

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2011

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Gary E. Horton CPA

PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District, Marcus, Iowa, as of and for the year ended June 30, 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 Marcus-Meriden-Cleghorn 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 reports dated March 19, 2012, on our consideration of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcus-Meriden-Cleghorn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 19, 2012

## **Management Discussion and Analysis**

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

### **Financial Highlights**

- The District's General Fund received \$4,608,913 and spent \$4,326,583 for a net increase of \$282,330; therefore the General Fund ending fund balance went from \$76,808 to \$370,038.
- The District's solvency ratio has rebounded significantly following last year's 10% Across the Board Cut. The affect caused an increase from a negative 1.99% to 3.26%. The General Fund cash position was also improved from last year going from \$491,349 to \$798,590.

### **Overview of the Financial Statements**

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 Marcus-Meriden-Cleghorn Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

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

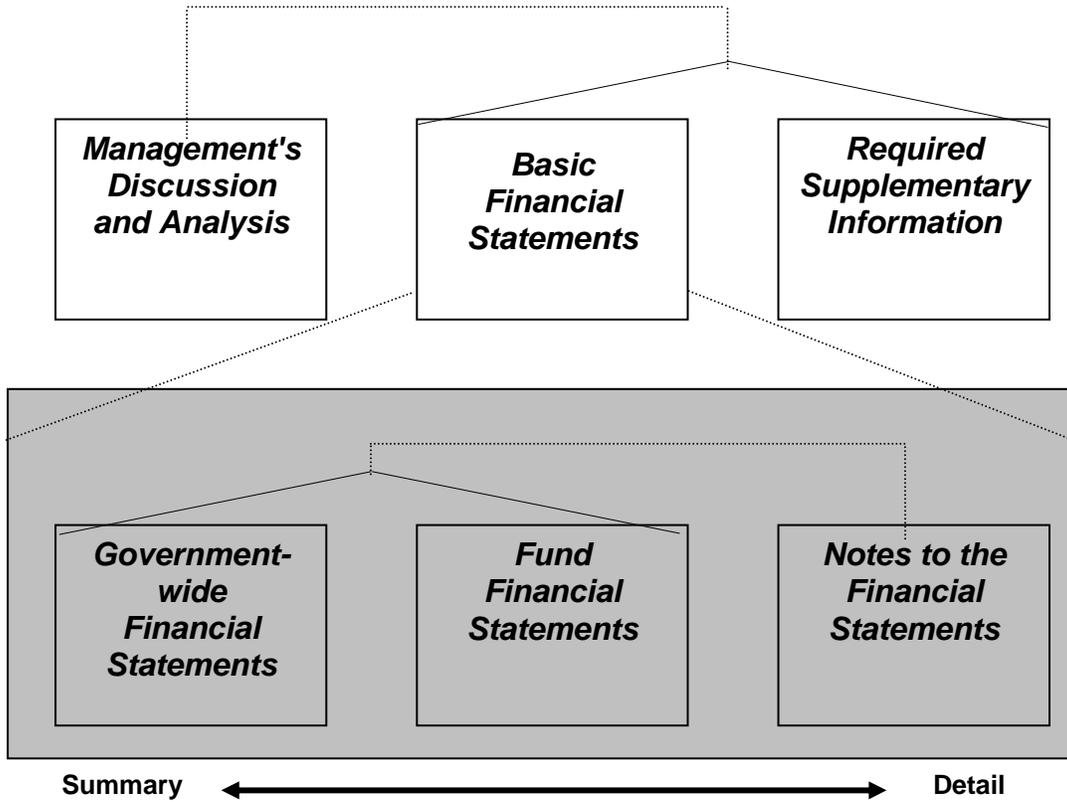


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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: such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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

### **Government-wide Financial Statements**

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional

non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

## **Fund Financial Statements**

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

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

The District has two 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, Debt Service Fund and Capital Projects Fund.

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

- 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.

## Government-Wide Financial Analysis

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

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

	Governmental Activities		Business-type Activities		District Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 5,361,505	\$ 5,819,657	\$ 28,396	\$ 52,190	\$ 5,389,901	\$ 5,871,847
Capital Assets	3,963,791	3,983,294	59,713	52,134	4,023,504	4,035,428
<b>Total assets</b>	<b>9,325,296</b>	<b>9,802,951</b>	<b>88,109</b>	<b>104,324</b>	<b>9,413,405</b>	<b>9,907,275</b>
Long-term debt outstanding	2,567,887	2,415,867	286	514	2,568,173	2,416,381
Other liabilities	3,511,774	3,496,024	3,829	4,126	3,515,603	3,500,150
<b>Total liabilities</b>	<b>6,079,661</b>	<b>5,911,891</b>	<b>4,115</b>	<b>4,640</b>	<b>6,083,776</b>	<b>5,916,531</b>
Net Assets:						
Invested in capital assets, net of related debt	1,860,358	1,994,861	59,713	52,134	1,920,071	2,046,995
Restricted	1,252,687	1,512,900	-	-	1,252,687	1,512,900
Unrestricted	132,590	383,299	24,281	47,550	156,871	430,849
<b>Total net assets</b>	<b>3,245,635</b>	<b>3,891,060</b>	<b>83,994</b>	<b>99,684</b>	<b>3,329,629</b>	<b>3,990,744</b>

The District's total net assets increased by 19.86% or approximately \$661,000 from fiscal year 2010 to 2011. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by approximately \$260,000 or 20.77% over the prior year. The increase is a result of sales taxes revenue collected but not spent and an increase in categorical funding.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$250,000. This increase was a result of using our cash reserve levy to make up for the 10% Across the Board Cut from last fiscal year.

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

The net asset increase in the business-type activities can be attributed to the ala carte program and additional fees. The ala carte program has been discontinued and fiscal year 2011 is the final year of operation.

**Changes in net assets** – Figure A-4 shows the changes in net assets for the years ended June 30, 2010 and June 30, 2011.

**Figure A-4**

Changes in Net Assets from Operating Results for the years ending June 30, 2009 and 2010

	Governmental Activities		Business-type Activities		School District Total	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 220,248	\$ 252,067	\$ 127,242	\$ 113,846	\$ 347,490	\$ 365,913
Operating Grants & Contributions	745,680	904,413	95,388	91,859	841,068	996,272
Capital Grants & Contributions	54,746	-	-	-	54,746	-
General revenues						
Property and Other Local taxes	2,952,676	3,276,848	-	-	2,952,676	3,276,848
Unrestricted state grants	851,642	1,076,009	-	-	851,642	1,076,009
Other	16,376	49,987	150	273	16,526	50,260
Transfers	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,841,368</b>	<b>5,559,324</b>	<b>222,780</b>	<b>205,978</b>	<b>5,064,148</b>	<b>5,765,302</b>
<b>Expenses</b>						
Instruction	2,857,648	2,960,669	-	-	2,857,648	2,960,669
Support Services:						
Administrative & Business	515,049	540,338	-	-	515,049	540,338
Maintenance & Operations	401,568	378,752	-	-	401,568	378,752
Other Support Services	540,259	519,095	-	-	540,259	519,095
Non-Instructional Programs	-	-	206,399	190,288	206,399	190,288
Other Expenditures	498,559	515,045	-	-	498,559	515,045
<b>Total expenses</b>	<b>4,813,083</b>	<b>4,913,899</b>	<b>206,399</b>	<b>190,288</b>	<b>5,019,482</b>	<b>5,104,187</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 28,285</b>	<b>\$ 645,425</b>	<b>\$ 16,381</b>	<b>\$ 15,690</b>	<b>\$ 44,666</b>	<b>\$ 661,115</b>

In fiscal year 2011 property tax and unrestricted state grants account for 75.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 13.85% increase in revenues and a 1.69% increase in expenses. This is directly related to the 10% Across the Board Cut issued by the State in 2010. Property tax increased \$324,000 to recover lost funds from the State Cuts. The increases in expenses related to increases in the negotiated salaries and benefits.

Figure A-5

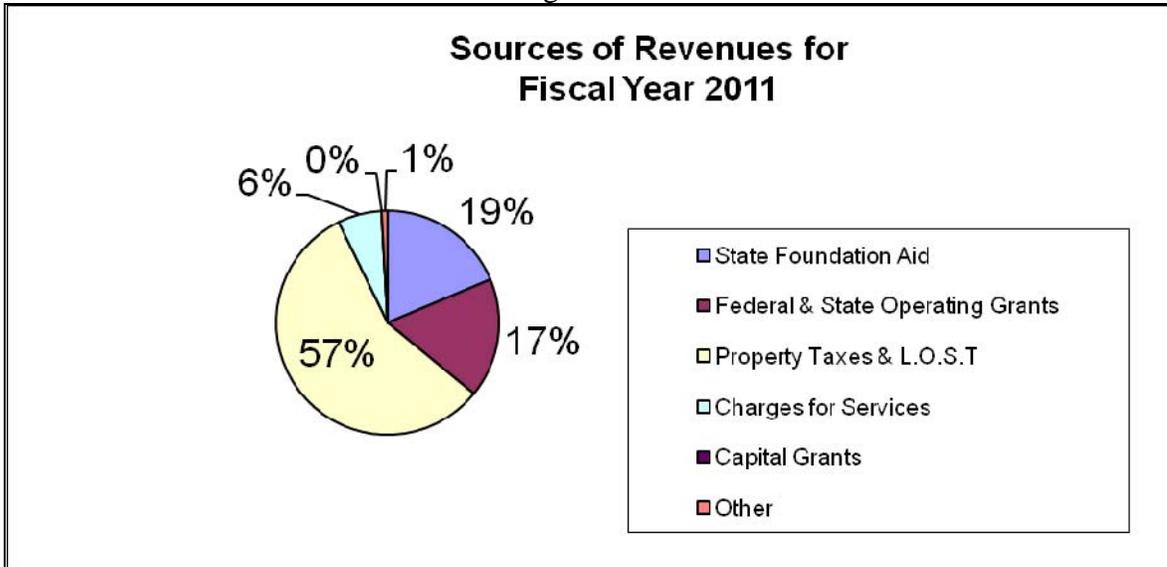
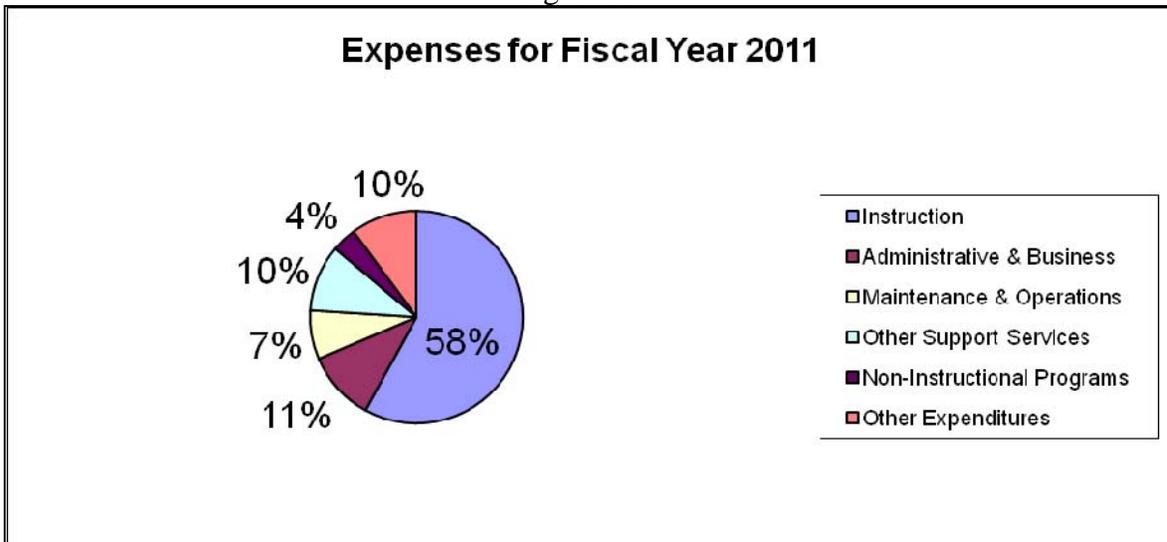


Figure A-6



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

**Governmental Activities**

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

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

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Instruction	\$ 2,857,648	\$ 2,960,669	\$ 2,091,558	\$ 2,008,166
Support Services:				
Administration & Business	515,049	540,338	515,049	540,338
Maintenance & Operations	401,568	378,752	401,123	378,557
Other Support Services	540,259	519,095	537,154	516,666
Other Expenditures	498,559	515,045	247,525	313,692
<b>Total</b>	<b>\$ 4,813,083</b>	<b>\$ 4,913,899</b>	<b>\$ 3,792,409</b>	<b>\$ 3,757,419</b>

- The cost of all governmental activities this year was \$4,913,899.
- \$252,067 of the cost was financed by the users of the District's programs
- The federal and state governments subsidized certain programs with grants and contributions of \$904,413.
- Most of the District's \$3,757,419 of net costs, however, were financed by the District and state taxpayers.
- This portion of governmental activities was financed with \$3,276,848 in property and other local taxes, \$1,076,009 of unrestricted state grants based on the statewide finance formula, and investment earnings.

### **Business-Type Activities**

Revenues of the District's business-type activities (school food and nutrition services) totaled \$205,705 and expenses totaled \$190,288. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business-type activity revenues exceeded expenses by \$15,690. Continuation of the ala carte menu, charging for second entrees and an increase in meal prices allowed us to generate a surplus.

### **Individual Fund Analysis**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,169,910, as compared to \$1,720,328 from last year. The increase can be attributed to the use of the cash reserve levy to offset the 10% state cut from 2010.

## **Governmental Fund Highlights**

The District's General Fund cash position was restored to its 2009 level following the 10% cut that was seen in 2010. This was a necessary step in keeping the District financially solvent.

The Capital Projects is a combination of Capital Projects Fund, Local Option Sales Tax Fund, and Physical Plant and Equipment (PPEL). The three funds increased approximately \$90,000 to a total of \$1,450,669. There is \$450,080 remaining from the bond issue that can be used to retire some of the outstanding long-term debt. With the increase in funds for the future, it will give the District the ability to pay off the entire debt amount prior to maturity.

The Management Levy increased its cash position after another increase in the levy. The increase was necessary in order to cover the increased property/liability costs and early retirement for the District. The increased levy created a surplus in this fund for the fiscal year 2011. The fund had an increase of approximately \$76,000 and raised the ending cash balance to \$289,966.

## **Proprietary Funds**

The School Nutrition Fund reported a \$15,417 increase in net assets due to the ala carte program and additional fees along with decreasing expenses.

## **Budgetary Highlights**

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

The District's receipts were \$155,901 less than budgeted receipts, a variance of 2.7%. The most significant variance resulted from the District receiving less money from local 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**

By the end of 2010, the District had invested \$4,035,428, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, transportation equipment and administrative offices. (See Figure

A-8) (More detailed information about capital assets can be found in Note 6 to the financial statements.) Total depreciation expense for the year was \$226,472.

The largest change in capital asset activity during the year occurred in the construction in progress category. At June 30, 2010 the District had started construction on a parking lot. The parking lot was then completed in Fiscal Year 2011.

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

	Governmental Activities		Business-Type Activities		Total School District	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 11,900	\$ 11,900	\$ -	\$ -	\$ 11,900	\$ 11,900
Construction in progress	\$ 113,888	\$ -	\$ -	\$ -	\$ 113,888	\$ -
Buildings & Improvements	\$ 3,662,707	\$ 3,746,456	\$ -	\$ -	\$ 3,662,707	\$ 3,746,456
Equipment & Fixtures	\$ 175,296	\$ 224,938	\$ 59,713	\$ 52,134	\$ 235,009	\$ 277,072
	<u>\$ 3,963,791</u>	<u>\$ 3,983,294</u>	<u>\$ 59,713</u>	<u>\$ 52,134</u>	<u>\$ 4,023,504</u>	<u>\$ 4,035,428</u>

### Long-Term Debt

At year-end, the District had \$2,435,000 in general obligation bonds and \$99,448 in other long-term debt outstanding in Figure A-9 below.

The District's general obligation bonds are not rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$11,600,000.

**Figure A-9**  
**Outstanding Long-Term Debt**

	Total School District	
	<u>2010</u>	<u>2011</u>
General Obligation Bonds	\$ 2,550,000	\$ 2,435,000
Early Retirement Benefits Payable	\$ 118,995	\$ 76,827
Net OPEB Liability	\$ 12,575	\$ 22,621
Total	<u>\$ 2,681,570</u>	<u>\$ 2,534,448</u>

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

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

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. It is apparent that that State will have Allowable Growth set at 2% for Fiscal Year 2013.
- District budget enrollment will decrease by 10 students for the 2010 count and will see another decrease of 13 students for the 2011 count which will have a negative impact for the fiscal year 2013 budget. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

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

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

## BASIC FINANCIAL STATEMENTS

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,556,913	58,644	2,615,557
Receivables:			
Property tax:			
Delinquent	28,361	-	28,361
Succeeding year	2,805,310	-	2,805,310
Accounts	237	156	393
Due from other governments	359,217	-	359,217
Internal balances	10,700	(10,700)	-
Inventories	-	4,090	4,090
Prepaid expenses	3,476	-	3,476
Unamortized bond issue costs	55,443	-	55,443
Capital assets, net of accumulated depreciation	<u>3,983,294</u>	<u>52,134</u>	<u>4,035,428</u>
<b>Total assets</b>	<u>9,802,951</u>	<u>104,324</u>	<u>9,907,275</u>
<b>Liabilities</b>			
Accounts payable	82,164	50	82,214
Salaries and benefits payable	369,403	283	369,686
Accrued interest payable	17,248	-	17,248
Deferred revenue:			
Succeeding year property tax	2,805,310	-	2,805,310
Other	63,154	3,793	66,947
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	120,000	-	120,000
Termination benefits	38,745	-	38,745
Portion due after one year:			
General obligation bonds payable	2,315,000	-	2,315,000
Bond premium	40,678	-	40,678
Termination benefits	38,082	-	38,082
Net OPEB liability	<u>22,107</u>	<u>514</u>	<u>22,621</u>
<b>Total liabilities</b>	<u>5,911,891</u>	<u>4,640</u>	<u>5,916,531</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,994,861	52,134	2,046,995
Restricted for:			
Categorical funding			
Categorical funding	219,844	-	219,844
Management levy	209,663	-	209,663
Physical plant and equipment levy	239,636	-	239,636
Student activities	55,242	-	55,242
School infrastructure	788,515	-	788,515
Unrestricted	383,299	47,550	430,849
<b>Total net assets</b>	<u>3,891,060</u>	<u>99,684</u>	<u>3,990,744</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Instruction:				
Regular	2,058,135	125,684	613,500	-
Special	411,117	-	42,714	-
Other	491,417	126,188	44,417	-
	<u>2,960,669</u>	<u>251,872</u>	<u>700,631</u>	<u>-</u>
Support services:				
Student	167,135	-	-	-
Instructional staff	80,625	-	-	-
Administration	540,338	-	-	-
Operation and maintenance of plant	378,752	195	-	-
Transportation	271,335	-	2,429	-
	<u>1,438,185</u>	<u>195</u>	<u>2,429</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	55,398	-	-	-
Long-term debt interest	105,298	-	-	-
AEA flowthrough	201,353	-	201,353	-
Depreciation (unallocated)*	152,996	-	-	-
	<u>515,045</u>	<u>-</u>	<u>201,353</u>	<u>-</u>
Total governmental activities	4,913,899	252,067	904,413	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	190,288	113,846	91,859	-
Total	<u>5,104,187</u>	<u>365,913</u>	<u>996,272</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,318,951)	-	(1,318,951)
(368,403)	-	(368,403)
(320,812)	-	(320,812)
<u>(2,008,166)</u>	<u>-</u>	<u>(2,008,166)</u>
(167,135)	-	(167,135)
(80,625)	-	(80,625)
(540,338)	-	(540,338)
(378,557)	-	(378,557)
(268,906)	-	(268,906)
<u>(1,435,561)</u>	<u>-</u>	<u>(1,435,561)</u>
(55,398)	-	(55,398)
(105,298)	-	(105,298)
-	-	-
<u>(152,996)</u>	<u>-</u>	<u>(152,996)</u>
<u>(313,692)</u>	<u>-</u>	<u>(313,692)</u>
(3,757,419)	-	(3,757,419)
<u>-</u>	<u>15,417</u>	<u>15,417</u>
<u>(3,757,419)</u>	<u>15,417</u>	<u>(3,742,002)</u>
2,484,666	-	2,484,666
220,918	-	220,918
237,347	-	237,347
333,917	-	333,917
1,076,009	-	1,076,009
27,014	273	27,287
22,973	-	22,973
<u>4,402,844</u>	<u>273</u>	<u>4,403,117</u>
645,425	15,690	661,115
<u>3,245,635</u>	<u>83,994</u>	<u>3,329,629</u>
<u>3,891,060</u>	<u>99,684</u>	<u>3,990,744</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	798,590	1,407,647	350,676	2,556,913
Receivables:				
Property tax:				
Delinquent	24,289	2,217	1,855	28,361
Succeeding year	2,375,503	83,772	346,035	2,805,310
Accounts	237	-	-	237
Interfund receivable	10,700	-	-	10,700
Due from other governments	280,305	78,912	-	359,217
Prepaid expenses	-	-	3,476	3,476
<b>Total assets</b>	<b>3,489,624</b>	<b>1,572,548</b>	<b>702,042</b>	<b>5,764,214</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	61,302	14,058	6,804	82,164
Salaries and benefits payable	369,403	-	-	369,403
Deferred revenue:				
Succeeding year property tax	2,375,503	83,772	346,035	2,805,310
Income surtax	216,440	24,049	-	240,489
Other	96,938	-	-	96,938
Total liabilities	<b>3,119,586</b>	<b>121,879</b>	<b>352,839</b>	<b>3,594,304</b>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	3,476	3,476
Restricted for:				
Categorical funding	219,844	-	-	219,844
Debt service	-	-	3,995	3,995
Management levy purposes	-	-	286,490	286,490
Student activities	-	-	55,242	55,242
School infrastructure	-	1,235,082	-	1,235,082
Physical plant and equipment	-	215,587	-	215,587
Unassigned	150,194	-	-	150,194
Total fund balances	<b>370,038</b>	<b>1,450,669</b>	<b>349,203</b>	<b>2,169,910</b>
<b>Total liabilities and fund balances</b>	<b>3,489,624</b>	<b>1,572,548</b>	<b>702,042</b>	<b>5,764,214</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,169,910
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,983,294
Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds.	55,443
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	274,273
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.	(17,248)
Long-term liabilities, including bonds payable, bond premiums, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,574,612)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,891,060</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,508,969	577,119	176,254	3,262,342
Tuition	96,036	-	-	96,036
Other	38,324	17,979	138,815	195,118
State sources	1,644,478	101	84	1,644,663
Federal sources	321,106	-	-	321,106
Total revenues	<u>4,608,913</u>	<u>595,199</u>	<u>315,153</u>	<u>5,519,265</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,048,400	8,230	42,145	2,098,775
Special	413,724	-	-	413,724
Other	353,482	-	132,225	485,707
	<u>2,815,606</u>	<u>8,230</u>	<u>174,370</u>	<u>2,998,206</u>
Support services:				
Student	166,450	-	-	166,450
Instructional staff	80,397	-	-	80,397
Administration	529,036	-	4,350	533,386
Operation and maintenance of plant	296,752	21,675	59,574	378,001
Transportation	236,989	73,000	10,721	320,710
	<u>1,309,624</u>	<u>94,675</u>	<u>74,645</u>	<u>1,478,944</u>
Other expenditures:				
Facilities acquisition	-	178,255	-	178,255
Long-term debt:				
Principal	-	-	115,000	115,000
Interest and fiscal charges	-	-	108,825	108,825
AEA flowthrough	201,353	-	-	201,353
	<u>201,353</u>	<u>178,255</u>	<u>223,825</u>	<u>603,433</u>
Total expenditures	<u>4,326,583</u>	<u>281,160</u>	<u>472,840</u>	<u>5,080,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>282,330</u>	<u>314,039</u>	<u>(157,687)</u>	<u>438,682</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	9,654	-	-	9,654
Sales of equipment	1,246	-	-	1,246
Operating transfers in	-	-	223,825	223,825
Operating transfers out	-	(223,825)	-	(223,825)
Total other financing sources (uses)	<u>10,900</u>	<u>(223,825)</u>	<u>223,825</u>	<u>10,900</u>
Net change in fund balances	293,230	90,214	66,138	449,582
Fund balances beginning of year, as restated	<u>76,808</u>	<u>1,360,455</u>	<u>283,065</u>	<u>1,720,328</u>
Fund balances end of year	<u><u>370,038</u></u>	<u><u>1,450,669</u></u>	<u><u>349,203</u></u>	<u><u>2,169,910</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		449,582
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	238,396	
Depreciation expense	<u>(218,893)</u>	19,503
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		29,159
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		115,000
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.		
		815
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	42,168	
Other postemployment benefits	<u>(9,818)</u>	32,350
The premium on bonds issued is amortized over the life of the bonds for the Statement of Activities.		
		2,712
Bond issue costs are recorded as an expense for the governmental funds, but are capitalized and amortized over the life of the bonds for the Statement of Activities.		
		<u>(3,696)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>645,425</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	58,644
Accounts receivable	156
Inventories	4,090
Capital assets, net of accumulated depreciation	<u>52,134</u>
<b>Total assets</b>	<u>115,024</u>
<b>Liabilities</b>	
Accounts payable	50
Salaries and benefits payable	283
Deferred revenue	3,793
Interfund payable	10,700
Net OPEB liability	<u>514</u>
<b>Total liabilities</b>	<u>15,340</u>
<b>Net assets</b>	
Invested in capital assets	52,134
Unrestricted	<u>47,550</u>
<b>Total net assets</b>	<u><u>99,684</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>113,846</u>
Operating expenses:	
Non-instructional programs:	
Salaries	70,613
Benefits	10,100
Purchased services	2,138
Supplies	99,745
Depreciation	7,579
Other	113
Total operating expenses	<u>190,288</u>
Operating income (loss)	<u>(76,442)</u>
Non-operating revenues:	
State sources	1,952
Federal sources	89,907
Interest income	273
Total non-operating revenues	<u>92,132</u>
Change in net assets	15,690
Net assets beginning of year	<u>83,994</u>
Net assets end of year	<u><u>99,684</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	114,249
Cash payments to employees for services	(80,435)
Cash payments to suppliers for goods or services	(87,463)
Net cash used by operating activities	<u>(53,649)</u>
Cash flows from non-capital financing activities:	
State grants received	1,952
Federal grants received	77,126
Net cash provided by non-capital financing activities	<u>79,078</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>273</u>
Net increase (decrease) in cash and cash equivalents	25,702
Cash and cash equivalents at beginning of year	<u>32,942</u>
Cash and cash equivalents at end of year	<u><u>58,644</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(76,442)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	12,781
Depreciation	7,579
Decrease (increase) in inventories	2,053
Decrease (increase) in accounts receivable	(145)
(Decrease) increase in accounts payable	(301)
(Decrease) increase in salaries and benefits payable	50
(Decrease) increase in deferred revenue	548
(Decrease) increase in other postemployment benefits	228
Net cash used by operating activities	<u><u>(53,649)</u></u>

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

During the year ended June 30, 2011, the District received \$12,781 of federal commodities.

# MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

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

The District's deposits in banks 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.

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

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

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

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

**4. Interfund Transfers**

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental - Debt Service Fund	Capital Projects Fund	223,825

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

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

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one month LIBOR rate, adjusted daily. A summary of the District’s ISCAP activity for the year ended June 30, 2011, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2010-11A	6/30/10	6/23/11	-	-	-	-

During the year ended June 30, 2011, the District did not pay any interest on the ISCAP warrants.

## 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	113,888	-	113,888	-
Land	11,900	-	-	11,900
Total capital assets not being depr.	<u>125,788</u>	<u>-</u>	<u>113,888</u>	<u>11,900</u>
Capital assets being depreciated:				
Buildings	4,883,688	31,147	-	4,914,835
Improvements other than buildings	784,556	205,598	-	990,154
Furniture and equipment	957,607	115,539	-	1,073,146
Total capital assets being deprec.	<u>6,625,851</u>	<u>352,284</u>	<u>-</u>	<u>6,978,135</u>
Less accumulated depreciation for:				
Buildings	1,692,007	114,783	-	1,806,790
Improvements other than buildings	313,530	38,213	-	351,743
Furniture and equipment	782,311	65,897	-	848,208
Total accumulated depreciation	<u>2,787,848</u>	<u>218,893</u>	<u>-</u>	<u>3,006,741</u>
Total capital assets being depreciated, net	<u>3,838,003</u>	<u>133,391</u>	<u>-</u>	<u>3,971,394</u>
Governmental activities capital assets, net	<u>3,963,791</u>	<u>133,391</u>	<u>113,888</u>	<u>3,983,294</u>
<b>Business type activities:</b>				
Furniture and equipment	133,802	-	-	133,802
Less accumulated depreciation	<u>74,089</u>	<u>7,579</u>	<u>-</u>	<u>81,668</u>
Business type activities capital assets, net	<u>59,713</u>	<u>(7,579)</u>	<u>-</u>	<u>52,134</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	931
Special	880
Other	5,025
Support services:	
Administration services	2,114
Operation and maintenance of plant services	3,582
Transportation	53,365
	<u>65,897</u>
Unallocated depreciation	<u>152,996</u>
Total depreciation expense – governmental activities	<u>218,893</u>
Business type activities:	
Food services	<u>7,579</u>

## 7. 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
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,550,000	-	115,000	2,435,000	120,000
Termination benefits	118,995	-	42,168	76,827	38,745
Net OPEB liability	12,289	9,818	-	22,107	-
	<u>2,681,284</u>	<u>9,818</u>	<u>157,168</u>	<u>2,533,934</u>	<u>158,745</u>
Business type activities:					
Net OPEB liability	286	228	-	514	-

### Termination Benefits

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

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

At June 30, 2011, the District has obligations to eight participants with a total liability of \$76,827. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$42,168.

### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of December 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	4.25	120,000	103,488	223,488
2013	4.25	125,000	98,388	223,388
2014	4.25	130,000	93,075	223,075
2015	4.25	135,000	87,550	222,550
2016	4.25	140,000	81,813	221,813
2017-2021	4.25	805,000	313,438	1,118,438
2022-2026	4.25	980,000	128,138	1,108,138
		<u>2,435,000</u>	<u>905,890</u>	<u>3,340,890</u>

## 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% 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 contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$171,872, \$170,887, and \$166,305 respectively, equal to the required contributions for each year.

**9. Other Postemployment Benefits (OPEB)**

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

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

	\$
Annual required contribution	29,265
Interest on net OPEB obligation	314
Adjustment to annual required contribution	<u>(2,221)</u>
Annual OPEB cost	27,358
Contributions made	<u>17,312</u>
Increase in net OPEB obligation	10,046
Net OPEB obligation beginning of year	<u>12,575</u>
Net OPEB obligation end of year	<u>22,621</u>

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

For the year ended June 30, 2011, the District contributed \$17,312 to the medical plan. Plan members eligible for benefits contributed \$46,833, or 73% of the premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	28,093	55%	12,575
June 30, 2011	27,358	63%	22,621

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 269,098, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$269,098. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,747,000, and the ratio of the UAAL to covered payroll was 15.4%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 group annuity mortality table projected to 2000.

The UAAL is being amortized over 30 years.

## **10. Risk Management**

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

## **11. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$201,353 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.

## 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	10,195
Returning dropout and dropout prevention program	116,502
Teacher salary supplement	24,583
Home school assistance program	31,149
Educator quality, professional development	35,032
Market factor	2,017
Mentoring	366
	<u>219,844</u>

## 13. Accounting Change/Restatement

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	1,112,151	248,304
Change in fund type classification per implementation of GASB Statement No. 54	<u>248,304</u>	<u>(248,304)</u>
Balances July 1, 2010, as restated	<u>1,360,455</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues:						
Local sources	3,553,496	114,119	3,667,615	3,836,090	3,836,090	(168,475)
State sources	1,644,663	1,952	1,646,615	1,914,954	1,914,954	(268,339)
Federal sources	321,106	89,907	411,013	130,100	130,100	280,913
Total revenues	<u>5,519,265</u>	<u>205,978</u>	<u>5,725,243</u>	<u>5,881,144</u>	<u>5,881,144</u>	<u>(155,901)</u>
Expenditures/Expenses:						
Instruction	2,998,206	-	2,998,206	3,557,103	3,557,103	558,897
Support services	1,478,944	-	1,478,944	2,163,782	2,163,782	684,838
Non-instructional programs	-	190,288	190,288	220,568	220,568	30,280
Other expenditures	603,433	-	603,433	785,975	785,975	182,542
Total expenditures/expenses	<u>5,080,583</u>	<u>190,288</u>	<u>5,270,871</u>	<u>6,727,428</u>	<u>6,727,428</u>	<u>1,456,557</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	438,682	15,690	454,372	(846,284)	(846,284)	1,300,656
Other financing sources (uses) net	<u>10,900</u>	<u>-</u>	<u>10,900</u>	<u>281,525</u>	<u>281,525</u>	<u>(270,625)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	449,582	15,690	465,272	(564,759)	(564,759)	1,030,031
Balance beginning of year	<u>1,720,328</u>	<u>83,994</u>	<u>1,804,322</u>	<u>1,736,460</u>	<u>1,736,460</u>	<u>67,862</u>
Balance end of year	<u><u>2,169,910</u></u>	<u><u>99,684</u></u>	<u><u>2,269,594</u></u>	<u><u>1,171,701</u></u>	<u><u>1,171,701</u></u>	<u><u>1,097,893</u></u>

MARCUS-MERIDEN-CLEGHORN 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 Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared a GAAP basis.

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

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	291,619	291,619	0.0%	1,695,000	17.2%
2011	July 1, 2009	-	269,098	269,098	0.0%	1,747,000	15.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	284,635	62,046	-	3,995	350,676
Receivables:					
Property tax:					
Delinquent	1,855	-	-	-	1,855
Succeeding year	200,000	-	-	146,035	346,035
Prepaid expenses	3,476	-	-	-	3,476
<b>Total assets</b>	<b>489,966</b>	<b>62,046</b>	<b>-</b>	<b>150,030</b>	<b>702,042</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	6,804	-	-	6,804
Deferred revenue:					
Succeeding year property tax	200,000	-	-	146,035	346,035
Total liabilities	200,000	6,804	-	146,035	352,839
Fund balances:					
Nonspendable prepaid expenses	3,476	-	-	-	3,476
Restricted for:					
Debt service	-	-	-	3,995	3,995
Management levy	286,490	-	-	-	286,490
Student activities	-	55,242	-	-	55,242
Total fund balances	289,966	55,242	-	3,995	349,203
<b>Total liabilities and fund balances</b>	<b>489,966</b>	<b>62,046</b>	<b>-</b>	<b>150,030</b>	<b>702,042</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds				Total
	Management	Student	District	Debt Service	
	Levy	Activity	Support		
\$	\$	Trust	\$	\$	
Revenues:					
Local sources:					
Local tax	176,254	-	-	-	176,254
Other	12,627	126,188	-	-	138,815
State sources	84	-	-	-	84
Total revenues	<u>188,965</u>	<u>126,188</u>	<u>-</u>	<u>-</u>	<u>315,153</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	42,145	-	-	-	42,145
Other instruction	-	132,225	-	-	132,225
Support services:					
Administration services	-	-	4,350	-	4,350
Operation and maintenance of plant	59,574	-	-	-	59,574
Transportation services	10,721	-	-	-	10,721
Other expenditures:					
Long-term debt:					
Principal	-	-	-	115,000	115,000
Interest and fiscal charges	-	-	-	108,825	108,825
Total expenditures	<u>112,440</u>	<u>132,225</u>	<u>4,350</u>	<u>223,825</u>	<u>472,840</u>
Net change in fund balances	76,525	(6,037)	(4,350)	(223,825)	(157,687)
Other financing sources (uses):					
Operating transfers in	-	-	-	223,825	223,825
Net change in fund balances	76,525	(6,037)	(4,350)	-	66,138
Fund balances beginning of year	<u>213,441</u>	<u>61,279</u>	<u>4,350</u>	<u>3,995</u>	<u>283,065</u>
Fund balances end of year	<u>289,966</u>	<u>55,242</u>	<u>-</u>	<u>3,995</u>	<u>349,203</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	450,080	730,139	227,428	1,407,647
Receivables:				
Property tax:				
Delinquent	-	-	2,217	2,217
Succeeding year	-	-	83,772	83,772
Due from other governments	-	54,863	24,049	78,912
<b>Total assets</b>	<u>450,080</u>	<u>785,002</u>	<u>337,466</u>	<u>1,572,548</u>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	14,058	14,058
Deferred revenue:				
Succeeding year property tax	-	-	83,772	83,772
Income surtax	-	-	24,049	24,049
Total liabilities	-	-	121,879	121,879
Fund balances:				
Restricted for:				
School infrastructure	450,080	785,002	-	1,235,082
Physical plant and equipment	-	-	215,587	215,587
Total fund balances	<u>450,080</u>	<u>785,002</u>	<u>215,587</u>	<u>1,450,669</u>
<b>Total liabilities and fund balances</b>	<u>450,080</u>	<u>785,002</u>	<u>337,466</u>	<u>1,572,548</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	333,917	243,202	577,119
Other	5,737	9,326	2,916	17,979
State sources	-	-	101	101
Total revenues	<u>5,737</u>	<u>343,243</u>	<u>246,219</u>	<u>595,199</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	8,230	8,230
Support services:				
Operation and maintenance of plant	-	-	21,675	21,675
Transportation services	-	-	73,000	73,000
Other expenditures:				
Facilities acquisition	2,224	-	176,031	178,255
Total expenditures	<u>2,224</u>	<u>-</u>	<u>278,936</u>	<u>281,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,513</u>	<u>343,243</u>	<u>(32,717)</u>	<u>314,039</u>
Other financing sources (uses):				
Operating transfers out	-	(223,825)	-	(223,825)
Net change in fund balance	3,513	119,418	(32,717)	90,214
Fund balances beginning of year, as restated	<u>446,567</u>	<u>665,584</u>	<u>248,304</u>	<u>1,360,455</u>
Fund balance end of year	<u><u>450,080</u></u>	<u><u>785,002</u></u>	<u><u>215,587</u></u>	<u><u>1,450,669</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Business club	(1)	-	-	1	-
Boys basketball	5,629	4,475	3,729	400	6,775
Football	3,065	7,798	11,522	600	(59)
Girls basketball	5,144	7,277	7,777	360	5,004
Baseball	(4,202)	6,214	7,096	250	(4,834)
Golf	1,255	289	1,079	500	965
Bowling	(152)	70	637	200	(519)
Boys track	(959)	3,713	4,838	575	(1,509)
Girls track	468	4,083	5,517	375	(591)
Wrestling	(4,931)	2,479	3,700	300	(5,852)
Softball	4,248	7,040	9,303	300	2,285
Volleyball	2,021	9,201	10,944	600	878
Weight room	1	-	-	(1)	-
Yearbook	7,694	5,541	5,719	-	7,516
Pep/Jazz band	205	-	116	1,867	1,956
Vocal	806	251	76	350	1,331
Student council	3,201	8,876	5,702	-	6,375
Leadership club	5,902	749	6,109	350	892
PTSA	343	-	-	-	343
TSA	1,219	300	1,028	-	491
Speech	154	989	1,504	400	39
Cheerleaders	1,677	4,015	3,695	-	1,997
Art club	924	-	-	-	924
Drama club	705	577	404	200	1,078
Drill team	6,222	9,238	6,639	-	8,821
Spanish club	1,183	-	184	-	999
Library club	1,808	171	-	-	1,979
National Honor Society	(186)	448	556	304	10
Home economics	888	284	350	-	822
Lettermans club	1,005	13,097	7,415	(6,923)	(236)
Class of 2010	674	-	263	-	411
Class of 2011	433	-	766	(40)	(373)
Class of 2012	1,580	4,638	4,668	-	1,550
Class of 2013	800	760	12	-	1,548
Class of 2014	-	540	-	-	540
Character counts club	781	-	-	(781)	-
MS home economics	248	-	29	-	219
MS athletics	4,107	5,147	10,630	2,447	1,071
MS student council	1	-	-	(1)	-
Family communication	38	-	-	-	38

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
MS lettermans	1,167	-	-	(1,167)	-
Elementary library club	(1)	-	-	1	-
Elementary activities	1,030	38	681	-	387
Kathy's Kids	3,482	11,571	8,146	-	6,907
Co-Curricular music	1,193	-	-	(1,193)	-
Science club	-	155	-	-	155
Odyssey of the mind	260	5,840	1,191	-	4,909
Fund balance-reg. not spent	150	324	200	(274)	-
	<u>61,279</u>	<u>126,188</u>	<u>132,225</u>	<u>-</u>	<u>55,242</u>
Totals	<u>61,279</u>	<u>126,188</u>	<u>132,225</u>	<u>-</u>	<u>55,242</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	3,262,342	2,937,805	2,771,764	2,658,572	2,441,309	2,456,381	2,453,453	2,440,231
Tuition	96,036	107,431	108,099	120,433	118,182	119,589	151,067	126,867
Other	195,118	202,767	197,959	281,187	311,809	211,633	205,012	222,319
State sources	1,644,663	1,321,757	1,871,249	2,145,836	2,252,263	2,025,513	2,225,828	1,841,556
Federal sources	321,106	288,841	134,953	142,060	184,381	186,720	221,771	98,990
Total revenues	<u>5,519,265</u>	<u>4,858,601</u>	<u>5,084,024</u>	<u>5,348,088</u>	<u>5,307,944</u>	<u>4,999,836</u>	<u>5,257,131</u>	<u>4,729,963</u>
Expenditures:								
Instruction:								
Regular	2,098,775	1,939,257	2,067,648	2,183,502	2,203,337	2,211,222	2,101,243	2,171,633
Special	413,724	422,877	428,166	632,698	558,010	542,040	469,336	642,272
Other	485,707	458,977	509,522	478,531	537,800	536,757	537,082	393,645
Support services:								
Student	166,450	174,952	146,292	143,693	135,050	122,808	118,025	118,156
Instructional staff	80,397	102,836	140,876	68,179	93,390	80,638	128,593	85,520
Administration	533,386	506,793	538,342	531,691	590,186	538,965	493,963	479,096
Operation and maintenance	378,001	392,342	446,572	456,669	361,244	367,876	355,548	367,319
Transportation	320,710	332,894	214,000	285,824	197,448	211,876	247,936	184,288
Non-instructional programs	-	-	-	-	-	16,031	-	-
Other expenditures:								
Facilities acquisition	178,255	290,623	320,186	2,680,970	464,520	119,032	219,509	315,644
Long-term debt:								
Principal	115,000	110,000	105,000	55,000	-	-	-	-
Interest and other charges	108,825	113,450	117,712	169,787	-	-	-	-
AEA flowthrough	201,353	196,288	184,244	181,904	179,599	172,997	174,587	171,131
Total expenditures	<u>5,080,583</u>	<u>5,041,289</u>	<u>5,218,560</u>	<u>7,868,448</u>	<u>5,320,584</u>	<u>4,920,242</u>	<u>4,845,822</u>	<u>4,928,704</u>

See accompanying independent auditor's report.

Gary E. Horton CPA

PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 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 Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be material weaknesses.

### Compliance and Other Matters

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

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

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

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

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

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

March 19, 2012

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.

11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Brian Mugge, Board Member, Owner of Mugge Lite Construction	Repairs	1,906
Jerry Moser, Board Member	Athletic Official	408
Steve Liddle, employee, Owner of S & R Farms Ltd.	Spraying	4,585

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

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

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

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

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

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

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

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

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

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

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

Conclusion: Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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		665,584
Revenues/transfers in:		
Statewide sales, services and use tax revenue	333,917	
Other	9,326	343,243
	<u>          </u>	
Expenditures/transfers out:		
Transfers to debt service fund		<u>223,825</u>
Ending balance		<u>785,002</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	0.91907	223,825

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

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

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

Conclusion: Response accepted.

11-II-N Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2011.

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

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

Conclusion: Response accepted.

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

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

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

District Response: The loan was repaid in September 2011.

Conclusion: Response accepted.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

11-II-P Physical Plant and Equipment Levy Expenditures (PEEL): The PEEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used the PEEL Fund to pay \$153 for equipment repairs. This item does not appear to be allowable from the PEEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. And the General Fund should reimburse the PEEL Fund for these expenditures.

District Response: We will monitor expenditures from the PEEL Fund and make the reimbursement.

Conclusion: Response accepted.

11-II-Q Fees Charged: A Iowa Department of Education declaratory order limits fees that schools may charge to the following: textbooks, school supplies, eye protective devices, ear protective devices, summer school courses, driver education courses and discretionary transportation. We noted that the District is charging a \$35 activity ticket fee to students in grades 7-12 who participate in sports, speech, cheerleading, vocal and band. And students in grades 7-11 are charged \$20 for class dues.

Recommendation: The District should review the fees it charges with its attorney to ensure compliance.

District Response: We will review our fees and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.