

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Donna Kunde	President	2011
John Zietlow	Vice President	2011
Chris Huber	Board Member	2013
Leola Kay Harris	Board Member	2013
Doug Dabroski	Board Member	2013
School Officials		
Doug Tuetken	Superintendent	2011
Erika Imler	District Secretary/ Business Manager	2011
Sue Seitz	Attorney	2011

Maquoketa Valley Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Maquoketa Valley 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 Valley Community School District, Delhi, 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 Valley 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 27, 2012 on our consideration of Maquoketa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley 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 \$7,337,369 at June 30, 2010 to \$7,766,335 at June 30, 2011, while General Fund expenditures increased from \$7,329,064 at June 30, 2010 to \$7,509,052 at June 30, 2011. This resulted in an increase in the District's fund balance from \$1,470,080 at June 30, 2010 to \$1,727,363 at June 30, 2011, which was a 17.50% increase from the prior year.
- The increase in revenues was due to an increase in property tax and state source revenues. The increase in expenditures was mainly a result of increased expenditures in the instructional functional area.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased as compared to fiscal 2010. At June 30, 2010 the District's solvency ratio was 13.96% as compared to 16.52% at June 30, 2011.

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 Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Valley 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 Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the 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 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.

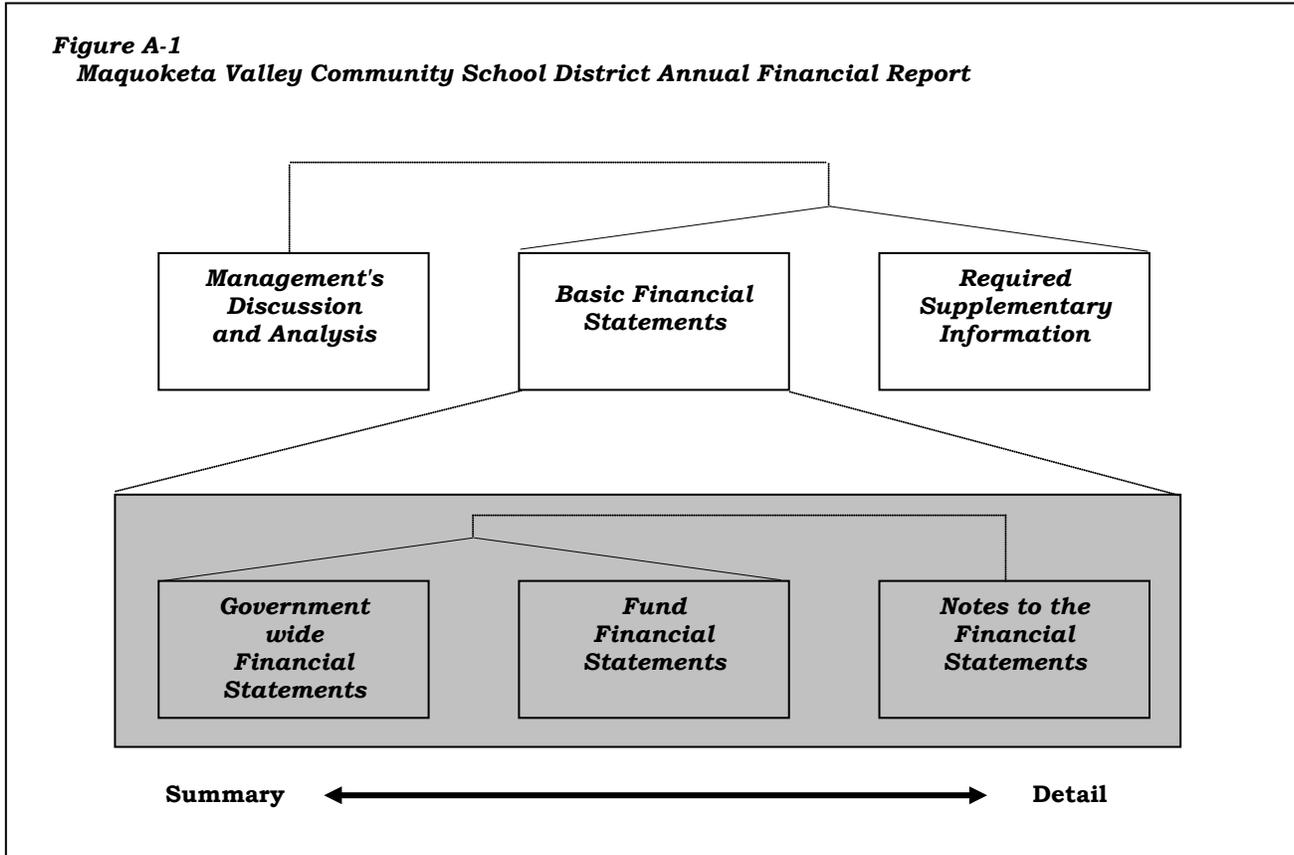


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two Government-wide 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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 revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. The Private-Purpose Trust Fund would be the District's only fiduciary fund.
- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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 a statement of changes in fiduciary net assets.

Reconciliations 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 total 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	\$ 8,543,599	8,112,041	139,205	144,095	8,682,804	8,256,136	5.17%
Capital assets	8,671,325	8,820,205	26,337	20,993	8,697,662	8,841,198	-1.62%
Total assets	17,214,924	16,932,246	165,542	165,088	17,380,466	17,097,334	1.66%
Long-term obligations	4,096,965	4,622,947	0	0	4,096,965	4,622,947	-11.38%
Other liabilities	4,859,837	4,640,174	5,646	5,458	4,865,483	4,645,632	4.73%
Total liabilities	8,956,802	9,263,121	5,646	5,458	8,962,448	9,268,579	-3.30%
Net assets:							
Invested in capital assets, net of related debt	5,031,325	4,730,205	26,337	20,993	5,057,662	4,751,198	6.45%
Restricted	1,927,065	1,917,496	0	0	1,927,065	1,917,496	0.50%
Unrestricted	1,299,732	1,021,424	133,559	138,637	1,433,291	1,160,061	23.55%
Total net assets	\$ 8,258,122	7,669,125	159,896	159,630	8,418,018	7,828,755	7.53%

The District's combined net assets increased by 7.53% or \$589,263 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by 0.50% or \$9,569 over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by 23.55% or \$273,230 from the prior year. The increase is due in part to the increase in fund balance of the General Fund.

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

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 545,592	529,999	197,386	207,314	742,978	737,313	0.77%
Operating grants and contributions and restricted interest	873,841	1,730,857	181,683	189,336	1,055,524	1,920,193	-45.03%
Capital grants and contributions and restricted interest	21,893	0	0	0	21,893	0	100.00%
General revenues:							
Property tax	3,882,803	3,754,327	0	0	3,882,803	3,754,327	3.42%
Statewide sales, services and use tax	523,778	463,478	0	0	523,778	463,478	13.01%
Unrestricted state grants	3,080,112	2,301,612	0	0	3,080,112	2,301,612	33.82%
Nonspecific program federal grants	119,509	0	0	0	119,509	0	100.00%
Unrestricted investment earnings	71,952	82,001	1,409	1,888	73,361	83,889	-12.55%
Other general revenue	114,638	55,705	22,726	22,650	137,364	78,355	75.31%
Total revenues	9,234,118	8,917,979	403,204	421,188	9,637,322	9,339,167	3.19%
Program expenses:							
Governmental activities:							
Instructional	5,517,104	4,915,456	0	0	5,517,104	4,915,456	12.24%
Support services	2,372,504	2,472,582	21,094	19,712	2,393,598	2,492,294	-3.96%
Non-instructional programs	0	0	381,844	395,253	381,844	395,253	-3.39%
Other expenses	755,513	742,490	0	0	755,513	742,490	1.75%
Total expenses	8,645,121	8,130,528	402,938	414,965	9,048,059	8,545,493	5.88%
Change in net assets	588,997	787,451	266	6,223	589,263	793,674	-25.76%
Net assets beginning of year, as restated	7,669,125	6,881,674	159,630	153,407	7,828,755	7,035,081	11.28%
Net assets end of year	\$ 8,258,122	7,669,125	159,896	159,630	8,418,018	7,828,755	7.53%

In fiscal 2011, property tax, statewide sales, services and use tax and unrestricted state grants account for 81.08% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.01% of the revenue from business type activities.

The District's total revenues were approximately \$9.64 million, of which approximately \$9.23 million was for governmental activities and approximately \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.19% in revenues and a 5.88% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,234,118 and expenses were \$8,645,121.

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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 5,517,104	4,915,456	12.24%	4,434,192	3,013,184	47.16%
Support services	2,372,504	2,472,582	-4.05%	2,334,952	2,435,663	-4.13%
Other expenses	755,513	742,490	1.75%	434,651	420,825	3.29%
Totals	\$ 8,645,121	8,130,528	6.33%	7,203,795	5,869,672	22.73%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$545,592.
- Federal and state government subsidized certain programs with operating grants and contributions totaling \$895,734.
- The net cost of governmental activities was financed with \$3,882,803 in property tax, \$523,778 in statewide sales, services and use tax, \$3,080,112 in unrestricted state grants, \$119,509 in nonspecific program federal grants, \$71,952 in unrestricted investment earnings, and \$114,638 in other general revenue.

Business type Activities

The District's only business type activity is the School Nutrition Fund. Revenues of the District's business type activities totaled \$403,204 and expenses totaled \$402,938 at June 30, 2011. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$3,667,346, above last year's ending fund balances of \$3,474,832. The primary reason for the increase in combined fund balances can be attributed to the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Both revenues and expenditures for the General Fund increased during the year, causing the overall fund balance for the General Fund to improve. As compared to fiscal 2010, revenues increased \$428,966 and expenditures increased \$179,988, resulting in a gain of General Fund balance of 17.50%.
- The Capital Projects Accounts balance decreased from a restated balance of \$1,095,142 at the beginning of the fiscal year 2011 to \$1,064,117. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The decrease in fund balance was the result of an increase in the transfer from the Capital Projects Fund to the Debt Service Fund for the District's general obligation bond payment.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$159,630 at June 30, 2010 to \$159,896 at June 30, 2011, representing an increase of less than 1%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$310,219 less than budgeted revenues, a variance of 3.12%. 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 the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$8,697,662, 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) There is more detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$388,101.

The original cost of the District's capital assets was \$13,726,384. Governmental funds account for \$13,471,035, with the remainder of \$255,349 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$81,520 at June 30, 2010, compared to \$99,421 reported at June 30, 2011. The increase in the land category is the result of the District purchasing a parcel of land during the year.

Figure A-6
Capital Assets, Net of Depreciation

	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	\$ 99,421	81,520	0	0	99,421	81,520	21.96%
Buildings	7,719,888	7,911,368	0	0	7,719,888	7,911,368	-2.42%
Land improvements	405,734	447,034	0	0	405,734	447,034	-9.24%
Machinery and equipment	446,282	380,283	26,337	20,993	472,619	401,276	17.78%
Total	\$ 8,671,325	8,820,205	26,337	20,993	8,697,662	8,841,198	-1.62%

Long-Term Debt

At June 30, 2011, the District had \$4,096,965 in general obligation and early retirement debt outstanding. This represents a decrease of 11.38% from last year's balance of \$4,622,947. (See Figure A-7) There is more detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$3,640,000 at June 30, 2011.

The District had an outstanding early retirement payable from the Special Revenue, Management Levy Fund totaling \$456,965 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 3,640,000	4,090,000	-11.00%
Early retirement	456,965	532,947	-14.26%
Totals	\$ 4,096,965	4,622,947	-11.38%

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District experienced a decrease in certified enrollment and a steady decline is expected in the future.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property taxes.
- Statewide sales and service tax collections have allowed the district to pay a portion of the bonded indebtedness, thus reducing the amount of taxes levied in the Debt Service fund.
- The increases in utility and transportation costs are still a concern.

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 Erika Imler, District Secretary/Business Manager, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,624,842	126,985	3,751,827
Receivables:			
Property tax:			
Delinquent	64,152	0	64,152
Succeeding year	4,562,033	0	4,562,033
Accounts	828	0	828
Due from other governments	263,675	0	263,675
Inventories	0	12,220	12,220
Capital assets, net of depreciation	8,671,325	26,337	8,697,662
Net OPEB asset	28,069	0	28,069
Total Assets	17,214,924	165,542	17,380,466
Liabilities			
Accounts payable	164,277	54	164,331
Salaries and benefits payable	18,232	0	18,232
Accrued interest payable	11,653	0	11,653
Unearned revenue	0	5,592	5,592
Deferred revenue:			
Succeeding year property tax	4,562,033	0	4,562,033
Other	103,642	0	103,642
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	465,000	0	465,000
Early retirement	178,142	0	178,142
Portion due after one year:			
General obligation bonds payable	3,175,000	0	3,175,000
Early retirement	278,823	0	278,823
Total Liabilities	8,956,802	5,646	8,962,448
Net Assets			
Invested in capital assets, net of related debt	5,031,325	26,337	5,057,662
Restricted for:			
Categorical funding	444,047	0	444,047
Management levy	82,386	0	82,386
School infrastructure	852,457	0	852,457
Physical plant and equipment	211,660	0	211,660
Student activities	67,692	0	67,692
Debt service	268,823	0	268,823
Unrestricted	1,299,732	133,559	1,433,291
Total Net Assets	\$ 8,258,122	159,896	8,418,018

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Services	Capital Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,652,761	247,356	92,463	0	(3,312,942)	0	(3,312,942)
Special	795,718	49,910	145,196	0	(600,612)	0	(600,612)
Other	1,068,625	248,326	299,661	0	(520,638)	0	(520,638)
	<u>5,517,104</u>	<u>545,592</u>	<u>537,320</u>	<u>0</u>	<u>(4,434,192)</u>	<u>0</u>	<u>(4,434,192)</u>
Support services:							
Student	246,758	0	57	0	(246,701)	0	(246,701)
Instructional staff	273,002	0	0	0	(273,002)	0	(273,002)
Administration	752,028	0	4,786	0	(747,242)	0	(747,242)
Operation and maintenance							
of plant	701,288	0	0	21,893	(679,395)	0	(679,395)
Transportation	399,428	0	10,816	0	(388,612)	0	(388,612)
	<u>2,372,504</u>	<u>0</u>	<u>15,659</u>	<u>21,893</u>	<u>(2,334,952)</u>	<u>0</u>	<u>(2,334,952)</u>
Other expenditures:							
Long-term debt interest	154,718	0	0	0	(154,718)	0	(154,718)
AEA flowthrough	320,862	0	320,862	0	0	0	0
Depreciation(unallocated)*	279,933	0	0	0	(279,933)	0	(279,933)
	<u>755,513</u>	<u>0</u>	<u>320,862</u>	<u>0</u>	<u>(434,651)</u>	<u>0</u>	<u>(434,651)</u>
Total governmental activities	8,645,121	545,592	873,841	21,893	(7,203,795)	0	(7,203,795)
Business Type activities:							
Support services:							
Administration	17,165	0	0	0	0	(17,165)	(17,165)
Operation and maintenance							
of plant	3,929	0	0	0	0	(3,929)	(3,929)
	<u>21,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,094)</u>	<u>(21,094)</u>
Non-instructional programs:							
Nutrition services	381,844	197,386	181,683	0	0	(2,775)	(2,775)
Total business type activities	<u>402,938</u>	<u>197,386</u>	<u>181,683</u>	<u>0</u>	<u>0</u>	<u>(23,869)</u>	<u>(23,869)</u>
Total	\$ <u>9,048,059</u>	<u>742,978</u>	<u>1,055,524</u>	<u>21,893</u>	<u>(7,203,795)</u>	<u>(23,869)</u>	<u>(7,227,664)</u>
General Revenues:							
Local tax levied for:							
General purposes					\$ 3,506,135	0	3,506,135
Debt service					296,298	0	296,298
Capital outlay					80,370	0	80,370
Statewide sales, services and use tax					523,778	0	523,778
Unrestricted state grants					3,080,112	0	3,080,112
Nonspecific program federal grants					119,509	0	119,509
Unrestricted investment earnings					71,952	1,409	73,361
Other general revenues					114,638	22,726	137,364
Total general revenues					<u>7,792,792</u>	<u>24,135</u>	<u>7,816,927</u>
Changes in net assets					588,997	266	589,263
Net assets beginning of year					7,669,125	159,630	7,828,755
Net assets end of year					\$ <u>8,258,122</u>	<u>159,896</u>	<u>8,418,018</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,844,650	536,127	911,676	332,389	3,624,842
Receivables:					
Property tax:					
Delinquent	54,705	3,224	1,328	4,895	64,152
Succeeding year	3,619,552	449,999	87,153	405,329	4,562,033
Accounts	828	0	0	0	828
Due from other governments	112,057	0	151,618	0	263,675
Total Assets	\$ 5,631,792	989,350	1,151,775	742,613	8,515,530
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 163,003	0	505	769	164,277
Salaries and benefits payable	18,232	0	0	0	18,232
Deferred revenue:					
Succeeding year property tax	3,619,552	449,999	87,153	405,329	4,562,033
Other	103,642	0	0	0	103,642
Total liabilities	3,904,429	449,999	87,658	406,098	4,848,184
Fund balances:					
Restricted for:					
Categorical funding	444,047	0	0	0	444,047
Management levy purposes	0	539,351	0	0	539,351
School infrastructure	0	0	852,457	0	852,457
Physical plant and equipment	0	0	211,660	0	211,660
Student activities	0	0	0	67,692	67,692
Debt service	0	0	0	268,823	268,823
Unassigned	1,283,316	0	0	0	1,283,316
Total fund balances	1,727,363	539,351	1,064,117	336,515	3,667,346
Total Liabilities and Fund Balances	\$ 5,631,792	989,350	1,151,775	742,613	8,515,530

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

Total fund balances of governmental funds(page 20)	\$ 3,667,346
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,671,325
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.	(11,653)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	28,069
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,096,965)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 8,258,122</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,310,992	195,143	604,148	296,298	4,406,581
Tuition	258,807	0	0	0	258,807
Other	147,328	18,718	46,282	285,301	497,629
State sources	3,585,032	0	0	0	3,585,032
Federal sources	464,176	0	21,893	0	486,069
Total revenues	<u>7,766,335</u>	<u>213,861</u>	<u>672,323</u>	<u>581,599</u>	<u>9,234,118</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,412,145	200,608	223,011	0	3,835,764
Special	797,867	0	0	0	797,867
Other	788,989	0	0	285,484	1,074,473
	<u>4,999,001</u>	<u>200,608</u>	<u>223,011</u>	<u>285,484</u>	<u>5,708,104</u>
Support services:					
Student	247,798	0	0	0	247,798
Instructional staff	273,375	0	0	0	273,375
Administration	730,979	0	0	0	730,979
Operation and maintenance of plant	620,175	39,418	0	0	659,593
Transportation	316,862	7,664	95,224	0	419,750
	<u>2,189,189</u>	<u>47,082</u>	<u>95,224</u>	<u>0</u>	<u>2,331,495</u>
Other expenditures:					
Facilities acquisitions	0	0	75,113	0	75,113
Long-term debt:					
Principal	0	0	0	450,000	450,000
Interest and fiscal charges	0	0	0	156,030	156,030
AEA flowthrough	320,862	0	0	0	320,862
	<u>320,862</u>	<u>0</u>	<u>75,113</u>	<u>606,030</u>	<u>1,002,005</u>
Total expenditures	<u>7,509,052</u>	<u>247,690</u>	<u>393,348</u>	<u>891,514</u>	<u>9,041,604</u>
Excess(deficiency) of revenues over(under) expenditures	257,283	(33,829)	278,975	(309,915)	192,514
Other financing sources(uses):					
Transfer in	0	0	0	310,000	310,000
Transfer out	0	0	(310,000)	0	(310,000)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>(310,000)</u>	<u>310,000</u>	<u>0</u>
Net change in fund balances	257,283	(33,829)	(31,025)	85	192,514
Fund balances beginning of year, as restated	<u>1,470,080</u>	<u>573,180</u>	<u>1,095,142</u>	<u>336,430</u>	<u>3,474,832</u>
Fund balances end of year	<u>\$ 1,727,363</u>	<u>539,351</u>	<u>1,064,117</u>	<u>336,515</u>	<u>3,667,346</u>

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY 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) \$ 192,514

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets in the current year are as follows:

Capital outlays	\$ 240,867	
Depreciation expense	(383,962)	
Loss on disposal of capital assets	<u>(5,785)</u>	(148,880)

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. 450,000

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. 1,312

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	75,982	
Other postemployment benefits	<u>18,069</u>	<u>94,051</u>

Changes in net assets of governmental activities(page 19) \$ 588,997

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

	School
	Nutrition
Assets	
Cash and pooled investments	\$ 126,985
Inventories	12,220
Capital assets, net of depreciation	26,337
Total Assets	165,542
Liabilities	
Accounts payable	54
Unearned revenue	5,592
Total Liabilities	5,646
Net Assets	
Invested in capital assets	26,337
Unrestricted	133,559
Total Net Assets	\$ 159,896

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 197,386
Contributions	54
Miscellaneous	22,726
TOTAL OPERATING REVENUE	220,166
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	14,977
Benefits	2,186
Other	2
	17,165
Operation and maintenance of plant:	
Services	3,929
	21,094
Non-instructional programs:	
Food service operations:	
Salaries	169,214
Benefits	24,681
Services	724
Supplies	182,132
Other	773
Depreciation	4,139
	381,663
TOTAL OPERATING EXPENSES	402,757
OPERATING LOSS	(182,591)
NON-OPERATING REVENUES (EXPENSES):	
State sources	3,664
Federal sources	177,965
Interest income	1,409
Loss on disposal of assets	(181)
TOTAL NON-OPERATING REVENUES (EXPENSES)	182,857
Change in net assets	266
Net assets beginning of year	159,630
Net assets end of year	\$ 159,896

SEE NOTES TO FINANCIAL STATEMENTS

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

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 198,438
Cash received from miscellaneous operating activities	22,780
Cash payments to employees for services	(211,058)
Cash payments to suppliers for goods or services	(159,663)
Net cash used in operating activities	(149,503)
Cash flows from non-capital financing activities:	
State grants received	3,664
Federal grants received	151,304
Net cash provided by non-capital financing activities	154,968
Cash flows from capital and related financing activities:	
Purchase of capital assets	(9,664)
Cash flows from investing activities:	
Interest on investments	1,409
Net decrease in cash and cash equivalents	(2,790)
Cash and cash equivalents at beginning of year	129,775
Cash and cash equivalents at end of year	\$ 126,985
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (182,591)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,661
Depreciation	4,139
Decrease in inventories	1,182
Decrease in accounts receivable	918
Increase in accounts payable	54
Increase in unearned revenue	134
Net cash used in operating activities	\$ (149,503)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$26,661.

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 4,876
Liabilities	0
Net assets	
Restricted for scholarships	\$ 4,876

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 101
Deductions	0
Change in net assets	101
Net assets beginning of year	4,775
Net assets end of year	\$ 4,876

SEE NOTES TO FINANCIAL STATEMENTS

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

(1) Summary of Significant Accounting Policies

The Maquoketa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and 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 cities of Delhi, Earlville and Hopkinton, Iowa, and the predominate agricultural territory in Delaware county. 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 Valley 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 Valley 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 do 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 Delaware 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 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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 receipts that are 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The District reports the following proprietary fund:

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

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

The 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.

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

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

D. Assets, Liabilities and Fund 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.

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 the governmental funds are 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 repairs 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-20 years

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

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

Deferred revenue on 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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, fund balances are classified as follows:

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 in bank 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. As of the year ended June 30, 2011, the District had no investments.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	<u>\$ 310,000</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was to help pay for part of the principal and interest payment on the District's general obligation indebtedness.

(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	\$ 81,520	17,901	0	99,421
Total capital assets not being depreciated	<u>81,520</u>	<u>17,901</u>	<u>0</u>	<u>99,421</u>
Capital assets being depreciated:				
Buildings	10,782,633	40,393	0	10,823,026
Land improvements	1,021,853	6,760	0	1,028,613
Machinery and equipment	1,430,779	175,813	86,617	1,519,975
Total capital assets being depreciated	<u>13,235,265</u>	<u>222,966</u>	<u>86,617</u>	<u>13,371,614</u>
Less accumulated depreciation for:				
Buildings	2,871,265	231,873	0	3,103,138
Land improvements	574,819	48,060	0	622,879
Machinery and equipment	1,050,496	104,029	80,832	1,073,693
Total accumulated depreciation	<u>4,496,580</u>	<u>383,962</u>	<u>80,832</u>	<u>4,799,710</u>
Total capital assets being depreciated, net	<u>8,738,685</u>	<u>(160,996)</u>	<u>5,785</u>	<u>8,571,904</u>
Governmental activities capital assets, net	<u>\$ 8,820,205</u>	<u>(143,095)</u>	<u>5,785</u>	<u>8,671,325</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 272,852	9,664	27,167	255,349
Less accumulated depreciation	251,859	4,139	26,986	229,012
Business type activities capital assets, net	\$ 20,993	5,525	181	26,337

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 19,439
Other	8,686

Support services:

Administration	6,745
Operation and maintenance of plant	4,348
Transportation	64,811

104,029

Unallocated depreciation

279,933

Total governmental activities depreciation expense

\$ 383,962

Business type activities:

Food services	\$ 4,139
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(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	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,090,000	0	450,000	3,640,000	465,000
Early retirement	532,947	96,000	171,982	456,965	178,142
Total	\$ 4,622,947	96,000	621,982	4,096,965	643,142

Long-term Debt

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2005				
	Interest Rates		Principal	Interest	Total
2012	3.55	% \$	465,000	139,830	604,830
2013	3.65		480,000	123,322	603,322
2014	3.75		500,000	105,802	605,802
2015	3.85		515,000	87,053	602,053
2016	3.95		535,000	67,225	602,225
2017-2018	4.00-4.05		1,145,000	69,785	1,214,785
Total			\$ 3,640,000	593,017	4,233,017

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The employee must have worked an average of twenty-five or more hours per week and during the last 15 years the employee has worked at least thirty-six weeks per year. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The District paid \$171,982 in early retirement benefits during the year ended June 30, 2011.

(6) 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. There are 78 active and 21 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 148,000
Interest on net OPEB obligation	(450)
Adjustment to annual required contribution	<u>381</u>
Annual OPEB cost	147,931
Contributions made	<u>(166,000)</u>
Increase in net OPEB obligation	(18,069)
Net OPEB obligation - beginning of year	<u>(10,000)</u>
Net OPEB obligation - end of year	<u>\$ (28,069)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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
2010	\$ 148,000	106.76%	\$ (10,000)
2011	147,931	112.21%	(28,069)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.576 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.576 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.438 million, and the ratio of the UAAL to the covered payroll was 45.8%. 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 healthcare 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 the 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 that

are 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, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed using information provided by the District.

Projected claim costs of the medical plan are \$614 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% 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 \$306,618, \$290,388 and \$295,252, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(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 \$320,862 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 restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
LEP weighting	\$ 10,997
Home school assistance program	16,395
Talented and gifted	1,510
Dropout and dropout prevention	173,802
Beginning teacher mentoring and induction program	2,238
Teacher salary supplement	55,849
Market factor	4,720
Professional development	13,433
Statewide voluntary preschool	126,700
Professional development for model core curriculum	35,867
Market factor incentives	2,536
Total	<u>\$ 444,047</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 reclassification is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 933,367	161,775
Change in fund type classification per implementation of GASB Statement No. 54	161,775	(161,775)
Balance July 1, 2010 as restated	<u>\$ 1,095,142</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE 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
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,163,017	221,575	5,384,592	5,552,400	5,552,400	(167,808)
State sources	3,585,032	3,664	3,588,696	3,947,141	3,947,141	(358,445)
Federal sources	486,069	177,965	664,034	448,000	448,000	216,034
Total revenues	9,234,118	403,204	9,637,322	9,947,541	9,947,541	(310,219)
Expenditures/expenses:						
Instruction	5,708,104	0	5,708,104	6,546,700	6,546,700	838,596
Support services	2,331,495	21,094	2,352,589	4,346,048	4,346,048	1,993,459
Non-instructional programs	0	381,844	381,844	651,876	651,876	270,032
Other expenditures	1,002,005	0	1,002,005	1,040,908	1,040,908	38,903
Total expenditures/expenses	9,041,604	402,938	9,444,542	12,585,532	12,585,532	3,140,990
Excess(deficiency) of revenues over(under) expenditures/expenses	192,514	266	192,780	(2,637,991)	(2,637,991)	2,830,771
Balance beginning of year	3,474,832	159,630	3,634,462	3,177,928	3,177,928	456,534
Balance end of year	\$ 3,667,346	159,896	3,827,242	539,937	539,937	3,287,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

(IN MILLIONS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$0	\$1.576	\$1.576	0.0%	\$3.594	43.9%
2011	July 1, 2009	\$0	\$1.576	\$1.576	0.0%	\$3.438	45.8%

See Note 6 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue: Student Activity	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and pooled investments	\$ 68,461	263,928	332,389
Receivables:			
Property tax:			
Delinquent	0	4,895	4,895
Succeeding year	0	405,329	405,329
Total Assets	\$ 68,461	674,152	742,613
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 769	0	769
Deferred revenue:			
Succeeding year property tax	0	405,329	405,329
Total Liabilities	769	405,329	406,098
Fund balances:			
Restricted for:			
Student activities	67,692	0	67,692
Debt service	0	268,823	268,823
Total fund balances	67,692	268,823	336,515
Total Liabilities and Fund Balances	\$ 68,461	674,152	742,613

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue: Student Activity	Debt Service	Total Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	296,298	296,298
Other	279,822	5,479	285,301
TOTAL REVENUES	279,822	301,777	581,599
EXPENDITURES:			
Current:			
Instruction:			
Other	285,484	0	285,484
Other expenditures:			
Long-term debt:			
Principal	0	450,000	450,000
Interest	0	156,030	156,030
TOTAL EXPENDITURES	285,484	606,030	891,514
Deficiency of revenues under expenditures	(5,662)	(304,253)	(309,915)
Other financing sources:			
Transfer in	0	310,000	310,000
Net change in fund balance	(5,662)	5,747	85
Fund balance beginning of year, as restated	73,354	263,076	336,430
Fund balance end of year	\$ 67,692	268,823	336,515

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 722,732	188,944	911,676
Receivables:			
Delinquent	0	1,328	1,328
Succeeding year	0	87,153	87,153
Due from other governments	129,725	21,893	151,618
Total assets	\$ 852,457	299,318	1,151,775
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 0	505	505
Deferred revenue			
Succeeding year property tax	0	87,153	87,153
Total liabilities	0	87,658	87,658
Fund balances:			
Restricted for:			
School infrastructure	852,457	0	852,457
Physical plant and equipment	0	211,660	211,660
Total fund balances	852,457	211,660	1,064,117
Total liabilities and fund balances	\$ 852,457	299,318	1,151,775

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 523,778	80,370	604,148
Other	43,060	3,222	46,282
Federal sources	0	21,893	21,893
TOTAL REVENUES	<u>566,838</u>	<u>105,485</u>	<u>672,323</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	223,011	0	223,011
Support services:			
Transportation	76,000	19,224	95,224
Other expenditures:			
Facilities acquisitions	38,737	36,376	75,113
TOTAL EXPENDITURES	<u>337,748</u>	<u>55,600</u>	<u>393,348</u>
Excess of revenues over expenditures	229,090	49,885	278,975
Other financing uses:			
Transfers out	(310,000)	0	(310,000)
Net change in fund balance	(80,910)	49,885	(31,025)
Fund balances beginning of year, as restated	933,367	161,775	1,095,142
Fund balances end of year	<u>\$ 852,457</u>	<u>211,660</u>	<u>1,064,117</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY 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	Intra Fund Transfers	Balance End of Year
Drama & Speech	\$ 126	22,114	21,135	289	1,394
Fall Musical	0	3,259	2,832	0	427
Vocal	0	8,927	9,088	2,975	2,814
Instrumental Music	2,347	2,813	4,225	3,265	4,200
Middle School Baseball	944	0	70	0	874
Middle School Softball	301	0	0	0	301
Middle School Athletics	(490)	4,846	7,349	2,993	0
Iron Man/Weight Room	(243)	78	50	5,124	4,909
Cross Country	286	3	579	450	160
Golf	0	0	915	915	0
Boys Basketball	1,335	4,999	5,443	85	976
Football	4,511	8,859	15,225	2,000	145
Baseball	650	14,944	12,483	925	4,036
Boys Track	0	1,535	2,110	575	0
Wrestling	734	6,837	6,206	1,000	2,365
Girls Basketball	1,965	11,624	11,620	1,000	2,969
Volleyball	1,101	4,345	6,500	1,054	0
Softball	5,810	5,471	9,857	(554)	870
Girls Track	523	1,392	2,357	500	58
Post Prom	6,517	30,088	32,103	0	4,502
Spanish	2,423	36,741	37,587	119	1,696
FFA	0	24,969	22,625	(119)	2,225
Student Council	497	1,496	1,919	(64)	10
Academic Excellence	520	625	1,209	64	0
National Honor Society	436	273	410	0	299
Drill Team	4,730	5,785	9,353	0	1,162
Yearbook	5,363	12,206	10,532	0	7,037
Earlville Elem.	8,614	175	522	(8,117)	150
Johnston Elem.	6,385	1,145	676	0	6,854
Delhi Elem.	6,315	2,138	1,908	0	6,545
Music Dept Trip	6,529	0	0	(6,529)	0
Band Uniforms	2,915	40	0	0	2,955
Art	243	4	0	0	247
Class of 2009	373	7	0	0	380
Class of 2010	570	6	0	0	576
Class of 2011	1,086	89	620	0	555
Class of 2012	36	4,096	3,305	0	827
Class of 2013	405	81	48	0	438
Class of 2014	0	472	94	0	378
Assemblies	826	7	0	0	833
Athletics Middle School	1,537	3,614	3,372	0	1,779
Student Services	(2,866)	53,719	41,157	(7,950)	1,746
Total	\$ 73,354	279,822	285,484	0	67,692

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

Private Purpose Trust - Scholarship Fund				
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
ASSETS				
Cash and pooled investments	\$ 816	866	3,194	4,876
LIABILITIES				
	0	0	0	0
NET ASSETS				
Restricted for scholarships	\$ 816	866	3,194	4,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 26	25	50	101
Deductions:	0	0	0	0
Changes in net assets	26	25	50	101
Net assets beginning of year	790	841	3,144	4,775
Net assets end of year	\$ 816	866	3,194	4,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,406,581	4,217,805	4,007,151	3,981,260	3,969,223	3,693,609	3,648,364	3,419,986
Tuition	258,807	270,749	321,814	269,187	232,443	197,019	170,199	191,156
Other	497,629	417,261	536,147	484,058	461,615	637,045	391,206	365,966
State sources	3,585,032	3,274,344	3,930,023	3,902,425	3,584,731	3,593,272	3,580,337	3,292,486
Federal sources	486,069	737,820	242,349	234,154	231,111	230,398	231,511	235,414
Total	\$ 9,234,118	8,917,979	9,037,484	8,871,084	8,479,123	8,351,343	8,021,617	7,505,008
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,835,764	3,456,318	3,663,357	3,541,548	3,130,332	3,086,546	3,046,995	3,338,473
Special	797,867	734,860	853,478	780,096	718,045	707,322	572,247	770,323
Other	1,074,473	949,362	939,971	822,844	714,254	687,782	888,338	722,273
Support services:								
Student	247,798	234,748	276,827	256,352	451,747	223,028	203,075	201,290
Instructional staff	273,375	315,590	233,395	245,720	254,587	241,523	185,982	171,906
Administration	730,979	822,622	858,287	808,280	766,278	793,089	754,983	731,626
Operation and maintenance of plant	659,593	734,530	797,508	714,956	716,412	715,716	742,104	670,199
Transportation	419,750	316,588	388,329	394,619	447,872	329,547	375,104	340,644
Other expenditures:								
Facilities acquisitions	75,113	52,920	122,600	87,761	77,046	20,615	76,052	84,883
Long-term debt:								
Principal	450,000	435,000	420,000	410,000	250,000	350,000	335,000	320,000
Interest	156,030	170,770	185,050	198,590	362,789	282,665	298,643	313,422
AEA flowthrough	320,862	321,665	298,068	294,633	279,049	272,957	273,089	273,552
Total	\$ 9,041,604	8,544,973	9,036,870	8,555,399	8,168,411	7,710,790	7,751,612	7,938,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 27,686
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	149,779 *
			<u>177,465</u>
TEAM NUTRITION GRANTS	10.574	FY 11	<u>1,000</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4043-G	102,416
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	31,125
			<u>133,541</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 11	<u>21,893</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 11	<u>57</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 11	<u>36,691</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 11	<u>4,765</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	1,165
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	39,002
			<u>40,167 **</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>34,788 **</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>44,554</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	39,785
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	33,852
			<u>73,637</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>14,987</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 10	<u>400</u>
TOTAL			<u>\$ 583,945</u>

* - Includes \$26,661 of non-cash awards.

** - The total for the State Fiscal Stabilization Fund Cluster is \$74,955

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maquoketa Valley 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)

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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 Valley 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 Valley 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 27, 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 Valley 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 Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Valley 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Valley 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 Valley 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 Valley 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 Valley Community School District and other parties to whom Maquoketa Valley 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 Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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

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

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maquoketa Valley 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 Valley Community School District's compliance with those requirements.

In our opinion, Maquoketa Valley 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 Valley 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 Valley 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 Valley 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. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Maquoketa Valley 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 response 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 Valley Community School District and other parties to whom Maquoketa Valley 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 27, 2012

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

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - School Nutrition Cluster:
 - 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 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Valley Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Receipts are posted and bank deposits are prepared by the same person, but they are verified and compared to bank deposits by a separate individual. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to look for new alternatives to our internal control that will enhance our segregation of duties.

Conclusion - Response accepted.

II-B-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District will continue to work towards implementing procedures to comply with the Department of Labor requirements.

Conclusion - Response accepted.

II-C-11 Inventory Pricing - We noted during our audit that the commodity inventory in the Nutrition Fund was not priced using the Department of Education valuation report, therefore resulting in understated inventory.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation and the prices should be used for commodity inventory.

Response - The District will ensure that the correct pricing will be used in future calculations.

Conclusion - Response accepted.

MAQUOKETA VALLEY 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:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010 & 2011
Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Receipts are posted and bank deposits are prepared by the same person, but they are verified and compared to bank deposits by a separate individual. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to look for new alternatives to our internal control that will enhance our segregation of duties.

Conclusion - Response accepted.

MAQUOKETA VALLEY 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 budgeted amounts.

IV-B-11 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund for reading guests. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation -The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will notify all Administration and staff that gift cards are not an acceptable purchase and shall not be purchased.

Conclusion - Response accepted.

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 and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Leola Kay Harris, Board Member Spouse owns Harris Electric	Repairs	\$197
Scott Moenck, Coach Spouse owns Speedy T's Printing	Shirt printing	\$4,964
Randy Mower, Bus Driver Spouse owns Marla's Screen Prints	Shirt printing	\$20,337

In accordance with Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the Board Member, the spouse of the coach and the spouse of the bus driver do not appear to represent 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 students which were reported as resident students was understated by 2.0 students.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this 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		\$ 933,367
Revenues:		
Sales tax revenues	\$ 523,778	
Other	43,060	566,838
		<u>1,500,205</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 19,662	
Land purchased	19,075	
Equipment	299,011	
Transfers to other funds:		
Debt service fund	310,000	647,748
		<u>647,748</u>
Ending balance		<u><u>\$ 852,457</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.28000	\$ 310,000

IV-M-11 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization.

We noted that there were instructional supplies and books purchased in the Student Activity Fund. These expenses do not appear to be extracurricular or co-curricular in nature and should be expenses from the General Fund. The revenues which are received related to these expenses should be accounted for in the General Fund.

Response - Instructional supplies and books will be expensed from the General Fund. The District will review all Student Activity Fund accounts for proper accounting.

Conclusion - Response accepted.