

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	82,059	-	-	82,059
Less accumulated depreciation	<u>64,772</u>	<u>2,023</u>	<u>-</u>	<u>66,795</u>
Business type activities capital assets, net	<u>17,287</u>	<u>(2,023)</u>	<u>-</u>	<u>15,264</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	15,523
Support services:	
Student support	856
Administration services	10,496
Operation and maintenance of plant services	3,197
Transportation	<u>60,562</u>
	90,634
Unallocated depreciation	<u>120,039</u>
Total depreciation expense – governmental activities	<u>210,673</u>
Business type activities:	
Food services	<u>2,023</u>

## 6. 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:					
Capital loan notes	405,000	-	405,000	-	-
Termination benefits	207,871	152,563	63,660	296,774	84,278
Net OPEB liability	<u>-</u>	<u>299,993</u>	<u>-</u>	<u>299,993</u>	<u>-</u>
Total	<u>612,871</u>	<u>452,556</u>	<u>468,660</u>	<u>596,767</u>	<u>84,278</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>20,792</u>	<u>-</u>	<u>20,792</u>	<u>-</u>

### Termination Benefit

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

At June 30, 2010, the District has obligations to seventeen participants with a total liability of \$296,774. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$63,660.

**7. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% 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 \$353,915, \$336,799 and \$310,429 respectively, equal to the required contributions for each year.

**8. 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 102 active and 8 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	369,492
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>369,492</u>
Contributions made	<u>48,707</u>
Increase in net OPEB obligation	320,785
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>320,785</u></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 \$48,707 to the medical plan.

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	369,492	13	320,785

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 \$2,984,054, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,984,054. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,100,000, and the ratio of the UAAL to covered payroll was 73%. 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%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

## 9. Risk Management

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

## 10. 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 \$357,089 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.

## 11. 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>
	\$
Teacher salary supplement	25,756
Educator quality, professional development	46,798
Teacher mentoring	2,251
Vocational aid	227
	<u>75,032</u>

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,288,433	195,656	4,484,089	4,828,358	4,828,358	(344,269)
State sources	3,860,409	4,335	3,864,744	5,281,688	5,281,688	(1,416,944)
Federal sources	899,279	226,859	1,126,138	718,000	718,000	408,138
Total revenues	<u>9,048,121</u>	<u>426,850</u>	<u>9,474,971</u>	<u>10,828,046</u>	<u>10,828,046</u>	<u>(1,353,075)</u>
Expenditures/Expenses:						
Instruction	5,903,657	-	5,903,657	6,125,000	6,125,000	221,343
Support services	2,491,129	-	2,491,129	2,915,300	2,915,300	424,171
Non-instructional programs	-	462,248	462,248	525,000	525,000	62,752
Other expenditures	1,479,873	-	1,479,873	2,259,958	2,259,958	780,085
Total expenditures/expenses	<u>9,874,659</u>	<u>462,248</u>	<u>10,336,907</u>	<u>11,825,258</u>	<u>11,825,258</u>	<u>1,488,351</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(826,538)	(35,398)	(861,936)	(997,212)	(997,212)	135,276
Other financing sources (uses) net	<u>3,387</u>	<u>-</u>	<u>3,387</u>	<u>64,958</u>	<u>64,958</u>	<u>(61,571)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(823,151)	(35,398)	(858,549)	(932,254)	(932,254)	73,705
Balance beginning of year	<u>3,858,607</u>	<u>157,635</u>	<u>4,016,242</u>	<u>4,134,302</u>	<u>4,134,302</u>	<u>(118,060)</u>
Balance end of year	<u><u>3,035,456</u></u>	<u><u>122,237</u></u>	<u><u>3,157,693</u></u>	<u><u>3,202,048</u></u>	<u><u>3,202,048</u></u>	<u><u>(44,355)</u></u>

MFL MARMAC 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 on a GAAP basis.

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

During the year ended June 30, 2010, expenditures did not exceed the amount budgeted.

MFL MARMAC 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	-	2,984,054	2,984,054	0.0%	4,100,000	72.8%

See Note 8 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

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

<b>Assets</b>	Special Revenue Funds	Capital Projects	Debt Service	Total
	Student Activity	Sales and Services Tax		
	\$	\$	\$	\$
Cash and pooled investments	124,471	83,868	1	208,340
Receivables:				
Accounts	1,592	-	-	1,592
Interfund receivable/payable	-	50,000	-	50,000
Due from other governments	-	151,460	-	151,460
<b>Total assets</b>	<u>126,063</u>	<u>285,328</u>	<u>1</u>	<u>411,392</u>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	612	-	-	612
Fund balances:				
Reserved for debt service	-	-	1	1
Unreserved reported in:				
Special revenue funds	125,451	-	-	125,451
Capital projects funds	-	285,328	-	285,328
Total fund balances	<u>125,451</u>	<u>285,328</u>	<u>1</u>	<u>410,780</u>
<b>Total liabilities and fund balances</b>	<u>126,063</u>	<u>285,328</u>	<u>1</u>	<u>411,392</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Reveue Funds	Capital Projects		
	Student Activity	Sales and Services Tax	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	506,260	-	506,260
Other	295,362	5,833	-	301,195
Total revenues	<u>295,362</u>	<u>512,093</u>	<u>-</u>	<u>807,455</u>
Expenditures:				
Current:				
Instruction:				
Other	277,907	-	-	277,907
Other expenditures:				
Facilities acquisition	-	508,051	-	508,051
Long-term debt:				
Principal	-	-	405,000	405,000
Interest and fiscal charges	-	-	15,858	15,858
Total expenditures	<u>277,907</u>	<u>508,051</u>	<u>420,858</u>	<u>1,206,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,455</u>	<u>4,042</u>	<u>(420,858)</u>	<u>(399,361)</u>
Other financing sources (uses):				
Operating transfers in	-	-	420,858	420,858
Operating transfers out	-	(263,272)	-	(263,272)
Total other financing sources (uses)	<u>-</u>	<u>(263,272)</u>	<u>420,858</u>	<u>157,586</u>
Net changes in fund balances	17,455	(259,230)	-	(241,775)
Fund balances beginning of year	<u>107,996</u>	<u>544,558</u>	<u>1</u>	<u>652,555</u>
Fund balances end of year	<u><u>125,451</u></u>	<u><u>285,328</u></u>	<u><u>1</u></u>	<u><u>410,780</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2010

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Preschool</u>	
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	60,511	70,873	131,384
Accounts receivable	4,984	-	4,984
Inventories	5,173	-	5,173
Capital assets, net of accumulated depreciation	<u>15,264</u>	<u>-</u>	<u>15,264</u>
<b>Total assets</b>	<u>85,932</u>	<u>70,873</u>	<u>156,805</u>
<b>Liabilities</b>			
Net OPEB liability	20,792	-	20,792
Deferred revenue	<u>13,776</u>	<u>-</u>	<u>13,776</u>
<b>Total liabilities</b>	<u>34,568</u>	<u>-</u>	<u>34,568</u>
<b>Net assets</b>			
Invested in capital assets	15,264	-	15,264
Unrestricted	<u>36,100</u>	<u>70,873</u>	<u>106,973</u>
<b>Total net assets</b>	<u>51,364</u>	<u>70,873</u>	<u>122,237</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Preschool</u>	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	<u>169,331</u>	<u>26,178</u>	<u>195,509</u>
Operating expenses:			
Non-instructional programs:			
Salaries	164,178	12,647	176,825
Benefits	75,175	3,072	78,247
Purchased services	3,535	-	3,535
Supplies	201,618	-	201,618
Depreciation	2,023	-	2,023
Total operating expenses	<u>446,529</u>	<u>15,719</u>	<u>462,248</u>
Operating gain (loss)	<u>(277,198)</u>	<u>10,459</u>	<u>(266,739)</u>
Non-operating revenues:			
State sources	4,335	-	4,335
Federal sources	226,859	-	226,859
Interest income	147	-	147
Total non-operating revenues	<u>231,341</u>	<u>-</u>	<u>231,341</u>
Change in net assets	(45,857)	10,459	(35,398)
Net assets beginning of year	<u>97,221</u>	<u>60,414</u>	<u>157,635</u>
Net assets end of year	<u><u>51,364</u></u>	<u><u>70,873</u></u>	<u><u>122,237</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	185,400	-	185,400
Cash received from preschool services	-	26,178	26,178
Cash payments to employees for services	(218,561)	(15,719)	(234,280)
Cash payments to suppliers for goods or services	(167,028)	-	(167,028)
Net cash provided by (used by) operating activities	(200,189)	10,459	(189,730)
Cash flows from non-capital financing activities:			
State grants received	4,335	-	4,335
Federal grants received	188,957	-	188,957
Net cash provided by non-capital financing activities	193,292	-	193,292
Cash flows from capital and related financing activities			
	-	-	-
Cash flows from investing activities:			
Interest on investments	147	-	147
Net increase (decrease) in cash and cash equivalents	(6,750)	10,459	3,709
Cash and cash equivalents at beginning of year	67,261	60,414	127,675
Cash and cash equivalents at end of year	60,511	70,873	131,384
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(277,198)	10,459	(266,739)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	37,902	-	37,902
Depreciation	2,023	-	2,023
Decrease (increase) in inventories	223	-	223
Decrease (increase) in accounts receivable	7,479	-	7,479
(Decrease) increase in deferred revenue	8,590	-	8,590
Increase in other postemployment benefits	20,792	-	20,792
Net cash provided by (used by) operating activities	(200,189)	10,459	(189,730)

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Clearing acct. interest	-	423	-	(423)	-
Fine arts	5,076	9,447	14,172	-	351
Middle school drama	553	605	663	-	495
Band	273	13,985	11,590	-	2,668
Girls basketball	-	13,126	14,289	1,163	-
General athletics	-	13,515	12,453	(1,462)	(400)
MS athletic equipment fund balance	127	-	-	-	127
MS athletic sup. fund balance	-	140	3,292	3,152	-
MS athletic fundraising fund balance	622	-	-	-	622
MS volleyball	1,569	366	687	-	1,248
Boys basketball (2013-2014)	964	-	517	-	447
2016 & 2017 boys basketball	638	96	491	-	243
MS track activities fund balance	86	678	580	-	184
Cross country	-	620	425	(195)	-
Cross country activities	272	465	412	-	325
Golf	-	30	991	961	-
Golf activities	15	464	454	-	25
2013 Girls basketball fund	172	-	-	-	172
Bulldog basketball club activities	4,527	10,943	9,940	-	5,530
Boys basketball	-	8,664	7,027	(1,637)	-
Football	-	6,619	4,578	(2,041)	-
Football activities fund balance	1,678	8,224	7,769	-	2,133
Youth football club	178	1,191	1,202	-	167
Baseball fund balance	(521)	1,198	3,089	2,221	(191)
Baseball activities	304	-	149	-	155
Boys track	-	1,833	1,957	124	-
Wrestling fund balance	-	4,443	7,342	2,899	-
Wrestling club fund balance	305	7,852	9,116	1,262	303
Youth wrestling	-	29,144	24,048	(1,262)	3,834
Volleyball fund balance	-	2,111	2,148	37	-
Bulldog volleyball club balance	361	670	483	-	548
Softball fund balance	(406)	2,821	4,850	1,535	(900)
Softball activities fund balance	315	2,990	2,206	-	1,099
Girls track fund	(1,992)	3,326	1,609	275	-
Girls track activities	152	262	250	-	164
Cheerleaders	1,194	8,540	9,606	-	128
Dance team fund balance	227	-	138	-	89
MS cheerleaders fund balance	378	11	-	(389)	-
Other unreserved fund balance M.S. 3M	3,587	500	3,164	-	923

See accompanying independent auditor's report.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Speech & drama activities	-	535	535	-	-
FFA	(2,380)	30,579	18,977	-	9,222
High school student council	3,104	8,802	7,885	-	4,021
Middle school student council	104	-	-	390	494
Young Americans	227	5,895	4,739	-	1,383
Middle school peer helpers	-	27	26	-	1
High school peer helpers	304	228	154	-	378
Class of 2016	-	21,073	13,554	-	7,519
Class of 2015	5,524	6,657	11,624	-	557
Class of 2014	-	4,238	3,391	(750)	97
Class of 2013	1,639	105	31	-	1,713
Class of 2007	(1,423)	-	-	1,423	-
Class of 2009	2,634	-	634	(2,000)	-
Class of 2010	3,511	3,985	4,791	(2,000)	705
Class of 2011	535	14,746	13,722	-	1,559
Class of 2012	1,948	-	55	-	1,893
Music resale	(329)	662	730	396	(1)
Yearbook	13,749	12,150	13,626	4,000	16,273
Student activity tickets	23,569	1,868	1,741	(7,806)	15,890
Elem. fund raising	10,125	10,087	6,967	-	13,245
M.S. fund raising	1,188	7,245	6,585	750	2,598
HS fund raising	5,195	3,266	3,354	-	5,107
MS class trips	1,670	-	1,421	-	249
Electrathon team	-	80	-	-	80
Pepsi machine (M)	-	3,930	3,809	(121)	-
Pepsi (McG)	-	2,187	1,685	(502)	-
FFA savings	20,776	123	-	-	20,899
Cash on hand	100	-	-	-	100
Ending accruals	-	1,592	612	-	980
Beginning accruals	(4,428)	-	(4,428)	-	-
<b>Total</b>	<b>107,996</b>	<b>295,362</b>	<b>277,907</b>	<b>-</b>	<b>125,451</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2010

	Hawc Empowerment	Little Bulldog Childcare	Dr Smith Childcare Center	Employee Memorial	Regional Superintendent	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	156,289	(1,299)	-	(101)	-	154,889
Additions:						
Collections	871,501	173,551	50,851	450	410	1,096,763
Deductions:						
Miscellaneous	<u>820,715</u>	<u>197,250</u>	<u>63,289</u>	<u>275</u>	<u>234</u>	<u>1,081,763</u>
Balance end of year	<u><u>207,075</u></u>	<u><u>(24,998)</u></u>	<u><u>(12,438)</u></u>	<u><u>74</u></u>	<u><u>176</u></u>	<u><u>169,889</u></u>

## MFL MARMAC 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	3,740,863	3,576,842	3,419,092	3,418,679	3,280,104	3,317,657	2,799,270
Tuition	139,533	180,640	175,375	141,766	145,874	120,848	125,357
Other	408,037	581,451	625,741	608,135	481,720	437,260	416,695
Intermediate sources	-	1,000	-	1,151	2,441	-	4,265
State sources	3,860,409	4,543,606	4,550,235	4,382,392	4,202,997	4,160,293	3,986,806
Federal sources	899,279	305,353	243,652	215,634	204,975	241,235	336,641
Total revenues	<u>9,048,121</u>	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>	<u>7,669,034</u>
Expenditures:							
Instruction:							
Regular	3,597,272	3,382,648	3,169,523	3,275,897	3,060,145	2,962,300	2,934,875
Special	875,152	1,119,005	958,194	786,879	764,176	750,216	914,195
Other	1,431,233	1,297,396	1,176,705	1,090,837	941,952	884,218	608,974
Support services:							
Student	95,078	100,377	231,868	226,374	237,145	298,729	277,687
Instructional staff	140,965	142,376	137,531	140,152	143,944	133,498	180,711
Administration	1,019,805	937,912	869,170	828,117	780,254	848,247	833,883
Operation and maintenance	740,021	724,526	743,054	663,532	626,690	572,891	429,801
Transportation	495,260	533,481	504,467	444,979	469,674	380,805	343,605
Non-instructional programs	-	-	4,000	-	-	8,254	1,748
Other expenditures:							
Facilities acquisition	701,926	733,599	357,812	569,506	388,504	577,333	913,215
Long-term debt:							
Principal	405,000	90,000	210,000	105,000	100,000	100,000	15,000
Interest and other charges	15,858	15,562	21,529	26,576	29,361	32,198	34,878
AEA flowthrough	357,089	318,417	313,344	304,120	294,529	294,915	296,974
Total expenditures	<u>9,874,659</u>	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</u>	<u>7,785,546</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	34,931
National School Lunch Program (non-cash)	10.555	FY10	37,902
National School Lunch Program	10.555	FY10	154,025
			<u>226,858</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	109,504
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	74,778
			<u>184,282</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,449
Improving Teacher Quality State Grants	84.367	FY10	32,685
Grants for State Assessments and Related Activities	84.369	FY10	5,746
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	466,166
Keystone Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	46,429
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	77,719
			<u>124,148</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	2,617
Northeast Iowa Community College:			
Tech-Prep Education	84.243	FY10	1,000
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
ARRA - Child Care and Development Block Grant, Recovery Act	93.713	FY10	391
Total			<u><u>1,045,342</u></u>

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

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

Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 28, 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 MFL MarMac Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MFL MarMac Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MFL MarMac Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses

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 II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of MFL MarMac Community School District and other parties to whom MFL MarMac Community School District may report, including federal awarding agencies and pass-through entities, 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 MFL MarMac Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 28, 2011

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

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

Compliance

We have audited MFL MarMac Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of MFL MarMac Community School District's major federal programs for the year ended June 30, 2010. MFL MarMac Community School District's major federal programs are identified in the summary of auditors results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of MFL MarMac Community School District's management. Our responsibility is to express an opinion on MFL MarMac Community School District's compliance based on our audit.

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

In our opinion, MFL MarMac Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of MFL MarMac Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MFL MarMac Community School District's internal control over compliance with requirements that could have a direct

and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MFL MarMac Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

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

April 28, 2011

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
  - Special Education Cluster (IDEA):
    - CFDA Number 84.027 – Special Education – Grants to States
    - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MFL MarMac Community School District did not qualify as a low-risk auditee.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-IV-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-IV-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-IV-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 10-IV-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-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 10-IV-G Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2009, was over stated by one student.
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We will contact these departments.
- Conclusion: Response accepted.
- 10-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 10-IV-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-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-IV-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, and then were reclassified as categorical spending at the end of the year.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

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

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

Conclusion: Response accepted.

10-IV-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 except as noted on comment 10-IV-N.

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		544,558
Statewide sales, services and use tax		506,260
Other income		5,833
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	508,051	
Debt service for school infrastructure:		
General obligation debt	263,272	771,323
Ending balance		<u>285,328</u>

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
	\$	\$
Physical plant and equipment levy	.9230	242,988
Debt service levy	1.1251	263,272

10-IV-M Deficit Balances: The Student Activity Fund has a few accounts with deficit balances.

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

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

Conclusion: Response accepted.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-N Capital Projects Statewide Sales, Services and Use Tax: We noted that the Statewide Sales, Services and Use Tax Fund was used to purchase equipment and furnishings costing less than \$500 per item.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Statewide Sales, Services and Use Tax Fund for the purchases.

District Response: We will monitor the expenditures from this fund in the future.

Conclusion: Response accepted.

10-IV-O 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 loans and the loans must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.

District Response: We will review our procedures for interfund loans and will follow the declaratory order.

Conclusion: Response accepted.

10-IV-P GASB 51: As of June 30, 2010 the district had not adopted a written policy for capitalization levels for GASB Statement No. 51, Accounting and Reporting for Intangible Assets.

Recommendation: The District should adopt a policy for the capitalization threshold of intangible assets.

District Response: We will adopt a policy in the near future for the capitalization of intangible assets.

Conclusion: Response accepted.