

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

JUNE 30, 2011

## Contents

	<u>Page</u>	
Officials	3	
Independent Auditor's Report	5-6	
Management's Discussion and Analysis	7-16	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	18	A
Statement of Activities	19	B
Governmental Fund Financial Statements:		
Balance Sheet	20	C
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	21	D
Statement of Revenues, Expenditures and Changes in Fund Balances	22	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	23	F
Proprietary Fund Financial Statements:		
Statement of Net Assets	24	G
Statement of Revenues, Expenses and Changes in Net Assets	25	H
Statement of Cash Flows	26	I
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	27	J
Statement of Changes in Fiduciary Net Assets	28	K
Notes to Financial Statements	29-42	
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	44	
Notes to Required Supplementary Information - Budgetary Reporting	45	
Schedule of Funding Progress for Retiree Health Plan	46	
Other Supplementary Information:		<u>Schedule</u>
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	48	1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	49	2
Capital Projects Funds:		
Combining Balance Sheet	50	3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51	4
Schedule of Changes in Special Revenue Funds, Student Activity Accounts	52-53	5
Schedule of Changes in Special Revenue Fund, Support Trust Accounts	54	6
Fiduciary Fund, Private Purpose Trust:		
Combining Balance Sheet	55	7
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	56	8
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	57	9
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund	58	10
Schedule of Expenditures of Federal Awards	59-60	11
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 <u>Government Auditing Standards</u>	61-62	
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	63-64	
Schedule of Findings and Questioned Costs	65-70	

Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Bill Schwenker	President	2011
Mark Pape	Vice President	2011
Marty Hudrlik	Board Member	2013
Anne Pitcher Hawks	Board Member	2011
Brian Tabor	Board Member	2013
<b>School Officials</b>		
Kim Huckstadt	Superintendent	2011
Barbara McKeon	District Secretary/Treasurer and Business Manager	2011
Steve Kahler	Attorney	2011

MAQUOKETA COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2012 on our consideration of Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for nine years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2012

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

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Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$15,616,812 in fiscal 2010 to \$16,757,533 in fiscal 2011, while General Fund expenditures decreased from \$16,275,992 in fiscal 2010 to \$16,178,695 in fiscal 2011. This resulted in a increase in the District's General Fund balance from \$1,233,387 in fiscal 2010 to a balance of \$1,812,225 in fiscal 2011, a 46.93% increase from the prior year.
- The increase in General Fund revenues was attributable primarily to an increase in state sources in fiscal 2011. The decrease in expenditures was due primarily to the decrease in expenditures in all functional areas.
- The District received \$1,016,235 from the State's Secure and Advanced Vision for Education Fund for fiscal year 2011. The proceeds may be used for purposes identified in the voter approved Revenue Purpose Statement on Sept. 9, 2008.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

**Figure A-1**  
**Maquoketa Community School District Annual Financial Report**

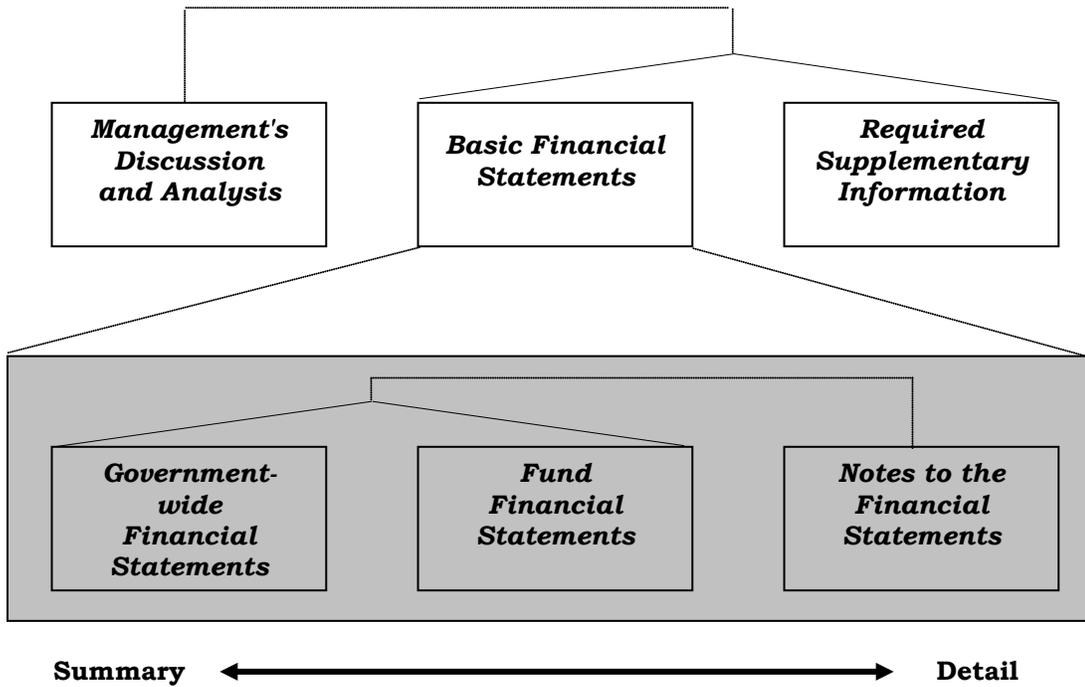


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 15,887,880	13,833,946	118,543	131,990	16,006,423	13,965,936	14.61%
Capital assets	13,347,426	13,470,854	143,103	144,874	13,490,529	13,615,728	-0.92%
Total assets	29,235,306	27,304,800	261,646	276,864	29,496,952	27,581,664	6.94%
Long-term liabilities	5,496,332	5,819,617	2,037	1,432	5,498,369	5,821,049	-5.54%
Other liabilities	6,946,178	6,111,674	12,408	10,618	6,958,586	6,122,292	13.66%
Total liabilities	12,442,510	11,931,291	14,445	12,050	12,456,955	11,943,341	4.30%
Net assets:							
Invested in capital assets, net of related debt	8,097,426	7,940,194	143,103	144,874	8,240,529	8,085,068	1.92%
Restricted	3,470,601	3,046,613	-	-	3,470,601	3,046,613	13.92%
Unrestricted	5,224,769	4,386,702	104,098	119,940	5,328,867	4,506,642	18.24%
Total net assets	\$ 16,792,796	15,373,509	247,201	264,814	17,039,997	15,638,323	8.96%

The District's combined net assets increased by 8.96% or \$1,401,674 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$423,988 or 13.92% over the prior year. The increase was primarily due to the increase in the Capital Projects Fund reserve balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement - increased \$822,225 or 18.24%. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,957,757	1,986,070	272,543	282,442	2,230,300	2,268,512	-1.68%
Operating grant, contributions and restricted interest	2,231,172	4,009,465	477,846	513,424	2,709,018	4,522,889	-40.10%
Capital grants, contributions and restricted interest	238,289	97,440	-	-	238,289	97,440	144.55%
General revenues:							
Property tax	4,160,401	4,079,661	-	-	4,160,401	4,079,661	1.98%
Income surtax	646,373	647,424	-	-	646,373	647,424	-0.16%
Statewide sales, services and use tax	1,016,235	856,444	-	-	1,016,235	856,444	18.66%
Unrestricted state grants	8,349,282	5,802,794	-	-	8,349,282	5,802,794	43.88%
Nonspecific program federal grants	215,564	-	-	-	215,564	-	100.00%
Unrestricted investment earnings	33,342	54,212	146	166	33,488	54,378	-38.42%
Other	165,803	246,787	3,108	-	168,911	246,787	-31.56%
Transfers	(17,550)	-	17,550	-	-	-	0.00%
Total revenues	18,996,668	17,780,297	771,193	796,032	19,767,861	18,576,329	6.41%
Program expenses:							
Governmental activities:							
Instruction	11,546,463	11,741,682	-	-	11,546,463	11,741,682	-1.66%
Support services	4,816,896	4,699,997	29,655	37,893	4,846,551	4,737,890	2.29%
Non-instructional programs	-	-	759,151	757,492	759,151	757,492	0.22%
Other expenses	1,214,022	1,425,763	-	-	1,214,022	1,425,763	-14.85%
Total expenses	17,577,381	17,867,442	788,806	795,385	18,366,187	18,662,827	-1.59%
Changes in net assets	1,419,287	(87,145)	(17,613)	647	1,401,674	(86,498)	-1720.47%
Net assets beginning of year	15,373,509	15,460,654	264,814	264,167	15,638,323	15,724,821	-0.55%
Net assets end of year	\$ 16,792,796	15,373,509	247,201	264,814	17,039,997	15,638,323	8.96%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, unrestricted state grants, and nonspecific program federal grants account for 75.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.30% of the revenue from business type activities.

The District's total revenues, net transfers were approximately \$19.77 million of which approximately \$19.00 million was for governmental activities and approximately \$0.77 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.41% increase in revenues and a 1.59% decrease in expenses. The increases in revenues were related to the unrestricted state grants which increased by \$2,546,488.

### Governmental Activities

Revenues for governmental activities were \$18,996,668 and expenses were \$17,577,381 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 11,546,463	11,741,682	-1.66%	8,441,516	6,395,845	31.98%
Support services	4,816,896	4,699,997	2.49%	4,122,381	4,568,438	-9.76%
Other expenses	1,214,022	1,425,763	-14.85%	586,266	810,184	-27.64%
Totals	<u>\$ 17,577,381</u>	<u>17,867,442</u>	<u>-1.62%</u>	<u>13,150,163</u>	<u>11,774,467</u>	<u>11.68%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,957,757.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,469,461.
- The net cost of governmental activities was financed with \$4,806,774 in local taxes, \$1,016,235 in statewide sales, services and use tax, \$8,349,282 in unrestricted state grants, \$215,564 in nonspecific program federal grants, \$33,342 in interest income and \$148,253 in other revenues net of transfers.

### Business Type Activities

Revenues, including transfers of the District's business type activities were \$771,193 and expenses were \$788,806. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,316,358, above last year's ending fund balances of \$4,396,940. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increased fund balance in the General Fund.

### **Governmental Fund Highlights**

- The District's General Fund balance increased from \$1,233,387 on June 30, 2010 to \$1,812,225 on June 30, 2011. The increase in the District's General Fund financial position is the product of many factors. Increase in local and state revenues led to an increase in revenues. The decrease in expenditures was due to the reductions of the expenditures in the instruction and support services expenditures. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Capital Projects Accounts now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB Statement No. 54. The Capital Projects accounts balance overall increased from \$1,611,598 in fiscal 2010 to \$1,992,429 fiscal 2011. Revenues for the Capital Projects: Statewide Sales, Services and Use Tax Fund decreased by \$268,441 and expenditures decreased by \$213,544. Physical Plant and Equipment Levy revenues decreased by \$34,442 and expenses decreased by \$231,938. Revenues were greater than expense in both Statewide Sales, Service and Use Tax and Physical Plant and Equipment Levy ensuring and increase in fund balance.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$264,814 at June 30, 2010 to \$247,201 at June 30, 2011, representing a decrease of 6.65%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Maquoketa Community School District amended its budget one time to reflect estimations of expenditures that are financed from increased receipts and balances not budgeted or considered in the current budget.

The District's revenues were \$47,233 less than budgeted revenues, a variance of 0.24%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2011 the District did amend their certified budget in all functions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$13.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$559,199.

The original cost of the District's capital assets was approximately \$23.74 million. Governmental funds account for approximately \$23.42 million, with the remainder of approximately \$0.32 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,000 at June 30, 2010, compared to \$0 reported at June 30, 2011. This decrease resulted from the completion of the various construction projects.

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 234,026	234,026	-	-	234,026	234,026	0.00%
Construction in progress	-	3,000	-	-	-	3,000	-100.00%
Buildings	11,681,485	11,943,831	-	-	11,681,485	11,943,831	-2.20%
Land improvements	655,237	666,549	-	-	655,237	666,549	-1.70%
Machinery and equipment	776,678	623,448	143,103	144,874	919,781	768,322	19.71%
Total	\$ 13,347,426	13,470,854	143,103	144,874	13,490,529	13,615,728	-0.92%

### Long-Term Debt

At June 30, 2011, the District had \$5,498,369 in revenue bonds and other long-term debt outstanding. This represents a decrease of 1.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2011, the District had revenue bonds payable of \$5,250,000. These bonds are paid with statewide sales, services and use tax revenues transferred from the Capital Projects Fund.

The District had early retirement payable of \$159,864 at June 30, 2011 payable from the Special Revenue, Management Levy Fund.

The District had compensated absences payable of \$28,600 at June 30, 2011 payable from the General Fund.

The District had Net OPEB liability payable of \$59,905 at June 30, 2011.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue bonds	\$ 5,250,000	5,550,000	-	-	5,250,000	5,550,000	-5.41%
Early retirement	159,864	228,472	-	-	159,864	228,472	-30.03%
Compensated absences	28,600	37,078	-	-	28,600	37,078	-22.87%
Net OPEB liability	57,868	40,677	2,037	1,432	59,905	42,109	42.26%
Total	\$ 5,496,332	5,856,227	2,037	1,432	5,498,369	5,857,659	-6.13%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The fiscal year 2011 state's allowable growth increased 2%; however, due to declining enrollment, the district was on budget guarantee. To bring expenditures in line with revenue, the District offered an Early Retirement Program in fiscal year 2010 and fiscal year 2011. This enabled the District to reduce expenditures.
- Fiscal year 2011 will be the first year of a One Way Whole Grade Sharing Agreement and Facility Improvement Agreement with Andrew Community School District, grades 9-12. And, the first year of a 28E Agreement with Preston Community School District for one way class sharing. The agreements will generate additional miscellaneous income into the District.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- An Energy Efficiency Study was completed that identified several projects to reduce utility costs in the school buildings. The Board will consider major improvements, to include a Geothermal Retrofit to an existing elementary building and window replacements at the historical middle school building and the high school building.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 9,579,404	100,074	9,679,478
Receivables:			
Property tax:			
Delinquent	64,834	-	64,834
Succeeding year	4,540,704	-	4,540,704
Income surtax	562,259	-	562,259
Accounts	34,473	5,813	40,286
Due from other governments	1,106,206	-	1,106,206
Inventories	-	12,656	12,656
Capital assets, net of accumulated depreciation	13,347,426	143,103	13,490,529
<b>Total assets</b>	<b>29,235,306</b>	<b>261,646</b>	<b>29,496,952</b>
<b>Liabilities</b>			
Accounts payable	632,558	935	633,493
Salaries and benefits payable	1,147,508	11,411	1,158,919
Incurred but not reported claims	253,506	-	253,506
Interest payable	105,000	-	105,000
Deferred revenue:			
Succeeding year property tax	4,540,704	-	4,540,704
Other	266,902	62	266,964
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	310,000	-	310,000
Early retirement	130,928	-	130,928
Compensated absences	28,600	-	28,600
Portion due after one year:			
Revenue bonds	4,940,000	-	4,940,000
Early retirement payable	28,936	-	28,936
Net OPEB liability	57,868	2,037	59,905
<b>Total liabilities</b>	<b>12,442,510</b>	<b>14,445</b>	<b>12,456,955</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	8,097,426	143,103	8,240,529
Restricted for:			
Categorical Funding	136,754	-	136,754
School infrastructure	1,450,788		
Physical plant and equipment	541,641	-	541,641
Debt service	1,065,039	-	1,065,039
Student activities	136,650	-	136,650
Support trust	139,729	-	139,729
Unrestricted	5,224,769	104,098	6,779,655
<b>Total net assets</b>	<b>\$ 16,792,796</b>	<b>247,201</b>	<b>17,039,997</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,848,896	858,239	433,042	-	(4,557,615)	-	(4,557,615)
Special	3,238,042	720,761	217,667	-	(2,299,614)	-	(2,299,614)
Other	2,459,525	370,685	504,553	-	(1,584,287)	-	(1,584,287)
	<u>11,546,463</u>	<u>1,949,685</u>	<u>1,155,262</u>	<u>-</u>	<u>(8,441,516)</u>	<u>-</u>	<u>(8,441,516)</u>
Support services:							
Student	785,169	-	303,544	-	(481,625)	-	(481,625)
Instructional staff	388,487	-	12,713	-	(375,774)	-	(375,774)
Administration	1,340,532	-	74,422	-	(1,266,110)	-	(1,266,110)
Operation and maintenance of plant	1,667,847	-	191	238,289	(1,429,367)	-	(1,429,367)
Transportation	634,861	8,072	57,284	-	(569,505)	-	(569,505)
	<u>4,816,896</u>	<u>8,072</u>	<u>448,154</u>	<u>238,289</u>	<u>(4,122,381)</u>	<u>-</u>	<u>(4,122,381)</u>
Other expenditures:							
Long-term debt interest	210,400	-	-	-	(210,400)	-	(210,400)
AEA flowthrough	627,756	-	627,756	-	-	-	-
Depreciation(unallocated)*	375,866	-	-	-	(375,866)	-	(375,866)
	<u>1,214,022</u>	<u>-</u>	<u>627,756</u>	<u>-</u>	<u>(586,266)</u>	<u>-</u>	<u>(586,266)</u>
Total governmental activities	<u>17,577,381</u>	<u>1,957,757</u>	<u>2,231,172</u>	<u>238,289</u>	<u>(13,150,163)</u>	<u>-</u>	<u>(13,150,163)</u>
Business type activities:							
Support services:							
Administration	29,655	-	-	-	-	(29,655)	(29,655)
Non-instructional programs:							
Food service operations	759,151	272,543	477,846	-	-	(8,762)	(8,762)
Total business type activities	<u>788,806</u>	<u>272,543</u>	<u>477,846</u>	<u>-</u>	<u>-</u>	<u>(38,417)</u>	<u>(38,417)</u>
Total	<u>\$ 18,366,187</u>	<u>2,230,300</u>	<u>2,709,018</u>	<u>238,289</u>	<u>(13,150,163)</u>	<u>(38,417)</u>	<u>(13,188,580)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes					\$ 3,820,821	-	3,820,821
Capital outlay					339,580	-	339,580
Income surtax					646,373	-	646,373
Statewide sales, services and use tax					1,016,235	-	1,016,235
Unrestricted state grants					8,349,282	-	8,349,282
Nonspecific program federal grants					215,564	-	215,564
Unrestricted investment earnings					33,342	146	33,488
Other general revenues					165,803	3,108	168,911
Transfers					(17,550)	17,550	-
Total general revenues and transfers					<u>14,569,450</u>	<u>20,804</u>	<u>14,590,254</u>
Changes in net assets					1,419,287	(17,613)	1,401,674
Net assets beginning of year					<u>15,373,509</u>	<u>264,814</u>	<u>15,638,323</u>
Net assets end of year					<u>\$ 16,792,796</u>	<u>247,201</u>	<u>17,039,997</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Nonmajor Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 3,001,712	1,632,918	1,519,494	6,154,124
Receivables:				
Property tax:				
Delinquent	54,618	6,381	3,835	64,834
Succeeding year	3,893,643	347,061	300,000	4,540,704
Income surtax	562,259	-	-	562,259
Accounts	23,810	563	2,505	26,878
Due from other governments	717,786	388,420	-	1,106,206
<b>Total assets</b>	<b>\$ 8,253,828</b>	<b>2,375,343</b>	<b>1,825,834</b>	<b>12,455,005</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 583,565	35,853	12,990	632,408
Salaries and benefits payable	1,135,234	-	1,140	1,136,374
Deferred revenue:				
Succeeding year property tax	3,893,643	347,061	300,000	4,540,704
Income surtax	562,259	-	-	562,259
Other	266,902	-	-	266,902
<b>Total liabilities</b>	<b>6,441,603</b>	<b>382,914</b>	<b>314,130</b>	<b>7,138,647</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding	136,754	-	-	136,754
School infrastructure	-	1,450,788	-	1,450,788
Physical plant and equipment	-	541,641	-	541,641
Debt service	-	-	1,065,039	1,065,039
Management levy purposes	-	-	170,286	170,286
Student activities	-	-	136,650	136,650
Support trust	-	-	139,729	139,729
Unassigned	1,675,471	-	-	1,675,471
<b>Total fund balances</b>	<b>1,812,225</b>	<b>1,992,429</b>	<b>1,511,704</b>	<b>5,316,358</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,253,828</b>	<b>2,375,343</b>	<b>1,825,834</b>	<b>12,455,005</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$ 5,316,358
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,347,426
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(105,000)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,168,085
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	562,259
Long-term liabilities, including bonds payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,496,332)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 16,792,796</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Nonmajor Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,186,241	1,149,939	250,693	5,586,873
Tuition	1,536,714	-	-	1,536,714
Other	299,550	204,685	378,335	882,570
Intermediate sources	8,888	-	-	8,888
State sources	9,318,980	206,139	223	9,525,342
Federal sources	1,403,667	39,904	-	1,443,571
Total revenues	<u>16,754,040</u>	<u>1,600,667</u>	<u>629,251</u>	<u>18,983,958</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,825,893	184,811	134,712	6,145,416
Special	3,238,042	-	-	3,238,042
Other	2,198,266	-	326,920	2,525,186
	<u>11,262,201</u>	<u>184,811</u>	<u>461,632</u>	<u>11,908,644</u>
Support services:				
Student	793,322	-	1,331	794,653
Instructional staff	391,328	-	18,428	409,756
Administration	1,379,077	-	29,399	1,408,476
Operation and maintenance of plant	1,223,870	42,569	88,612	1,355,051
Transportation	500,454	14,861	55,793	571,108
	<u>4,288,051</u>	<u>57,430</u>	<u>193,563</u>	<u>4,539,044</u>
Non-instructional programs:				
Food service operations	-	-	12,907	12,907
Other expenditures:				
Facilities acquisitions	-	463,282	-	463,282
Long-term debt:				
Principal	-	-	300,000	300,000
Interest and fiscal charges	-	-	216,400	216,400
AEA flowthrough	627,756	-	-	627,756
	<u>627,756</u>	<u>463,282</u>	<u>516,400</u>	<u>1,607,438</u>
Total expenditures	<u>16,178,008</u>	<u>705,523</u>	<u>1,184,502</u>	<u>18,068,033</u>
Excess(Deficiency)of revenues over(under) expenditures	576,032	895,144	(555,251)	915,925
Other financing sources(uses):				
Transfers in	-	129,979	515,000	644,979
Transfers out	(687)	(644,292)	-	(644,979)
Proceeds from the sale of equipment	3,493	-	-	3,493
Total other financing sources(uses)	<u>2,806</u>	<u>(514,313)</u>	<u>515,000</u>	<u>3,493</u>
Net change in fund balances	578,838	380,831	(40,251)	919,418
Fund balance beginning of year, as restated	<u>1,233,387</u>	<u>1,611,598</u>	<u>1,551,955</u>	<u>4,396,940</u>
Fund balance end of year	<u>\$ 1,812,225</u>	<u>1,992,429</u>	<u>1,511,704</u>	<u>5,316,358</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 919,418

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

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

Capital expenditures	\$ 419,541	
Depreciation expense	(539,268)	
Loss on disposal	(3,701)	(123,428)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 300,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,000

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 227,142

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

Early retirement	\$ 68,608	
Compensated absences	8,478	
Other postemployment benefits	(17,191)	59,895

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 30,260

**Changes in net assets of governmental activities(page 19) \$ 1,419,287**

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and cash equivalents	\$ 100,074	3,425,280
Receivables:		
Accounts	5,813	7,595
Inventories	12,656	-
Capital assets, net of accumulated depreciation	143,103	-
Total assets	<u>261,646</u>	<u>3,432,875</u>
Liabilities		
Accounts payable	935	150
Salaries and benefits payable	11,411	11,134
Incurred but not reported claims	-	253,506
Deferred revenue:		
Team nutrition grant	62	-
Net OPEB liability	2,037	-
Total liabilities	<u>14,445</u>	<u>264,790</u>
Net assets		
Invested in capital assets	143,103	-
Unrestricted	104,098	3,168,085
Total net assets	<u>\$ 247,201</u>	<u>3,168,085</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 272,543	2,173,704
Miscellaneous	3,108	-
Total operating revenues:	<u>275,651</u>	<u>2,173,704</u>
Operating expenses:		
Instruction:		
Regular	438	-
Support services:		
Administration services:		
Salaries	17,315	-
Benefits	4,239	-
Services	6,987	1,267
Supplies	676	-
Total support services	<u>29,655</u>	<u>1,267</u>
Non-instructional programs:		
Food service operations:		
Salaries	193,364	-
Benefits	100,704	-
Services	3,136	-
Supplies	442,016	-
Depreciation	19,931	-
	<u>759,151</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	1,918,142
Services	-	10,025
Supplies	-	17,128
	<u>-</u>	<u>1,945,295</u>
Total non-instructional programs	<u>759,151</u>	<u>1,945,295</u>
Total operating expenses	<u>788,806</u>	<u>1,946,562</u>
Operating income(loss)	<u>(513,155)</u>	<u>227,142</u>
Non-operating revenues:		
Interest income	146	-
State sources	7,224	-
Federal sources	470,622	-
Total non-operating revenues	<u>477,992</u>	<u>-</u>
Change in net assets before other financing sources(uses)	(35,163)	227,142
Other financing sources:		
Capital contributions	17,550	-
Changes in net assets	(17,613)	227,142
Net assets beginning of year	<u>264,814</u>	<u>2,940,943</u>
Net assets end of year	<u>\$ 247,201</u>	<u>3,168,085</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 266,680	-
Cash received from miscellaneous operating activities	3,108	2,180,811
Cash payments to employees for services	(313,720)	(1,959,123)
Cash payments to suppliers for goods or services	(392,756)	(28,420)
Net cash provided by(used in)operating activities	<u>(436,688)</u>	<u>193,268</u>
Cash flows from non-capital financing activities:		
State grants received	7,224	-
Federal grants received	418,001	-
Net cash provided by non-capital financing activities	<u>425,225</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	146	-
Cash flows from capital financing activities:		
Purchase of assets	(610)	-
Net increase(decrease) in cash and cash equivalents	(11,927)	193,268
Cash and cash equivalents at beginning of year	112,001	3,232,012
Cash and cash equivalents at end of year	<u>\$ 100,074</u>	<u>3,425,280</u>
Reconciliation of operating income(loss)to net cash provided by(used in)operating activities:		
Operating income(loss)	\$ (513,155)	227,142
Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities:		
Commodities consumed	52,621	-
Depreciation	19,931	-
Decrease in inventories	6,945	-
Decrease(increase)in accounts receivable	(5,425)	7,107
Increase in accounts payable	931	-
Increase in salaries and benefits payable	1,297	1,072
Increase in other postemployment benefits payable	605	-
Decrease in incurred but not reported claims	-	(42,053)
Decrease in unearned revenue	(438)	-
Net cash provided by(used in)operating activities	<u>\$ (436,688)</u>	<u>193,268</u>
Non-cash investing, capital and related financing activities:		
During the year ended June 30, 2011, the District received Federal commodities valued at \$52,621.		
During the year ended June 30, 2011, the District received contributed capital from the Capital Projects: Statewide Sales, Services and Use Tax Fund valued at \$17,550.		

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 338,523	3,690
Accounts receivable	1,009	-
	<u>339,532</u>	<u>3,690</u>
<b>Liabilites</b>		
Accounts payable	-	241
Due to other groups	-	3,449
	<u>-</u>	<u>3,690</u>
<b>Net assets</b>		
Restricted for scholarships	<u>\$ 339,532</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$ 54,137	
Interest income	3,096	
Total additions	57,233	
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		7,500
Change in net assets		49,733
Net assets beginning of year		289,799
Net assets end of year	\$ 339,532	

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**(1) Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment	5-15 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at July 1, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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 - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$615,876 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Capital Projects: Construction Projects	Capital Projects: Statewide Sales, Services and Use Tax	\$ 89,200
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	40,092
Capital Projects: Physical Plant and Equipment Levy	General	687
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	515,000
		\$ 644,979

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Projects was for the installation of playground equipment.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Physical Plant and Equipment Levy was for an audit correction.

The transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was for an audit correction.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed as part of the principal and interest payments on the District's revenue bond.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 234,026	-	-	234,026
Construction in progress	3,000	15,848	18,848	-
Total capital assets not being depreciated	<u>237,026</u>	<u>15,848</u>	<u>18,848</u>	<u>234,026</u>
Capital assets being depreciated:				
Buildings	18,248,856	60,873	-	18,309,729
Land improvements	1,300,170	41,335	13,507	1,327,998
Machinery and equipment	3,358,829	320,333	134,021	3,545,141
Total capital assets being depreciated	<u>22,907,855</u>	<u>422,541</u>	<u>147,528</u>	<u>23,182,868</u>
Less accumulated depreciation for:				
Buildings	6,305,025	323,219	-	6,628,244
Land improvements	633,621	52,647	13,507	672,761
Machinery and equipment	2,735,381	163,402	130,320	2,768,463
Total accumulated depreciation	<u>9,674,027</u>	<u>539,268</u>	<u>143,827</u>	<u>10,069,468</u>
Total capital assets being depreciated, net	<u>13,233,828</u>	<u>(116,727)</u>	<u>3,701</u>	<u>13,113,400</u>
Governmental activities capital assets, net	<u>\$ 13,470,854</u>	<u>(100,879)</u>	<u>22,549</u>	<u>13,347,426</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 303,924	18,160	-	322,084
Less accumulated depreciation	159,050	19,931	-	178,981
Business type activities capital assets, net	<u>\$ 144,874</u>	<u>(1,771)</u>	<u>-</u>	<u>143,103</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 46,375
Other				8,680
Support services:				
Instructional staff				873
Administration				8,422
Operation and maintenance of plant				8,672
Transportation				90,380
				<u>163,402</u>
Unallocated depreciation				<u>375,866</u>
Total governmental activities depreciation expense				<u>\$ 539,268</u>
Business type activities:				
Food services				<u>\$ 19,931</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	5,550,000	-	300,000	5,250,000	310,000
Early retirement	228,472	115,746	184,354	159,864	130,928
Compensated absences	37,078	28,600	37,078	28,600	28,600
Net OPEB liability	40,677	17,191	-	57,868	-
Total	\$ 5,856,227	161,537	521,432	5,496,332	469,528

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 1,432	605	-	2,037	-

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds dated June 28, 2007			
	Interest Rate	Principal	Interest	Total
2012	4.00	% \$ 310,000	203,800	513,800
2013	4.00	320,000	191,200	511,200
2014	4.00	420,000	176,400	596,400
2015	4.00	400,000	160,000	560,000
2016	4.00	415,000	143,700	558,700
2017-2021	4.00	2,325,000	451,700	2,776,700
2022-2023	4.00	1,060,000	42,800	1,102,800
Total		\$ 5,250,000	1,369,600	6,619,600

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$6,120,000 bonds issued in June 2007. The bonds were issued for the purpose of financing a portion of the costs of high school renovation. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$6,619,600. For the current year, \$300,000 in principal and \$216,000 in interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$810,359.

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

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

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five on or before the date established by Board Resolution in accordance with Iowa Code 279.46 but no later than the first day of school for the following school year as established annually by the Board of Education. The early retirement incentives for each eligible employee are equal to 50% of the employee's current salary (without extra duty increments, Teacher Salary Supplement wages and extended term contracts). The District paid \$184,384 in early retirement benefits during the year ended June 30, 2011. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$619,169, \$620,127, and \$593,595, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits for retirees and their spouses until they are Medicare eligible. There are 178 active and 15 retired members in the plan. Participants must be 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 96,000
Interest on net OPEB obligation	1,895
Adjustment to annual required contribution	(2,099)
Annual OPEB cost	<u>95,796</u>
Contributions made	<u>(78,000)</u>
Increase in net OPEB obligation	17,796
Net OPEB obligation beginning of year	<u>42,109</u>
Net OPEB obligation end of year	<u>\$ 59,905</u>

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

For the year ended June 30, 2011, the District contributed \$78,000 to the benefit plan. Plan members eligible for benefits contributed \$161,000, or 67.36% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 96,000	76.04%	\$ 23,000
2010	96,000	80.21%	42,109
2011	95,796	81.42%	59,905

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2011, the actuarial accrued liability was \$1,043,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,043,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,909,596, and the ratio of the UAAL to covered payroll was 13.19%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**(8) Risk Management**

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,168,085 at June 30, 2011. The incurred but not recorded and unpaid claims liability of \$253,506 reported in the plan at June 30, 2011 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$627,756 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2011 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 7,060
Gifted and talented	6,488
Educator quality, basic salary	1,662
Educator quality, professional development	13,148
Beginning teacher mentoring	2,847
Market factor incentives	11,597
Market factor	5,400
Nonpublic textbooks	41
Statewide voluntary preschool	38,976
Professional development model core curriculum	47,804
Nonpublic transportation	1,731
Total	<u><u>\$ 136,754</u></u>

**(11) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Construction Projects	Capital Projects	Total	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 19,340	1,239,776	1,259,116	352,482
Change in fund type classification per implementation of GASB Statement No. 54	-	352,482	352,482	(352,482)
Balances July 1, 2010, as restated	\$ 19,340	1,592,258	1,611,598	-

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
Revenues:						
Local sources	\$ 8,006,157	275,797	8,281,954	8,109,515	8,109,515	172,439
Intermediate sources	8,888	-	8,888	-	-	8,888
State sources	9,525,342	7,224	9,532,566	10,002,216	10,002,216	(469,650)
Federal sources	1,443,571	470,622	1,914,193	1,673,103	1,673,103	241,090
Total revenues	<u>18,983,958</u>	<u>753,643</u>	<u>19,737,601</u>	<u>19,784,834</u>	<u>19,784,834</u>	<u>(47,233)</u>
Expenditures/Expenses:						
Instruction	11,908,644	438	11,909,082	12,703,182	12,753,289	844,207
Support services	4,539,044	29,217	4,568,261	4,791,511	4,941,511	373,250
Non-instructional programs	12,907	759,151	772,058	851,005	876,005	103,947
Other expenditures	1,607,438	-	1,607,438	2,390,641	2,165,641	558,203
Total expenditures/expenses	<u>18,068,033</u>	<u>788,806</u>	<u>18,856,839</u>	<u>20,736,339</u>	<u>20,736,446</u>	<u>1,879,607</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	915,925	(35,163)	880,762	(951,505)	(951,612)	1,832,374
Other financing sources(uses), net	3,493	17,550	21,043	(50,000)	(50,000)	71,043
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	919,418	(17,613)	901,805	(1,001,505)	(1,001,612)	1,903,417
Balance beginning of year	4,396,940	264,814	4,661,754	3,981,579	3,981,579	680,175
Balance end of year	<u>\$ 5,316,358</u>	<u>247,201</u>	<u>5,563,559</u>	<u>2,980,074</u>	<u>2,979,967</u>	<u>2,583,592</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,043,000	\$ 1,043,000	0.00%	\$ 7,192,573	14.50%
2010	July 1, 2008	-	1,043,000	1,043,000	0.00%	8,448,713	12.35%
2011	July 1, 2008	-	1,043,000	1,043,000	0.00%	7,909,596	13.19%

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

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	
<b>Assets</b>						
Cash and pooled investments	\$ 168,550	147,513	139,690	455,753	1,063,741	1,519,494
Receivables:						
Property tax:						
Delinquent	3,835	-	-	3,835	-	3,835
Succeeding year	300,000	-	-	300,000	-	300,000
Accounts	-	1,168	39	1,207	1,298	2,505
<b>Total assets</b>	<b>\$ 472,385</b>	<b>148,681</b>	<b>139,729</b>	<b>760,795</b>	<b>1,065,039</b>	<b>1,825,834</b>
<b>Liabilities and fund balances</b>						
Liabilities						
Accounts payable	\$ 2,099	10,891	-	12,990	-	12,990
Salaries and benefits payable	-	1,140	-	1,140	-	1,140
Deferred revenue:						
Succeeding year property tax	300,000	-	-	300,000	-	300,000
<b>Total liabilities</b>	<b>302,099</b>	<b>12,031</b>	<b>-</b>	<b>314,130</b>	<b>-</b>	<b>314,130</b>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	1,065,039	1,065,039
Management levy purposes	170,286	-	-	170,286	-	170,286
Student activities	-	136,650	-	136,650	-	136,650
Support trust	-	-	139,729	139,729	-	139,729
<b>Total fund balances</b>	<b>170,286</b>	<b>136,650</b>	<b>139,729</b>	<b>446,665</b>	<b>1,065,039</b>	<b>1,511,704</b>
<b>Total liabilities and fund balances</b>	<b>\$ 472,385</b>	<b>148,681</b>	<b>139,729</b>	<b>760,795</b>	<b>1,065,039</b>	<b>1,825,834</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Nonmajor Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ 250,693	-	-	250,693	-	250,693
Other	17,407	353,073	2,070	372,550	5,785	378,335
State sources	223	-	-	223	-	223
Total revenues	268,323	353,073	2,070	623,466	5,785	629,251
Expenditures:						
Current:						
Instruction:						
Regular	134,712	-	-	134,712	-	134,712
Other	-	326,920	-	326,920	-	326,920
	134,712	326,920	-	461,632	-	461,632
Support services:						
Student	1,331	-	-	1,331	-	1,331
Instructional staff	18,428	-	-	18,428	-	18,428
Administration	26,723	2,676	-	29,399	-	29,399
Operation and maintenance of plant	87,814	568	230	88,612	-	88,612
Transportation	35,038	20,755	-	55,793	-	55,793
	169,334	23,999	230	193,563	-	193,563
Non-instructional programs:						
Food service operations	12,907	-	-	12,907	-	12,907
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	300,000	300,000
Interest and fiscal charges	-	-	-	-	216,400	216,400
	-	-	-	-	516,400	516,400
Total expenditures	316,953	350,919	230	668,102	516,400	1,184,502
Excess(deficiency)of revenues over(under)expenditures	(48,630)	2,154	1,840	(44,636)	(510,615)	(555,251)
Other financing sources:						
Transfers in	-	-	-	-	515,000	515,000
Net change in fund balances	(48,630)	2,154	1,840	(44,636)	4,385	(40,251)
Fund balances beginning of year, as restated	218,916	134,496	137,889	491,301	1,060,654	1,551,955
Fund balances end of year	\$ 170,286	136,650	139,729	446,665	1,065,039	1,511,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Construction Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Capital Projects
<b>Assets</b>				
Cash and pooled investments	\$ 99	1,090,217	542,602	1,632,918
Receivables:				
Property tax:				
Delinquent	-	-	6,381	6,381
Succeeding year	-	-	347,061	347,061
Accounts	-	492	71	563
Due from other governments	-	366,897	21,523	388,420
<b>Total assets</b>	<b>\$ 99</b>	<b>1,457,606</b>	<b>917,638</b>	<b>2,375,343</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	6,917	28,936	35,853
Deferred revenue:				
Succeeding year property tax	-	-	347,061	347,061
<b>Total liabilities</b>	<b>-</b>	<b>6,917</b>	<b>375,997</b>	<b>382,914</b>
<b>Fund balances:</b>				
<b>  Restricted for:</b>				
School infrastructure	99	1,450,689	-	1,450,788
Physical plant and equipment	-	-	541,641	541,641
<b>Total fund balances</b>	<b>99</b>	<b>1,450,689</b>	<b>541,641</b>	<b>1,992,429</b>
<b>Total liabilities and fund balances</b>	<b>\$ 99</b>	<b>1,457,606</b>	<b>917,638</b>	<b>2,375,343</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Construction Projects	Local Option/ Statewide Sales and Services Tax	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	810,359	339,580	1,149,939
Other	29,797	150,031	24,857	204,685
State sources	-	205,876	263	206,139
Federal sources	-	-	39,904	39,904
<b>Total revenues</b>	<b>29,797</b>	<b>1,166,266</b>	<b>404,604</b>	<b>1,600,667</b>
Expenditures:				
Current:				
Instruction:				
Regular	-	128,862	55,949	184,811
Support services:				
Operation and maintenance of plant	-	-	42,569	42,569
Transportation	-	-	14,861	14,861
	-	-	57,430	57,430
Other expenditures:				
Facilities acquisitions	138,238	182,199	142,845	463,282
<b>Total expenditures</b>	<b>138,238</b>	<b>311,061</b>	<b>256,224</b>	<b>705,523</b>
Excess(deficiency)of revenues over(under)expenditures	(108,441)	855,205	148,380	895,144
Other financing sources(uses):				
Transfer in	89,200	-	40,779	129,979
Transfer out	-	(644,292)	-	(644,292)
<b>Total other financing sources(uses)</b>	<b>89,200</b>	<b>(644,292)</b>	<b>40,779</b>	<b>(514,313)</b>
Net change in fund balances	(19,241)	210,913	189,159	380,831
Fund balance beginning of year, as restated	19,340	1,239,776	352,482	1,611,598
Fund balance end of year	\$ 99	1,450,689	541,641	1,992,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Drug testing	\$ 891	-	-	-	891
Interest	170	985	-	(1,155)	-
HS activity tickets	35	21,307	-	(21,340)	2
Activities control	1,934	-	-	2,349	4,283
HS speech	31	528	2,537	1,978	-
Speech fundraiser	1,503	5,369	6,168	540	1,244
HS vocal music	-	14,165	12,401	(1,764)	-
Harm helpers	2,112	5,808	7,386	-	534
HS band	-	1,787	3,272	1,485	-
Athletic control	26,746	3,364	4,209	(4,019)	21,882
Athletic pass	1,888	3,130	2,633	-	2,385
Coed cross country	-	213	1,446	1,233	-
Cross country fundraiser	276	616	560	-	332
Tennis fundraiser	832	2,528	1,995	180	1,545
HS cheerleaders	-	-	2,372	2,372	-
Cheerleaders fundraiser	2,830	19,007	15,714	-	6,123
Dance squad	-	-	1,760	1,760	-
Dance squad fundraiser	2,413	5,082	5,723	270	2,042
HS boys basketball	-	11,748	7,641	(4,107)	-
Boys basketball fundraiser	662	10,278	8,368	-	2,572
HS football	-	28,037	21,109	(6,928)	-
Football fundraiser	4,912	13,490	10,221	-	8,181
HS boys soccer	-	1,695	3,344	1,649	-
Boys soccer fundraiser	1,078	465	944	270	869
HS baseball	-	3,401	12,449	9,048	-
Baseball fundraiser	212	11,401	10,115	-	1,498
HS boys track	-	2,869	8,197	5,328	-
Track fundraiser	196	888	1,122	38	-
Boys tennis	-	26	1,429	1,403	-
HS boys golf	-	2,272	3,833	1,561	-
Boys golf fundraiser	2,779	1,546	2,122	270	2,473
HS wrestling	-	5,303	8,250	2,947	-
Wrestling fundraiser	882	5,126	3,910	-	2,098
HS girls basketball	-	8,601	8,594	(7)	-
Girls basketball fundraiser	941	1,820	1,726	-	1,035
HS volleyball	-	3,567	5,437	1,870	-
Volleyball fundraiser	927	3,414	3,966	-	375
HS girls soccer	-	880	2,617	1,737	-
HS girls soccer fundraiser	603	420	760	-	263
HS softball	-	2,169	6,539	4,370	-
Softball fundraiser	2,638	3,085	4,396	-	1,327
HS girls track	-	1,833	2,676	843	-

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Girls track fundraiser	717	270	896	271
Girls tennis	-	-	810	-
HS girls golf	-	484	2,327	-
Girls golf fundraiser	1,111	225	565	771
Club hope	257	3,669	2,239	2,237
HS yearbook	-	5,595	6,198	-
HS winter concessions	3,000	38,061	28,423	1,500
HS class of 2011	3,073	20	506	-
HS class of 2012	1,871	11,479	12,361	2,091
HS class of 2013	2,050	25	924	1,163
HS class of 2014	1,511	10	70	1,460
HA class of 2015	-	800	-	804
HS post grads	6,371	-	6,371	2,615
HS BPA	1,528	6,199	2,831	3,182
Hosa	15,867	6,590	8,023	15,077
FCCLA	2,060	684	937	1,820
FFA	7,433	21,261	21,521	7,397
National honor society	314	-	837	18
Student senate	1,553	3,649	3,034	2,689
Spanish club	6,854	15,671	16,431	7,238
French club	4,532	3,053	79	7,820
Maquoketan	237	-	-	238
HS SADD	259	741	325	677
MS chorus	596	131	565	164
MS band	1,008	11,120	11,248	903
MS boys athletics	4,762	4,682	6,271	3,201
MS mat refurbishing	21	-	-	21
MS girls athletics	3,568	3,166	2,417	4,343
MS awards	1,530	1,782	1,526	1,797
MS student council	4,037	5,041	4,580	4,530
MS card club	758	442	663	541
Elementary chorus	127	-	-	128
Total	\$ 134,496	353,073	350,919	136,650

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Stoddard Donation	\$ 108,369	115	-	108,484
Jan Donation	26,445	155	-	26,600
Other Scholarship	3,075	1,800	230	4,645
Total	<u>\$ 137,889</u>	<u>2,070</u>	<u>230</u>	<u>139,729</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2011

		Private Purpose Trust - Scholarship Fund												
		Wendell	Joiner	Schuman	Other	Zimmerman	Bothwell	Marcucci	Wolf	Hute	Shimanek	Bureau Cats	Dwain	Total
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
Assets														
Cash and pooled investments	\$	130,434	5,847	10,305	800	672	1,480	50,000	188	3,727	132,570	1,000	1,500	338,523
Accounts receivable		825	4	31	-	-	-	145	-	4	-	-	-	1,009
		131,259	5,851	10,336	800	672	1,480	50,145	188	3,731	132,570	1,000	1,500	339,532
Liabilities														
		-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets														
Reserved for scholarships	\$	131,259	5,851	10,336	800	672	1,480	50,145	188	3,731	132,570	1,000	1,500	339,532

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund												
	Wendell	Joiner	Schuman	Other	Zimmerman	Bothwell	Marcucci	Wolf	Hute	Shimaneck	Bureau Cats	Dwain	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
Additions:													
Local sources:													
Gifts and contributions	\$ -	150	-	1,100	-	250	50,000	200	500	437	-	1,500	54,137
Interest income	1,498	29	99	-	8	-	145	-	17	1,300	-	-	3,096
Total additions	1,498	179	99	1,100	8	250	50,145	200	517	1,737	-	1,500	57,233
Deductions:													
Instruction:													
Regular:													
Scholarships awarded	1,350	450	1,200	700	800	400	-	200	400	2,000	-	-	7,500
Changes in net assets	148	(271)	(1,101)	400	(792)	(150)	50,145	-	117	(263)	-	1,500	48,233
Net assets beginning of year	131,111	6,122	11,437	400	1,464	1,630	-	188	3,614	132,833	1,000	-	289,799
Net assets end of year	\$ 131,259	5,851	10,336	800	672	1,480	50,145	188	3,731	132,570	1,000	1,500	339,532

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 14,096	66,584	76,990	3,690
<b>Liabilities</b>				
Accounts payable	\$ 19	260	38	241
Due to other groups	14,077	66,324	76,952	3,449
	\$ 14,096	66,584	76,990	3,690

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 5,586,873	5,561,028	5,630,705	5,540,702	5,677,215	5,275,463	5,086,399	5,212,755	4,884,422	4,064,961
Tuition	1,536,714	1,519,869	1,471,389	1,382,562	1,417,048	1,310,925	1,344,955	1,145,634	1,192,619	1,138,278
Other	882,570	927,688	875,159	1,153,884	882,531	894,134	731,758	706,578	624,718	518,030
Intermediate sources	8,888	-	-	-	165	67,380	62,691	56,787	56,326	52,870
State sources	9,525,342	7,829,985	8,718,009	8,759,891	8,015,028	7,382,870	7,189,981	6,935,450	7,003,502	6,994,771
Federal sources	1,443,571	1,913,682	961,826	512,234	555,941	616,074	951,591	1,210,073	1,067,204	920,873
<b>Total</b>	<b>\$ 18,983,958</b>	<b>17,752,252</b>	<b>17,657,088</b>	<b>17,349,273</b>	<b>16,547,928</b>	<b>15,546,846</b>	<b>15,367,375</b>	<b>15,267,277</b>	<b>14,828,791</b>	<b>13,689,783</b>
Expenditures:										
Instruction:										
Regular	\$ 6,145,416	6,247,444	5,763,001	5,494,974	5,313,578	5,232,550	5,031,911	4,953,183	4,955,125	4,824,693
Special	3,238,042	3,140,524	3,252,054	3,118,967	2,868,397	2,695,274	2,546,452	2,944,409	2,920,883	2,923,500
Other	2,525,186	2,538,482	2,060,548	1,966,120	1,992,986	1,910,065	1,835,834	1,386,010	1,515,386	1,508,076
Support services:										
Student	794,653	787,424	765,681	494,118	478,759	468,581	485,350	648,009	717,514	760,012
Instructional staff	409,756	459,228	585,951	501,442	472,364	533,538	424,137	348,957	343,134	361,580
Administration	1,408,476	1,527,286	1,539,072	1,369,717	1,414,106	1,294,067	1,138,680	1,056,431	1,071,494	1,050,783
Operation and maintenance of plant	1,355,051	1,281,385	1,238,015	1,161,128	1,080,629	1,100,601	1,000,149	962,709	924,900	845,197
Transportation	571,108	726,336	616,934	585,469	623,958	709,457	526,607	515,949	599,421	439,910
Other support	-	-	-	-	-	-	-	900	540	930
Non-instructional programs	12,907	4,115	12,544	12,688	12,698	9,002	5,256	32,927	31,988	31,846
Other expenditures:										
Facilities acquisitions	463,282	354,726	476,721	5,120,874	1,593,675	202,500	2,324,435	920,702	280,498	237,695
Long-term debt:										
Principal	300,000	290,000	500,000	295,000	815,000	785,000	550,000	1,570,000	220,000	210,000
Interest and fiscal charges	216,400	228,200	244,153	135,612	135,957	45,255	55,681	115,776	85,510	95,234
AEA flow-through	627,756	615,579	559,978	539,094	504,377	462,476	453,706	451,567	479,573	482,569
<b>Total</b>	<b>\$ 18,068,033</b>	<b>18,200,729</b>	<b>17,614,652</b>	<b>20,795,203</b>	<b>17,306,484</b>	<b>15,448,366</b>	<b>16,378,198</b>	<b>15,907,529</b>	<b>14,145,966</b>	<b>13,772,025</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS			
	84.184	FY 10	\$ 358,241
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM			
	10.553	FY 11	102,149
NATIONAL SCHOOL LUNCH PROGRAM			
	10.555	FY 11	368,035 *
			<u>470,184</u>
TEAM NUTRITION GRANT			
	10.574	FY 11	<u>438</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4041-G	275,756
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	4041-GC	43,865
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)			
	84.010	FY 11	11,200
			<u>330,821 **</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT			
	84.389	FY 11	<u>148,062 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATE			
	84.048	FY 11	<u>19,178</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 11	<u>39,904</u>
ENGLISH LANGUAGE ACQUISITION GRANTS			
	84.365	FY 11	<u>802</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)			
	84.367	FY 11	<u>87,146</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)			
	84.369	FY 11	<u>10,043</u>
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 10	6,313
EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 11	83,658
			<u>89,971 ***</u>
STATE FISCAL STABILIZATION FUND (SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT			
	84.397	FY 11	<u>74,619 ***</u>
EDUCATION JOBS FUND			
	84.410	FY 11	<u>50,976</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	85,552
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 11	81,338
			<u>166,890</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM	93.778	FY 11	<u>965</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 11	<u>200</u>
			<u>\$ 1,848,440</u>

\* Includes \$52,621 of non-cash awards.

\*\* Total for Title I Cluster is \$478,883.

\*\*\* Total for State Fiscal Stabilization Cluster is \$164,590.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2012

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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**Telephone (641) 792-1910**

Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Maquoketa Community School District

## Compliance

We have audited Maquoketa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Maquoketa Community School District's major federal programs for the year ended June 30, 2011. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

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

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Maquoketa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2012

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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

- (a) No unqualified opinions were issued on the financial statements.
- (b) No material weakness 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 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 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Title I Cluster
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
  - Individual
    - CFDA Number 84.184 - Safe and Drug Free Communities - National Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - 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.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Fuel	\$ 101,051
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Purchased Services	\$ 1,895
Dennis Scott, Custodian Spouse owns Ronann's Floral Shoppe	Purchased Services	\$ 2,182
Terry Taylor, Teacher Sister-in-law Nancy Miller does embroidery for school	Purchased Services	\$ 13,499
James Manderscheid, Custodian Installed Locks and Combination Changes	Purchased Services	\$ 1,562

In accordance with Attorneys General opinion dated November 9, 1976, the above transactions with employees' spouses and sister-in-law do not appear to be a conflict of interest.

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

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of 5-year old pre-kindergarten students reported was understated by 2.0.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve the matter.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,239,776
Revenues:			
Sales tax revenues	\$	810,359	
Other local revenues		150,031	
School infrastructure supplemental amount		205,876	
			<u>1,166,266</u>
			2,406,042
Expenditures/transfers out:			
School infrastructure construction		121,623	
Equipment		162,137	
Other		27,301	
Transfers to other funds:			
Debt service fund		515,000	
Construction projects		89,200	
Physical plant and equipment levy		40,092	
			<u>955,353</u>
Ending balance		\$	<u><u>1,450,689</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Checks Outstanding - We noted during our audit that the District had checks (#4342, #4463, #4553) included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - Board Policy 705.3 Approval and Payment for Goods and Services identifies checks that are outstanding after one year are to be written off as null and void. These three checks have since been voided.

Conclusion - Response accepted.