

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	44
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	4	45
Combining Schedule of Cash Flows	5	46
Capital Project Accounts:		
Combining Balance Sheet	6	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	7	48
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	8	49-50
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	9	51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	10	52
Schedule of Expenditures of Federal Awards	11	53
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		54-55
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		56-57
Schedule of Findings and Questioned Costs		58-62

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Independent Auditor's Report

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2012 on our consideration of MFL MarMac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$7,610,175 in fiscal 2010 to \$8,021,299 in fiscal 2011, while General Fund expenditures decreased from \$8,223,163 in fiscal 2010 to \$7,894,760 in fiscal 2011. The District's General Fund balance increased from \$837,136 in fiscal 2010 to \$965,467 in fiscal 2011, a 15% increase.

The District's Solvency Ratio still remains in the low teens.

The District applied for and received an A+ rating from Standard and Poors.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the

current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

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

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Current and other assets	8,378,560	8,180,575	120,936	141,541	8,499,496	8,322,116	2%
Capital assets	2,935,999	2,743,395	14,377	15,264	2,950,376	2,758,659	7%
Total assets	11,314,559	10,923,970	135,313	156,805	11,449,872	11,080,775	3%
Long-term liabilities	859,180	596,767	41,435	20,792	900,615	617,559	46%
Other liabilities	4,563,213	4,875,311	5,865	13,776	4,569,078	4,889,087	-7%
Total liabilities	5,422,393	5,472,078	47,300	34,568	5,469,693	5,506,646	-1%
Net Assets:							
Invested in capital assets, net of related debt	2,935,999	2,743,395	14,377	15,264	2,950,376	2,758,659	7%
Restricted	2,581,796	2,111,482	-	-	2,581,796	2,111,482	22%
Unrestricted	374,371	597,015	73,636	106,973	448,007	703,988	-36%
TOTAL NET ASSETS	5,892,166	5,451,892	88,013	122,237	5,980,179	5,574,129	7%

The District's combined net assets increased by nearly 7%, or approximately \$406,050, over the prior year. The second largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$470,314 or 22% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$225,981, or 36%. This decrease in unrestricted net assets was significant, and it is a beginning result of decreased revenues for the future. A planned staff-size reduction is in correlation to student enrollment decline in order to rectify this problem. This problem will continue until enrollment trends balance. A deliberate and specific maximization of restricted net assets will also contribute to long-term financial solvency.

Figure A-3 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	580,795	485,319	221,614	195,509	802,409	680,828	18%
Operating grants & contributions	1,625,109	1,825,382	229,040	231,194	1,854,149	2,056,576	-10%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	3,082,774	2,943,761	-	-	3,082,774	2,943,761	5%
Income Surtax	292,239	311,476	-	-	292,239	311,476	-6%
Statewide sales service & use tax	571,587	506,260	-	-	571,587	506,260	13%
Unrestricted state grants	3,346,136	2,934,306	-	-	3,346,136	2,934,306	14%
Unrestricted investment earnings	30,042	62,251	86	147	30,128	62,398	-52%
Other revenues	1,792	3,387	-	-	1,792	3,387	-47%
Total Revenues	9,530,474	9,072,142	450,740	426,850	9,981,214	9,498,992	5%
Expenses:							
Instruction	5,884,197	6,239,761	-	-	5,884,197	6,239,761	-6%
Support services	2,434,202	2,488,783	-	-	2,434,202	2,488,783	-2%
Non-instructional programs	-	-	484,964	462,248	484,964	462,248	5%
Other expenditures	771,801	624,692	-	-	771,801	624,692	24%
Total expenses	9,090,200	9,353,236	484,964	462,248	9,575,164	9,815,484	-2%
CHANGE IN NET ASSETS	440,274	(286,502)	(34,224)	(35,398)	406,050	(321,900)	226%
Net assets beginning of year	5,451,892	5,738,394	122,237	157,635	5,574,129	5,896,029	-5%
Net assets end of year	5,892,166	5,451,892	88,013	122,237	5,980,179	5,574,129	7%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,530,474 and expenses were \$9,090,200.

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

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost Of Services 2010
	\$	\$	\$	\$
Instruction	5,884,197	6,239,761	4,038,044	4,289,607
Support Services	2,434,202	2,488,783	2,431,224	2,485,325
Non-instructional	-	-	-	-
Other Expenses	771,801	624,692	415,028	267,603
TOTAL	<u>9,090,200</u>	<u>9,353,236</u>	<u>6,884,296</u>	<u>7,042,535</u>

The cost financed by users of the District’s programs was \$580,795.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,625,109.

The net cost of governmental activities was financed with \$3,946,600 in property and other taxes and \$3,346,136 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$450,740 and expenses were \$484,964. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,525,075, above last year’s ending fund balances of \$3,035,456.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance increased from \$837,136 to \$965,467, due in part to a gradual reduction in the overall size of the staff
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance decreased from \$601,603 at June 30, 2010 to \$473,301 at June 30, 2011.
 - The Statewide Sales Tax account balance increased from \$285,328 at June 30, 2010 to \$708,800 at June 30, 2011.
 - The Management Fund balance increased from \$1,185,937 to \$1,242,925. The purpose of this increase is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$122,237 at June 30, 2010 to \$88,013 at June 30, 2011, representing a decrease of approximately 28%. The district has continued to utilize the food cooperative offered by AEA 1.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,265,033 less than budgeted receipts.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5 More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$229,582.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2010-2011
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	170,973	13,000	-	-	170,973	13,000	1215%
Buildings	1,828,276	1,885,020	-	-	1,828,276	1,885,020	-3%
Improvements	461,384	411,985	-	-	461,384	411,985	12%
Equipment & Furniture	465,366	423,390	14,377	15,264	479,743	438,654	9%
TOTAL	2,935,999	2,743,395	14,377	15,264	2,950,376	2,758,659	7%

Long-Term Debt

At June 30, 2011, the District had \$901,035 in long-term debt outstanding. This represents an increase of approximately 44% from last year. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-6

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2111
	2011 \$	2010 \$	
Governmental activities:			
Termination benefits	261,845	296,774	-12%
Net OPEB liability	597,835	299,993	99%
	<u>859,680</u>	<u>596,767</u>	<u>44%</u>
Business type activities:			
Net OPEB liability	<u>41,435</u>	<u>20,792</u>	<u>99%</u>

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

School financing is highly dependent upon student enrollment. The District's September 2011 enrollment increased by approximately 2% over 2010, however it has decreased over 25% since 2001. The district can anticipate this trend to continue. Currently the enrollment is at 815, and it is expected to decline over the next three years to about 775 students. This additional decline will cause the district to lose extensive additional funding. The district has increased reserves and reduced staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2012 at a cost of \$92,000. To pay for this bus, the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2011 was the second year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). Settlements shall be based on the state average of the first fifty schools that settle in terms of total package settlement.

The districts infrastructure needs are repaired and sound. This should help the economy of the district. The district will also use SILO sales tax revenues to bond against and engage in an overall school and grounds improvement project. This will include a 330-seat auditorium, a replacement of the electrical system, parking lot and grounds improvements, and other improvements voted by the public in the revenue purpose statement. The aim of this project is to create long-term economic impact, and future stability for the district and its educational opportunity.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159. 563-539-4795

BASIC FINANCIAL STATEMENTS

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,492,292	96,895	4,589,187
Receivables:			
Property tax:			
Delinquent	72,889	-	72,889
Succeeding year	3,288,972	-	3,288,972
Accounts	-	18,868	18,868
Due from other governments	524,407	-	524,407
Inventories	-	5,173	5,173
Capital assets, net of accumulated depreciation	2,935,999	14,377	2,950,376
	<u>11,314,559</u>	<u>135,313</u>	<u>11,449,872</u>
Liabilities			
Bank overdrafts	1,246,197	-	1,246,197
Accounts payable	27,544	-	27,544
Deferred revenue:			
Succeeding year property tax	3,288,972	-	3,288,972
Other	-	5,865	5,865
Long-term liabilities:			
Portion due within one year:			
Termination benefits	95,734	-	95,734
Portion due after one year:			
Termination benefits	166,111	-	166,111
Net OPEB liability	597,835	41,435	639,270
	<u>5,422,393</u>	<u>47,300</u>	<u>5,469,693</u>
Net assets			
Invested in capital assets	2,935,999	14,377	2,950,376
Restricted for:			
Categorical funding	138,647	-	138,647
Management levy	981,080	-	981,080
Physical plant and equipment levy	618,687	-	618,687
Student activities	134,581	-	134,581
School infrastructure	708,800	-	708,800
Debt service	1	-	1
Unrestricted	374,371	73,636	448,007
	<u>5,892,166</u>	<u>88,013</u>	<u>5,980,179</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,415,137	227,415	848,124	-
Special	1,050,237	14,212	146,148	-
Other	1,418,823	336,190	274,064	-
	<u>5,884,197</u>	<u>577,817</u>	<u>1,268,336</u>	<u>-</u>
Support services:				
Student	117,422	-	-	-
Instructional staff	119,377	-	-	-
Administration	939,455	-	-	-
Operation and maintenance of plant	762,217	335	-	-
Transportation	495,731	2,643	-	-
	<u>2,434,202</u>	<u>2,978</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	318,939	-	-	-
AEA flowthrough	356,773	-	356,773	-
Depreciation (unallocated)*	96,089	-	-	-
	<u>771,801</u>	<u>-</u>	<u>356,773</u>	<u>-</u>
Total governmental activities	<u>9,090,200</u>	<u>580,795</u>	<u>1,625,109</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	444,564	202,559	229,040	-
Preschool	40,400	19,055	-	-
Total business type activities	<u>484,964</u>	<u>221,614</u>	<u>229,040</u>	<u>-</u>
Total	<u>9,575,164</u>	<u>802,409</u>	<u>1,854,149</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other revenues				
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
\$	\$	\$
(2,339,598)	-	(2,339,598)
(889,877)	-	(889,877)
(808,569)	-	(808,569)
<u>(4,038,044)</u>	<u>-</u>	<u>(4,038,044)</u>
(117,422)	-	(117,422)
(119,377)	-	(119,377)
(939,455)	-	(939,455)
(761,882)	-	(761,882)
(493,088)	-	(493,088)
<u>(2,431,224)</u>	<u>-</u>	<u>(2,431,224)</u>
(318,939)	-	(318,939)
-	-	-
(96,089)	-	(96,089)
<u>(415,028)</u>	<u>-</u>	<u>(415,028)</u>
<u>(6,884,296)</u>	<u>-</u>	<u>(6,884,296)</u>
-	(12,965)	(12,965)
-	(21,345)	(21,345)
-	(34,310)	(34,310)
<u>(6,884,296)</u>	<u>(34,310)</u>	<u>(6,918,606)</u>
2,843,375	-	2,843,375
239,399	-	239,399
292,239	-	292,239
571,587	-	571,587
3,346,136	-	3,346,136
30,042	86	30,128
1,792	-	1,792
<u>7,324,570</u>	<u>86</u>	<u>7,324,656</u>
440,274	(34,224)	406,050
<u>5,451,892</u>	<u>122,237</u>	<u>5,574,129</u>
<u>5,892,166</u>	<u>88,013</u>	<u>5,980,179</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Management	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,176,452	1,207,859	973,399	134,582	4,492,292
Receivables:					
Property tax:					
Delinquent	63,091	4,565	5,233	-	72,889
Succeeding year	2,780,304	244,500	264,168	-	3,288,972
Interfund receivable	-	30,501	50,000	-	80,501
Due from other governments	225,552	-	298,855	-	524,407
Total assets	5,245,399	1,487,425	1,591,655	134,582	8,459,061
Liabilities and Fund Balances					
Liabilities:					
Bank overdrafts	1,246,197	-	-	-	1,246,197
Accounts payable	27,544	-	-	-	27,544
Interfund payable	80,501	-	-	-	80,501
Deferred revenue:					
Succeeding year property tax	2,780,304	244,500	264,168	-	3,288,972
Income surtax	145,386	-	145,386	-	290,772
Total liabilities	4,279,932	244,500	409,554	-	4,933,986
Fund balances:					
Restricted for:					
Categorical funding	138,647	-	-	-	138,647
Debt service	-	-	-	1	1
Management levy	-	1,242,925	-	-	1,242,925
Student activities	-	-	-	134,581	134,581
School infrastructure	-	-	708,800	-	708,800
Physical plant and equipment	-	-	473,301	-	473,301
Unassigned	826,820	-	-	-	826,820
Total fund balances	965,467	1,242,925	1,182,101	134,582	3,525,075
Total liabilities and fund balances	5,245,399	1,487,425	1,591,655	134,582	8,459,061

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	3,525,075
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,935,999
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	290,772
Long-term liabilities, including termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(859,680)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,892,166</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Management Levy	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,782,591	191,522	951,523	-	3,925,636
Tuition	142,656	-	-	-	142,656
Other	125,040	2,547	11,941	328,653	468,181
State sources	4,414,007	99	134	-	4,414,240
Federal sources	557,005	-	-	-	557,005
Total revenues	<u>8,021,299</u>	<u>194,168</u>	<u>963,598</u>	<u>328,653</u>	<u>9,507,718</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,251,775	27,386	-	-	3,279,161
Special	988,309	-	-	-	988,309
Other	1,099,300	-	-	319,523	1,418,823
	<u>5,339,384</u>	<u>27,386</u>	<u>-</u>	<u>319,523</u>	<u>5,686,293</u>
Support services:					
Student	116,566	-	-	-	116,566
Instructional staff	107,581	-	-	-	107,581
Administration	916,593	-	-	-	916,593
Operation and maintenance of plant	630,785	91,592	16,000	-	738,377
Transportation	427,078	18,202	86,772	-	532,052
	<u>2,198,603</u>	<u>109,794</u>	<u>102,772</u>	<u>-</u>	<u>2,411,169</u>
Other expenditures:					
Facilities acquisition	-	-	565,656	-	565,656
AEA flowthrough	356,773	-	-	-	356,773
	<u>356,773</u>	<u>-</u>	<u>565,656</u>	<u>-</u>	<u>922,429</u>
Total expenditures	<u>7,894,760</u>	<u>137,180</u>	<u>668,428</u>	<u>319,523</u>	<u>9,019,891</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>General</u>	<u>Management</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	Levy	Projects	Governmental	\$
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	126,539	56,988	295,170	9,130	487,827
Other financing sources (uses):					
Sales of materials and equipment	<u>1,792</u>	-	-	-	<u>1,792</u>
Net change in fund balances	128,331	56,988	295,170	9,130	489,619
Fund balances beginning of year, as restated	<u>837,136</u>	<u>1,185,937</u>	<u>886,931</u>	<u>125,452</u>	<u>3,035,456</u>
Fund balances end of year	<u><u>965,467</u></u>	<u><u>1,242,925</u></u>	<u><u>1,182,101</u></u>	<u><u>134,582</u></u>	<u><u>3,525,075</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		489,619
<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	420,173	
Depreciation expense	<u>(227,569)</u>	192,604
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		20,964
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	34,929	
Other postemployment benefits	<u>(297,842)</u>	<u>(262,913)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>440,274</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>Nonmajor Enterprise</u>
	\$
Assets	
Cash and cash equivalents	96,895
Accounts receivable	18,868
Inventories	5,173
Capital assets, net of accumulated depreciation	<u>14,377</u>
Total assets	<u>135,313</u>
Liabilities	
Deferred revenue	5,865
Net OPEB liability	<u>41,435</u>
Total liabilities	<u>47,300</u>
Net assets	
Invested in capital assets	14,377
Unrestricted	<u>73,636</u>
Total net assets	<u><u>88,013</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>Nonmajor Enterprise</u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>221,614</u>
Operating expenses:	
Non-instructional programs:	
Salaries	203,710
Benefits	95,418
Purchased services	2,355
Supplies	181,468
Depreciation	<u>2,013</u>
Total operating expenses	<u>484,964</u>
Operating income (loss)	<u>(263,350)</u>
Non-operating revenues:	
State sources	3,817
Federal sources	225,223
Interest income	86
Total non-operating revenues	<u>229,126</u>
Change in net assets	(34,224)
Net assets beginning of year	<u>122,237</u>
Net assets end of year	<u><u>88,013</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	180,764
Cash received from preschool services	19,055
Cash payments to employees for services	(278,485)
Cash payments to suppliers for goods or services	(145,084)
Net cash used by operating activities	<u>(223,750)</u>
Cash flows from non-capital financing activities:	
State grants received	3,817
Federal grants received	186,484
Net cash provided by non-capital financing activities	<u>190,301</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,126)</u>
Cash flows from investing activities:	
Interest on investments	<u>86</u>
Net increase (decrease) in cash and cash equivalents	(34,489)
Cash and cash equivalents at beginning of year	<u>131,384</u>
Cash and cash equivalents at end of year	<u><u>96,895</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(263,350)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	38,739
Depreciation	2,013
Decrease (increase) in accounts receivable	(13,884)
(Decrease) increase in deferred revenue	(7,911)
(Decrease) increase in other postemployment benefits	20,643
Net cash used by operating activities	<u><u>(223,750)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$38,739 of federal commodities.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Agency</u>
	\$
Assets	
Cash and pooled investments	215,702
Other receivables	<u>518</u>
Total assets	<u>216,220</u>
Liabilities	
Bank overdrafts	32,304
Accounts payable	8,179
Other payables	<u>175,737</u>
Total liabilities	<u>216,220</u>
Net assets	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in other 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 exceeded the amounts budgeted in the non-instructional programs function.

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
		\$
Capital Projects Fund	General Fund	50,000
Management Fund	General Fund	30,501

Interfund payables are temporary loans to be repaid by October 1, 2011 with interest.

4. 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
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	13,000	157,973	-	170,973
Total capital assets not being depr.	23,000	157,973	-	180,973
Capital assets being depreciated:				
Buildings	4,944,784	-	-	4,944,784
Improvements other than buildings	617,652	88,744	-	706,396
Furniture and equipment	1,576,468	173,456	-	1,749,924
Total capital assets being deprec.	7,138,904	262,200	-	7,401,104
Less accumulated depreciation for:				
Buildings	3,059,764	56,744	-	3,116,508
Improvements other than buildings	205,667	39,345	-	245,012
Furniture and equipment	1,153,078	131,480	-	1,284,558
Total accumulated depreciation	4,418,509	227,569	-	4,646,078
Total capital assets being depreciated, net	2,720,395	34,631	-	2,755,026
Governmental activities capital assets, net	2,743,395	192,604	-	2,935,999

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	82,059	1,126	-	83,185
Less accumulated depreciation	66,795	2,013	-	68,808
Business type activities capital assets, net	15,264	(887)	-	14,377

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	48,237
Support services:	
Student support	856
Administration services	12,185
Operation and maintenance of plant services	3,197
Transportation	67,005
	131,480
Unallocated depreciation	96,089
Total depreciation expense – governmental activities	227,569
Business type activities:	
Food services	2,013

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Termination benefits	296,774	49,349	84,278	261,845	95,734
Net OPEB liability	299,993	297,842	-	597,835	-
Total	596,767	347,191	84,278	859,680	95,734
Business type activities:					
Net OPEB liability	20,792	20,643	-	41,435	-

Termination Benefit

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

At June 30, 2011, the District has obligations to fifteen participants with a total liability of \$261,845. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$84,278.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$364,023, \$353,915 and \$336,799 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 102 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	398,307
Interest on net OPEB obligation	8,020
Adjustment to annual required contribution	(34,664)
Annual OPEB cost	<u>371,663</u>
Contributions made	<u>53,178</u>
Increase in net OPEB obligation	318,485
Net OPEB obligation beginning of year	<u>320,785</u>
Net OPEB obligation end of year	<u>639,270</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 \$53,178 to the medical plan. Plan members eligible for benefits contributed \$84,278

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 June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	369,492	13%	320,785
2011	371,663	14%	639,270

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 \$2,858,574, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,858,574. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,080,000, and the ratio of the UAAL to covered payroll was 70%. 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%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$356,773 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Teacher salary supplement	33,215
Educator quality, professional development	40,038
Statewide voluntary preschool program grant	54,909
Market factor	6,553
Teacher mentoring	3,705
Vocational aid	227
	<u>138,647</u>

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 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	\$ 285,328	\$ 601,603
Change in fund type classification per implementation of GASB Statement No. 54	<u>601,603</u>	<u>(601,603)</u>
Balances July 1, 2010, as restated	<u>886,931</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,536,473	221,700	4,758,173	4,864,122	4,864,122	(105,949)
Intermediate sources	-	-	-	1,000	1,000	(1,000)
State sources	4,414,240	3,817	4,418,057	5,648,369	5,648,369	(1,230,312)
Federal sources	557,005	225,223	782,228	710,000	710,000	72,228
Total revenues	<u>9,507,718</u>	<u>450,740</u>	<u>9,958,458</u>	<u>11,223,491</u>	<u>11,223,491</u>	<u>(1,265,033)</u>
Expenditures/Expenses:						
Instruction	5,686,293	-	5,686,293	6,305,000	6,305,000	618,707
Support services	2,411,169	-	2,411,169	2,664,000	2,664,000	252,831
Non-instructional programs	-	484,964	484,964	470,000	470,000	(14,964)
Other expenditures	922,429	-	922,429	1,258,169	1,258,169	335,740
Total expenditures/expenses	<u>9,019,891</u>	<u>484,964</u>	<u>9,504,855</u>	<u>10,697,169</u>	<u>10,697,169</u>	<u>1,192,314</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	487,827	(34,224)	453,603	526,322	526,322	(72,719)
Other financing sources (uses) net	<u>1,792</u>	<u>-</u>	<u>1,792</u>	<u>155,000</u>	<u>155,000</u>	<u>(153,208)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	489,619	(34,224)	455,395	681,322	681,322	(225,927)
Balance beginning of year	<u>3,035,456</u>	<u>122,237</u>	<u>3,157,693</u>	<u>4,045,742</u>	<u>4,045,742</u>	<u>(888,049)</u>
Balance end of year	<u><u>3,525,075</u></u>	<u><u>88,013</u></u>	<u><u>3,613,088</u></u>	<u><u>4,727,064</u></u>	<u><u>4,727,064</u></u>	<u><u>(1,113,976)</u></u>

MFL MARMAC 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 on a GAAP basis.

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

During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the non-instructional programs function.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,984,054	2,984,054	0.0%	4,100,000	72.8%
2011	July 1, 2009	-	2,858,574	2,858,574	0.0%	4,080,000	70.1%

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

OTHER SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	<u>Special Revenue Student Activity</u> \$	<u>Debt Service</u> \$	<u>Total</u> \$
Cash and pooled investments	134,581	1	134,582
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	1	1
Student activities	134,581	-	134,581
Total fund balances	134,581	1	134,582
Total liabilities and fund balances	<u>134,581</u>	<u>1</u>	<u>134,582</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>Special Reveue Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Other	328,653	-	328,653
Expenditures:			
Current:			
Instruction:			
Other	<u>319,523</u>	<u>-</u>	<u>319,523</u>
Net changes in fund balances	9,130	-	9,130
Fund balances beginning of year, as restated	<u>125,451</u>	<u>1</u>	<u>125,452</u>
Fund balances end of year	<u><u>134,581</u></u>	<u><u>1</u></u>	<u><u>134,582</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	Nonmajor Enterprise		
	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	47,367	49,528	96,895
Accounts receivable	18,868	-	18,868
Inventories	5,173	-	5,173
Capital assets, net of accumulated depreciation	14,377	-	14,377
Total assets	<u>85,785</u>	<u>49,528</u>	<u>135,313</u>
Liabilities			
Net OPEB liability	41,435	-	41,435
Deferred revenue	5,865	-	5,865
Total liabilities	<u>47,300</u>	<u>-</u>	<u>47,300</u>
Net assets			
Invested in capital assets	14,377	-	14,377
Unrestricted	24,108	49,528	73,636
Total net assets	<u>38,485</u>	<u>49,528</u>	<u>88,013</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	202,559	19,055	221,614
Operating expenses:			
Non-instructional programs:			
Salaries	171,608	32,102	203,710
Benefits	87,120	8,298	95,418
Purchased services	2,355	-	2,355
Supplies	181,468	-	181,468
Depreciation	2,013	-	2,013
Total operating expenses	444,564	40,400	484,964
Operating income (loss)	(242,005)	(21,345)	(263,350)
Non-operating revenues:			
State sources	3,817	-	3,817
Federal sources	225,223	-	225,223
Interest income	86	-	86
Total non-operating revenues	229,126	-	229,126
Change in net assets	(12,879)	(21,345)	(34,224)
Net assets beginning of year	51,364	70,873	122,237
Net assets end of year	38,485	49,528	88,013

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	180,764	-	180,764
Cash received from preschool services	-	19,055	19,055
Cash payments to employees for services	(238,085)	(40,400)	(278,485)
Cash payments to suppliers for goods or services	(145,084)	-	(145,084)
Net cash used by operating activities	<u>(202,405)</u>	<u>(21,345)</u>	<u>(223,750)</u>
Cash flows from non-capital financing activities:			
State grants received	3,817	-	3,817
Federal grants received	186,484	-	186,484
Net cash provided by non-capital financing activities	<u>190,301</u>	<u>-</u>	<u>190,301</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,126)</u>	<u>-</u>	<u>(1,126)</u>
Cash flows from investing activities:			
Interest on investments	<u>86</u>	<u>-</u>	<u>86</u>
Net increase (decrease) in cash and cash equivalents	(13,144)	(21,345)	(34,489)
Cash and cash equivalents at beginning of year	<u>60,511</u>	<u>70,873</u>	<u>131,384</u>
Cash and cash equivalents at end of year	<u><u>47,367</u></u>	<u><u>49,528</u></u>	<u><u>96,895</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(242,005)	(21,345)	(263,350)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	38,739	-	38,739
Depreciation	2,013	-	2,013
Decrease (increase) in accounts receivable	(13,884)	-	(13,884)
(Decrease) increase in deferred revenue	(7,911)	-	(7,911)
Increase in other postemployment benefits	20,643	-	20,643
Net cash used by operating activities	<u><u>(202,405)</u></u>	<u><u>(21,345)</u></u>	<u><u>(223,750)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	505,331	468,068	973,399
Receivables:			
Property tax:			
Delinquent	-	5,233	5,233
Succeeding year	-	264,168	264,168
Interfund receivable	50,000	-	50,000
Due from other governments	153,469	145,386	298,855
Total assets	<u>708,800</u>	<u>882,855</u>	<u>1,591,655</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	264,168	264,168
Income surtax	-	145,386	145,386
Total liabilities	<u>-</u>	<u>409,554</u>	<u>409,554</u>
Fund balances:			
Restricted for:			
School infrastructure	708,800	-	708,800
Physical plant and equipment	-	473,301	473,301
Total fund balances	<u>708,800</u>	<u>473,301</u>	<u>1,182,101</u>
Total liabilities and fund balances	<u>708,800</u>	<u>882,855</u>	<u>1,591,655</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	571,587	379,936	951,523
Other	3,330	8,611	11,941
State sources	-	134	134
Total revenues	<u>574,917</u>	<u>388,681</u>	<u>963,598</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	16,000	16,000
Transportation services	-	86,772	86,772
Other expenditures:			
Facilities acquisition	151,445	414,211	565,656
Total expenditures	<u>151,445</u>	<u>516,983</u>	<u>668,428</u>
Net change in fund balance	423,472	(128,302)	295,170
Fund balances beginning of year, as restated	<u>285,328</u>	<u>601,603</u>	<u>886,931</u>
Fund balance end of year	<u><u>708,800</u></u>	<u><u>473,301</u></u>	<u><u>1,182,101</u></u>

MFL MARMAC 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
	\$	\$	\$	\$	\$
Clearing acct. interest	-	353	-	(353)	-
Fine arts	351	6,800	3,093	-	4,058
Middle school drama	495	926	719	-	702
Band	2,668	7,405	5,537	-	4,536
Girls basketball	-	5,388	5,135	(253)	-
2018 Girls basketball fund	-	760	760	-	-
General athletics	(400)	15,849	17,393	1,944	-
MS athletic equipment fund balance	127	-	-	(127)	-
MS athletic sup. fund balance	-	210	3,429	3,219	-
MS athletic fundraising fund balance	622	-	-	(622)	-
MS volleyball	1,248	12	124	-	1,136
Boys basketball (2013-2014)	447	-	341	-	106
2016 & 2017 boys basketball	243	750	970	-	23
MS track activities fund balance	184	790	797	-	177
Cross country	-	845	1,051	206	-
Cross country activities	325	262	-	-	587
Golf	-	12	262	250	-
Golf activities	25	-	-	-	25
2013 Girls basketball fund	172	-	-	-	172
Bulldog basketball club activities	5,530	15,037	14,074	-	6,493
Boys basketball	-	8,882	7,073	(1,809)	-
Football	-	7,654	6,283	(1,371)	-
Football activities fund balance	2,133	3,699	4,245	-	1,587
Youth football club	167	841	1,004	-	4
Baseball fund balance	(191)	2,078	4,532	2,645	-
Baseball activities	155	3,874	2,220	-	1,809
Boys track	-	1,520	1,973	453	-
Wrestling fund balance	-	5,781	5,787	6	-
Wrestling club fund balance	303	7,342	7,530	601	716
Youth wrestling	3,834	20,902	21,768	(601)	2,367
Volleyball fund balance	-	1,672	2,455	783	-
Bulldog volleyball club balance	548	1,206	1,506	-	248
Softball fund balance	(900)	3,267	5,577	3,210	-
Softball activities fund balance	1,099	5,620	3,896	-	2,823
Girls track fund	-	467	1,347	880	-
Girls track activities	164	313	323	-	154
Cheerleaders	128	6,379	6,762	255	-
Dance team fund balance	89	2,585	3,559	885	-
Other unreserved fund balance M.S. 3M G	923	(250)	621	-	52

MFL MARMAC 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
	\$	\$	\$	\$	\$
FFA	9,222	25,351	22,485	-	12,088
High school student council	4,021	7,640	7,939	-	3,722
Middle school student council	494	3,697	3,295	-	896
Young Americans	1,383	1,655	2,807	-	231
Middle school peer helpers	1	511	591	79	-
High school peer helpers	378	-	89	-	289
Class of 2017	-	14,618	6,039	-	8,579
Class of 2016	7,519	11,007	18,021	-	505
Class of 2015	557	5,729	4,482	-	1,804
Class of 2014	97	-	43	-	54
Class of 2013	1,713	337	2	-	2,048
Class of 2010	705	103	15	-	793
Class of 2011	1,559	4,063	3,620	(2,002)	-
Class of 2012	1,893	17,707	11,477	-	8,123
Music resale	(1)	637	559	-	77
Yearbook	16,273	13,132	16,172	2,000	15,233
Student activity tickets	15,890	11,824	2,818	(8,522)	16,374
Elem. fund raising	13,245	5,049	10,698	-	7,596
M.S. fund raising	2,598	8,809	9,431	(79)	1,897
HS fund raising	5,107	3,292	2,650	(1,141)	4,608
MS class trips	249	51,345	51,216	-	378
Electrathon team	80	500	173	-	407
Pepsi machine (M)	-	1,537	1,116	(421)	-
Pepsi (McG)	-	1,866	1,751	(115)	-
FFA savings	20,899	105	-	-	21,004
Cash on hand	100	500	500	-	100
Ending accruals	980	(1,592)	(612)	-	-
Total	125,451	328,653	319,523	-	134,581

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

	Hawc Empowerment	Little Bulldog Childcare	Dr. Smith Childcare Center	Employee Memorial	Regional Superintendent	Total
	\$	\$	\$	\$	\$	\$
Balance beginning of year	207,075	(24,998)	(12,438)	74	176	169,889
Additions:						
Collections	734,795	254,008	146,821	180	-	1,135,804
Deductions:						
Miscellaneous	744,464	220,006	165,185	125	176	1,129,956
Balance end of year	<u>197,406</u>	<u>9,004</u>	<u>(30,802)</u>	<u>129</u>	<u>-</u>	<u>175,737</u>

MFL MARMAC 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	3,925,636	3,740,863	3,576,842	3,419,092	3,418,679	3,280,104	3,317,657	2,799,270
Tuition	142,656	139,533	180,640	175,375	141,766	145,874	120,848	125,357
Other	468,181	408,037	581,451	625,741	608,135	481,720	437,260	416,695
Intermediate sources	-	-	1,000	-	1,151	2,441	-	4,265
State sources	4,414,240	3,860,409	4,543,606	4,550,235	4,382,392	4,202,997	4,160,293	3,986,806
Federal sources	557,005	899,279	305,353	243,652	215,634	204,975	241,235	336,641
Total revenues	<u>9,507,718</u>	<u>9,048,121</u>	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>	<u>7,669,034</u>
Expenditures:								
Instruction:								
Regular	3,279,161	3,597,272	3,382,648	3,169,523	3,275,897	3,060,145	2,962,300	2,934,875
Special	988,309	875,152	1,119,005	958,194	786,879	764,176	750,216	914,195
Other	1,418,823	1,431,233	1,297,396	1,176,705	1,090,837	941,952	884,218	608,974
Support services:								
Student	116,566	95,078	100,377	231,868	226,374	237,145	298,729	277,687
Instructional staff	107,581	140,965	142,376	137,531	140,152	143,944	133,498	180,711
Administration	916,593	1,019,805	937,912	869,170	828,117	780,254	848,247	833,883
Operation and maintenance	738,377	740,021	724,526	743,054	663,532	626,690	572,891	429,801
Transportation	532,052	495,260	533,481	504,467	444,979	469,674	380,805	343,605
Non-instructional programs	-	-	-	4,000	-	-	8,254	1,748
Other expenditures:								
Facilities acquisition	565,656	701,926	733,599	357,812	569,506	388,504	577,333	913,215
Long-term debt:								
Principal	-	405,000	90,000	210,000	105,000	100,000	100,000	15,000
Interest and other charges	-	15,858	15,562	21,529	26,576	29,361	32,198	34,878
AEA flowthrough	356,773	357,089	318,417	313,344	304,120	294,529	294,915	296,974
Total expenditures	<u>9,019,891</u>	<u>9,874,659</u>	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</u>	<u>7,785,546</u>

See accompanying independent auditor's report.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	33,525
National School Lunch Program (non-cash)	10.555	FY11	38,739
National School Lunch Program	10.555	FY11	152,959
			<u>225,223</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	116,974
Safe and Drug Free Schools and Communities - State Grants	84.186	FY11	522
Improving Teacher Quality State Grants	84.367	FY11	33,018
Grants for State Assessments and Related Activities	84.369	FY11	5,278
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	44,090
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY11	39,326
			<u>83,416</u>
Education Jobs Fund	84.410	FY11	167,529
Keystone Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY11	44,505
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	49,235
			<u>93,740</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	4,118
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
ARRA - Infant and Toddler Quality childcare program	97.713	FY11	3,611
Total			<u><u>733,429</u></u>

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

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

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

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

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

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

Compliance and Other Matters

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

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

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

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

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

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

March 30, 2012

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

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

March 30, 2012

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410 – Education Jobs
 - School Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MFL MarMac Community School District did not qualify as a low-risk auditee.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the certified budget amounts budgeted in the non-instructional programs function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

11-IV-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

11-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

11-IV-G Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for October 2010, was over stated by thirteen students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

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

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

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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	\$	\$ 285,328
Revenues/transfers in:		
Statewide sales, services and use tax revenue	571,587	
Other local revenues	<u>3,330</u>	574,917
Expenditures/transfers out:		
School infrastructure construction		<u>151,445</u>
Ending balance		<u>708,800</u>

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

- 11-IV-M Deficit Balances: The Dr Smith Childcare Agency fund has a deficit balance.

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.