

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

Table of Contents

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

Maquoketa Community School District

| <u>Name</u>               | <u>Title</u>   | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| <b>Board of Education</b> |  |                     |
| Brian Tabor               | President  | 2013                |
| Michael Hayward           | Vice President                                       | 2015                |
| Deb Lane                  | Board Member   | 2015                |
| Marty Hudrlik             | Board Member   | 2013                |
| David Sybesma             | Board Member   | 2015                |
| <b>School Officials</b>   |  |                     |
| Kim Huckstadt             | Superintendent                                       | 2013                |
| Barbara McKeon            | District Secretary/Treasurer<br>and Business Manager | 2013                |
| Steve Kahler              | Attorney   | 2013                |

MAQUOKETA COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Maquoketa Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I 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.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014, on our consideration of Maquoketa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2014  
Newton, Iowa

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

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Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$16,305,954 in fiscal 2012 to \$15,809,742 in fiscal 2013, while General Fund expenditures increased from \$15,542,682 in fiscal 2012 to \$15,714,924 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$2,575,497 in fiscal 2012 to a balance of \$2,670,315 in fiscal 2013, a 3.68% increase from the prior year.
- The decrease in General Fund revenues was attributable primarily to a decrease in state and federal sources in fiscal 2013. The increase in expenditures was due primarily to the increase in expenditures in the instruction and support services functional areas.

### **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 Position and a Statement of Activities. These provide information about the activities of Maquoketa Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

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

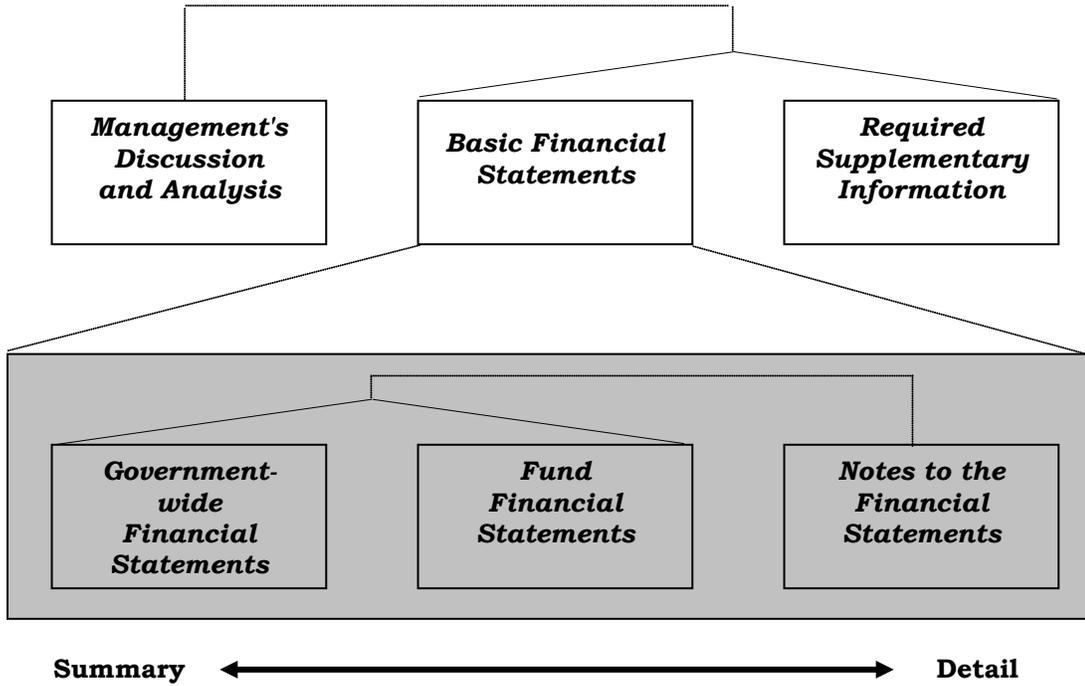


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

|  | Governmental Activities |            | Business Type Activities |         | Total School District |            | Total Change |
|--|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
|  | June 30,                |            | June 30,                 |         | June 30,              |            | June 30,     |
|  | 2013                    | 2012       | 2013                     | 2012    | 2013                  | 2012       | 2012-13      |
| Current and other assets                           | \$ 17,705,268           | 17,538,176 | 54,721                   | 88,609  | 17,759,989            | 17,626,785 | 0.76%        |
| Capital assets                                     | 15,523,015              | 14,370,340 | 110,553                  | 125,005 | 15,633,568            | 14,495,345 | 7.85%        |
| Total assets                                       | 33,228,283              | 31,908,516 | 165,274                  | 213,614 | 33,393,557            | 32,122,130 | 3.96%        |
| Long-term liabilities                              | 6,697,911               | 7,451,901  | 8,926                    | 5,412   | 6,706,837             | 7,457,313  | -10.06%      |
| Other liabilities                                  | 7,311,873               | 6,283,285  | 23,190                   | 19,116  | 7,335,063             | 6,302,401  | 16.39%       |
| Total liabilities                                  | 14,009,784              | 13,735,186 | 32,116                   | 24,528  | 14,041,900            | 13,759,714 | 2.05%        |
| Net position:                                      |                         |            |                          |         |                       |            |              |
| Invested in capital assets,<br>net of related debt | 9,479,878               | 8,558,134  | 110,553                  | 125,005 | 9,590,431             | 8,683,139  | 10.45%       |
| Restricted   | 2,888,734               | 3,221,887  | -                        | -       | 2,888,734             | 3,221,887  | -10.34%      |
| Unrestricted                                       | 6,849,887               | 6,393,309  | 22,605                   | 64,081  | 6,872,492             | 6,457,390  | 6.43%        |
| Total net position                                 | \$ 19,218,499           | 18,173,330 | 133,158                  | 189,086 | 19,351,657            | 18,362,416 | 5.39%        |

The District's combined net position increased by 5.39% or \$989,241 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased \$333,153 or 10.34% from the prior year. The decrease was primarily due to the decrease in the Debt Service Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement - increased \$415,102 or 6.43%. The increase in unrestricted net position is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

|  | Governmental Activities |                   | Business Type Activities |                 | Total School District |                   | Total Change   |
|--|-------------------------|-------------------|--------------------------|-----------------|-----------------------|-------------------|----------------|
|  | 2013                    | 2012              | 2013                     | 2012            | 2013                  | 2012              | 2012-13        |
| <b>Revenues and Transfers:</b>                         |                         |                   |                          |                 |                       |                   |                |
| <b>Program revenues:</b>                               |                         |                   |                          |                 |                       |                   |                |
| Charges for services                                   | \$ 2,284,651            | 2,095,519         | 235,095                  | 263,476         | 2,519,746             | 2,358,995         | 6.81%          |
| Operating grant, contributions and restricted interest | 1,512,541               | 1,728,917         | 478,294                  | 477,483         | 1,990,835             | 2,206,400         | -9.77%         |
| Capital grants, contributions and restricted interest  | -                       | 88,147            | -                        | -               | -                     | 88,147            | -100.00%       |
| <b>General revenues:</b>                               |                         |                   |                          |                 |                       |                   |                |
| Property tax   | 4,454,819               | 4,510,635         | -                        | -               | 4,454,819             | 4,510,635         | -1.24%         |
| Income surtax  | 444,276                 | 473,457           | -                        | -               | 444,276               | 473,457           | -6.16%         |
| Statewide sales, services and use tax                  | 1,186,085               | 1,073,935         | -                        | -               | 1,186,085             | 1,073,935         | 10.44%         |
| Unrestricted state grants                              | 8,089,993               | 8,235,425         | -                        | -               | 8,089,993             | 8,235,425         | -1.77%         |
| Nonspecific program federal grants                     | -                       | 271,607           | -                        | -               | -                     | 271,607           | -100.00%       |
| Unrestricted investment earnings                       | 23,885                  | 29,050            | 29                       | 101             | 23,914                | 29,151            | -17.97%        |
| Other  | 245,291                 | 70,409            | 2,951                    | -               | 248,242               | 70,409            | 252.57%        |
| Transfers  | (3,951)                 | -                 | 3,951                    | -               | -                     | -                 | 0.00%          |
| <b>Total revenues and transfers</b>                    | <b>18,237,590</b>       | <b>18,577,101</b> | <b>720,320</b>           | <b>741,060</b>  | <b>18,957,910</b>     | <b>19,318,161</b> | <b>-1.86%</b>  |
| <b>Program expenses:</b>                               |                         |                   |                          |                 |                       |                   |                |
| <b>Governmental activities:</b>                        |                         |                   |                          |                 |                       |                   |                |
| Instruction  | 11,743,990              | 11,671,834        | -                        | -               | 11,743,990            | 11,671,834        | 0.62%          |
| Support services                                       | 4,175,824               | 4,380,899         | 28,198                   | 29,768          | 4,204,022             | 4,410,667         | -4.69%         |
| Non-instructional programs                             | 777                     | -                 | 748,050                  | 769,407         | 748,827               | 769,407           | -2.67%         |
| Other expenses   | 1,271,830               | 1,143,834         | -                        | -               | 1,271,830             | 1,143,834         | 11.19%         |
| <b>Total expenses</b>                                  | <b>17,192,421</b>       | <b>17,196,567</b> | <b>776,248</b>           | <b>799,175</b>  | <b>17,968,669</b>     | <b>17,995,742</b> | <b>-0.15%</b>  |
| <b>Changes in net position</b>                         | <b>1,045,169</b>        | <b>1,380,534</b>  | <b>(55,928)</b>          | <b>(58,115)</b> | <b>989,241</b>        | <b>1,322,419</b>  | <b>-25.19%</b> |
| <b>Net position beginning of year</b>                  | <b>18,173,330</b>       | <b>16,792,796</b> | <b>189,086</b>           | <b>247,201</b>  | <b>18,362,416</b>     | <b>17,039,997</b> | <b>7.76%</b>   |
| <b>Net position end of year</b>                        | <b>\$ 19,218,499</b>    | <b>18,173,330</b> | <b>133,158</b>           | <b>189,086</b>  | <b>19,351,657</b>     | <b>18,362,416</b> | <b>5.39%</b>   |

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 77.73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.04% of the revenue from business type activities.

The District's total revenues were approximately \$18.96 million of which approximately \$18.24 million was for governmental activities and approximately \$0.72 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.86% decrease in revenues and a 0.15% decrease in expenses. The decrease in revenues is related to the nonspecific program federal grants which decreased by \$271,607 compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$18,237,590 and expenses were \$17,192,421 for the year ended June 30, 2013.

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 for the year ended June 30, 2013 compared to the year ended June 30, 2012.

|                            | Total Cost of Services |                   |                   | Net Cost of Services |                   |                   |
|----------------------------|------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
|                            | 2013                   | 2012              | Change<br>2012-13 | 2013                 | 2012              | Change<br>2012-13 |
| Instruction                | \$ 11,743,990          | 11,671,834        | 0.62%             | 8,547,650            | 8,547,312         | 0.00%             |
| Support services           | 4,175,824              | 4,380,899         | -4.68%            | 4,140,729            | 4,157,938         | -0.41%            |
| Non-instructional programs | 777                    | -                 | 100.00%           | 777                  | 0                 | 100.00%           |
| Other expenses             | 1,271,830              | 1,143,834         | 11.19%            | 706,073              | 578,734           | 22.00%            |
| Totals                     | <u>\$ 17,192,421</u>   | <u>17,196,567</u> | <u>-0.02%</u>     | <u>13,395,229</u>    | <u>13,283,984</u> | <u>0.84%</u>      |

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$2,284,651.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,512,541.
- The net cost of governmental activities was financed with \$4,899,095 in local taxes, \$1,186,085 in statewide sales, services and use tax, \$8,089,993 in unrestricted state grants, \$23,885 in interest income and \$241,340 in other revenues net of transfers.

### Business Type Activities

Revenues for the District's business type activities were \$720,320 and expenses were \$776,248. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, miscellaneous income, transfers and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,775,157, below last year's ending fund balances of \$7,102,742. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to spending the previously unspent revenue bond proceeds from the \$2,500,000 issue dated April 9, 2012 and a refunding bond issue that refunded the bond issue dated June 28, 2007, which also removed the reserve account associated with these bonds from the Districts financial statements.

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## **Governmental Fund Highlights**

- The District's General Fund balance increased from \$2,575,497 on June 30, 2012 to \$2,670,315 on June 30, 2013. The increase in the District's General Fund financial position is the product of many factors. Local source revenues increased compared to the prior year, however decreased state and federal revenues led to an overall decrease in revenues. The increase in expenditures was due to increased expenditures in the instruction functional area. Revenues exceeded expenditures ensuring the increase in the District's General Fund financial position.
- The Capital Projects Accounts balance decreased from \$3,386,325 in fiscal 2012 to \$2,474,071 in fiscal 2013. This decrease in fund balance is the result of unspent revenue bond proceeds from a 2012 bond issue that were expended for geothermal and window projects in fiscal 2013. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$1,715,197 on June 30, 2012 to \$1,782,591 on June 30, 2013. The Capital Projects: Construction Projects Fund balance decreased from \$1,307,794 on June 30, 2012 to \$184,863 on June 30, 2013. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$363,334 on June 30, 2012 to \$506,617 on June 30, 2013.
- The Debt Service fund decreased from a fund balance of \$669,777 at June 30, 2012 to a balance of \$75,975 at June 30, 2013. The decrease is related to a refunding bond issue in the current year that removed the reserve account associated with the bonds refunded. The new issue did not require a reserve account in the bond covenants.

## **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$189,086 at June 30, 2012 to \$133,158 at June 30, 2013, representing a decrease of 29.58% due to decreases in local source revenue received compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Maquoketa Community School District amended its budget one time to reflect additional expenditures in the instruction, support services and other expenditures functional areas. It also reflected a decrease in expenditures in non-instructional programs.

The District's revenues were \$386,989 more than budgeted revenues, a variance of 2.08%. The most significant variances resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2013 the District did amend their certified budget in all functions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$15.63 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$608,315.

The original cost of the District's capital assets was approximately \$26.76 million. Governmental funds account for approximately \$26.43 million, with the remainder of approximately \$0.33 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,155,782 reported at June 30, 2012, compared to \$669,046 reported at June 30, 2013. This decrease resulted from the completion of a geothermal project by the District during the year, and capitalizing the project as part of the District's capital asset listing.

|                          | Governmental Activities |            | Business type Activities |         | Total School District |            | Total Change |
|--------------------------|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
|                          | June 30,                |            | June 30,                 |         | June 30,              |            | June 30,     |
|                          | 2013                    | 2012       | 2013                     | 2012    | 2013                  | 2012       | 2012-13      |
| Land                     | \$ 285,211              | 234,026    | -                        | -       | 285,211               | 234,026    | 21.87%       |
| Construction in progress | 669,046                 | 1,155,782  | -                        | -       | 669,046               | 1,155,782  | -42.11%      |
| Buildings                | 13,155,107              | 11,483,264 | -                        | -       | 13,155,107            | 11,483,264 | 14.56%       |
| Land improvements        | 649,010                 | 648,938    | -                        | -       | 649,010               | 648,938    | 0.01%        |
| Machinery and equipment  | 764,641                 | 848,330    | 110,553                  | 125,005 | 875,194               | 973,335    | -10.08%      |
| Total                    | \$ 15,523,015           | 14,370,340 | 110,553                  | 125,005 | 15,633,568            | 14,495,345 | 7.85%        |

### Long-Term Debt

At June 30, 2013, the District had \$6,706,837 in revenue bonds and other long-term debt outstanding. This represents a decrease of 10.06% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At June 30, 2013, the District had revenue bonds payable of \$6,228,000. These bonds are paid with statewide sales, services and use tax revenues transferred from the Capital Projects Fund.

The District had termination benefits payable of \$193,346 at June 30, 2013. Of this amount, \$149,038 is payable from the Special Revenue, Management Levy Fund and \$44,308 is payable from the General Fund.

The District had compensated absences payable of \$23,264 at June 30, 2013 payable from the General Fund.

The District had Net OPEB liability payable of \$262,227 at June 30, 2013.

Figure A-7

Outstanding Long-Term Obligations

|                      | Governmental |           | Business type |       | Total           |           | Total    |
|----------------------|--------------|-----------|---------------|-------|-----------------|-----------|----------|
|                      | Activities   |           | Activities    |       | School District |           | Change   |
|                      | June 30,     |           | June 30,      |       | June 30,        |           | June 30, |
|                      | 2013         | 2012      | 2013          | 2012  | 2013            | 2012      | 2012-13  |
| Revenue bonds        | \$ 6,228,000 | 7,120,000 | -             | -     | 6,228,000       | 7,120,000 | -12.53%  |
| Termination benefits | 193,346      | 150,671   | -             | -     | 193,346         | 150,671   | 28.32%   |
| Compensated absences | 23,264       | 27,653    | -             | -     | 23,264          | 27,653    | -15.87%  |
| Net OPEB liability   | 253,301      | 153,577   | 8,926         | 5,412 | 262,227         | 158,989   | 64.93%   |
| Total                | \$ 6,697,911 | 7,451,901 | 8,926         | 5,412 | 6,706,837       | 7,457,313 | -10.06%  |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Certified Enrollment count for October 2013 is down by 25 students. The District anticipates the enrollment to remain level for a couple of years.
- If the State of Iowa continues to annually set low (0-4%) Regular Program State Percent of Growth combined with the declining or steady enrollment, the District will receive less funding from the State.
- If funding from Federal sources is reduced due to sequestration, the reduction will have an impact on the District's finances and the programs offered.
- The federally mandated Affordable Care Act will add health care expenditures to the District that we currently do not have.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

|  | Governmental<br>Activities | Business Type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>                                      |                            |                             |                   |
| Cash and pooled investments                        | \$ 11,081,327              | 38,585                      | 11,119,912        |
| Receivables:                                       |                            |                             |                   |
| Property tax:                                      |                            |                             |                   |
| Delinquent   | 47,153                     | -                           | 47,153            |
| Succeeding year                                    | 4,807,895                  | -                           | 4,807,895         |
| Income surtax                                      | 481,137                    | -                           | 481,137           |
| Interest   | 3,879                      | -                           | 3,879             |
| Accounts   | 33,942                     | 5,718                       | 39,660            |
| Due from other governments                         | 1,249,935                  | -                           | 1,249,935         |
| Inventories  | -                          | 10,418                      | 10,418            |
| Capital assets, net of accumulated<br>depreciation | 15,523,015                 | 110,553                     | 15,633,568        |
| <b>Total assets</b>                                | <b>33,228,283</b>          | <b>165,274</b>              | <b>33,393,557</b> |
| <b>Liabilities</b>                                 |                            |                             |                   |
| Accounts payable                                   | 740,317                    | 57                          | 740,374           |
| Salaries and benefits payable                      | 1,509,365                  | 16,455                      | 1,525,820         |
| Incurred but not reported claims                   | 202,410                    | -                           | 202,410           |
| Interest payable                                   | 23,241                     | -                           | 23,241            |
| Deferred revenue:                                  |                            |                             |                   |
| Succeeding year property tax                       | 4,807,895                  | -                           | 4,807,895         |
| Other  | 28,645                     | -                           | 28,645            |
| Unearned revenue                                   | -                          | 6,678                       | 6,678             |
| Long-term liabilities:                             |                            |                             |                   |
| Portion due within one year:                       |                            |                             |                   |
| Revenue bonds                                      | 705,000                    | -                           | 705,000           |
| Termination benefits                               | 142,424                    | -                           | 142,424           |
| Compensated absences                               | 23,264                     | -                           | 23,264            |
| Portion due after one year:                        |                            |                             |                   |
| Revenue bonds                                      | 5,523,000                  | -                           | 5,523,000         |
| Termination benefits                               | 50,922                     | -                           | 50,922            |
| Net OPEB liability                                 | 253,301                    | 8,926                       | 262,227           |
| <b>Total liabilities</b>                           | <b>14,009,784</b>          | <b>32,116</b>               | <b>14,041,900</b> |
| <b>Net position</b>                                |                            |                             |                   |
| Invested in capital assets, net of<br>related debt | 9,479,878                  | 110,553                     | 9,590,431         |
| Restricted for:                                    |                            |                             |                   |
| Categorical funding                                | 141,034                    | -                           | 141,034           |
| Debt service                                       | 52,734                     | -                           | 52,734            |
| Management levy purposes                           | 92,519                     | -                           | 92,519            |
| Student activities                                 | 157,823                    | -                           | 157,823           |
| Support trust                                      | 155,416                    | -                           | 155,416           |
| School infrastructure                              | 1,782,591                  | -                           | 1,782,591         |
| Physical plant and equipment                       | 506,617                    | -                           | 506,617           |
| Unrestricted                                       | 6,849,887                  | 22,605                      | 6,872,492         |
| <b>Total net position</b>                          | <b>\$ 19,218,499</b>       | <b>133,158</b>              | <b>19,351,657</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

|  | Program Revenues     |                         |  | Net (Expense) Revenue<br>and Changes in Net Position |                             | Total               |
|--|----------------------|-------------------------|--|--|-----------------------------|---------------------|
|  | Expenses             | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                           | Business Type<br>Activities |                     |
| <b>Functions/Programs:</b>                 |                      |                         |  |  |                             |                     |
| Governmental activities:                   |                      |                         |  |  |                             |                     |
| Instruction:                               |                      |                         |  |  |                             |                     |
| Regular                                    | \$ 6,113,910         | 1,027,180               | 92,333   | (4,994,397)  | -                           | (4,994,397)         |
| Special                                    | 3,166,801            | 838,314                 | 106,640  | (2,221,847)  | -                           | (2,221,847)         |
| Other                                      | 2,463,279            | 407,873                 | 724,000  | (1,331,406)  | -                           | (1,331,406)         |
|  | <u>11,743,990</u>    | <u>2,273,367</u>        | <u>922,973</u>   | <u>(8,547,650)</u>                                   | <u>-</u>                    | <u>(8,547,650)</u>  |
| Support services:                          |                      |                         |  |  |                             |                     |
| Student                                    | 487,243              | -                       | -  | (487,243)  | -                           | (487,243)           |
| Instructional staff                        | 491,931              | -                       | 10,280   | (481,651)  | -                           | (481,651)           |
| Administration                             | 1,561,199            | -                       | -  | (1,561,199)  | -                           | (1,561,199)         |
| Operation and maintenance of plant         | 1,013,320            | 2,159                   | -  | (1,011,161)  | -                           | (1,011,161)         |
| Transportation                             | 622,131              | 9,125                   | 13,531   | (599,475)  | -                           | (599,475)           |
|  | <u>4,175,824</u>     | <u>11,284</u>           | <u>23,811</u>  | <u>(4,140,729)</u>                                   | <u>-</u>                    | <u>(4,140,729)</u>  |
| Non-instructional programs:                |                      |                         |  |  |                             |                     |
| Food service operations                    | 272                  | -                       | -  | (272)  | -                           | (272)               |
| Community service and education operations | 505                  | -                       | -  | (505)  | -                           | (505)               |
|  | <u>777</u>           | <u>-</u>                | <u>-</u>   | <u>(777)</u>   | <u>-</u>                    | <u>(777)</u>        |
| Long-term debt interest                    | 283,479              | -                       | -  | (283,479)  | -                           | (283,479)           |
| Other expenditures:                        |                      |                         |  |  |                             |                     |
| AEA flowthrough                            | 565,757              | -                       | 565,757  | -  | -                           | -                   |
| Depreciation(unallocated)*                 | 422,594              | -                       | -  | (422,594)  | -                           | (422,594)           |
|  | <u>988,351</u>       | <u>-</u>                | <u>565,757</u>   | <u>(422,594)</u>                                     | <u>-</u>                    | <u>(422,594)</u>    |
| Total governmental activities              | <u>17,192,421</u>    | <u>2,284,651</u>        | <u>1,512,541</u>   | <u>(13,395,229)</u>                                  | <u>-</u>                    | <u>(13,395,229)</u> |
| Business type activities:                  |                      |                         |  |  |                             |                     |
| Support services:                          |                      |                         |  |  |                             |                     |
| Administration                             | 25,401               | -                       | -  | -  | (25,401)                    | (25,401)            |
| Operation and maintenance of plant         | 2,797                | -                       | -  | -  | (2,797)                     | (2,797)             |
| Total support services                     | <u>28,198</u>        | <u>-</u>                | <u>-</u>   | <u>-</u>   | <u>(28,198)</u>             | <u>(28,198)</u>     |
| Non-instructional programs:                |                      |                         |  |  |                             |                     |
| Food service operations                    | 748,050              | 235,095                 | 478,294  | -  | (34,661)                    | (34,661)            |
| Total business type activities             | <u>776,248</u>       | <u>235,095</u>          | <u>478,294</u>   | <u>-</u>   | <u>(62,859)</u>             | <u>(62,859)</u>     |
| Total                                      | <u>\$ 17,968,669</u> | <u>2,519,746</u>        | <u>1,990,835</u>   | <u>(13,395,229)</u>                                  | <u>(62,859)</u>             | <u>(13,458,088)</u> |
| <b>General Revenues and Transfers:</b>     |                      |                         |  |  |                             |                     |
| Property tax levied for:                   |                      |                         |  |  |                             |                     |
| General purposes                           |                      |                         | \$ 4,095,487   | -  | 4,095,487                   |                     |
| Capital outlay                             |                      |                         | 359,332  | -  | 359,332                     |                     |
| Income surtax                              |                      |                         | 444,276  | -  | 444,276                     |                     |
| Statewide sales, services and use tax      |                      |                         | 1,186,085  | -  | 1,186,085                   |                     |
| Unrestricted state grants                  |                      |                         | 8,089,993  | -  | 8,089,993                   |                     |
| Unrestricted investment earnings           |                      |                         | 23,885   | 29   | 23,914                      |                     |
| Other                                      |                      |                         | 245,291  | 2,951  | 248,242                     |                     |
| Transfers                                  |                      |                         | (3,951)  | 3,951  | -                           |                     |
| Total general revenues and transfers       |                      |                         | <u>14,440,398</u>  | <u>6,931</u>   | <u>14,447,329</u>           |                     |
| Changes in net position                    |                      |                         | 1,045,169  | (55,928)   | 989,241                     |                     |
| Net position beginning of year             |                      |                         | 18,173,330   | 189,086  | 18,362,416                  |                     |
| Net position end of year                   |                      |                         | <u>\$ 19,218,499</u>   | <u>133,158</u>                                       | <u>19,351,657</u>           |                     |

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

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | General             | Capital<br>Projects | Debt<br>Service | Nonmajor         | Total             |
|--|---------------------|---------------------|-----------------|------------------|-------------------|
| <b>Assets</b>                              |                     |                     |                 |                  |                   |
| Cash and pooled investments                | \$ 4,011,129        | 2,083,880           | 75,975          | 547,736          | 6,718,720         |
| Receivables:                               |                     |                     |                 |                  |                   |
| Property tax:                              |                     |                     |                 |                  |                   |
| Delinquent                                 | 39,450              | 3,420               | -               | 4,283            | 47,153            |
| Succeeding year                            | 3,883,482           | 374,413             | -               | 550,000          | 4,807,895         |
| Income surtax                              | 481,137             | -                   | -               | -                | 481,137           |
| Interest                                   | 2,933               | 845                 | -               | 101              | 3,879             |
| Interfund receivable                       | -                   | -                   | -               | 14,769           | 14,769            |
| Accounts                                   | 16,967              | 3,510               | -               | 345              | 20,822            |
| Due from other governments                 | 757,802             | 492,133             | -               | -                | 1,249,935         |
| <b>Total assets</b>                        | <b>\$ 9,192,900</b> | <b>2,958,201</b>    | <b>75,975</b>   | <b>1,117,234</b> | <b>13,344,310</b> |
| <b>Liabilities and fund balances</b>       |                     |                     |                 |                  |                   |
| <b>Liabilities:</b>                        |                     |                     |                 |                  |                   |
| Accounts payable                           | \$ 620,017          | 109,717             | -               | 10,508           | 740,242           |
| Interfund payable                          | 14,769              | -                   | -               | -                | 14,769            |
| Salaries and benefits payable              | 1,494,535           | -                   | -               | 1,930            | 1,496,465         |
| Deferred revenue:                          |                     |                     |                 |                  |                   |
| Succeeding year property tax               | 3,883,482           | 374,413             | -               | 550,000          | 4,807,895         |
| Income surtax                              | 481,137             | -                   | -               | -                | 481,137           |
| Other                                      | 28,645              | -                   | -               | -                | 28,645            |
| <b>Total liabilities</b>                   | <b>6,522,585</b>    | <b>484,130</b>      | <b>-</b>        | <b>562,438</b>   | <b>7,569,153</b>  |
| <b>Fund balances:</b>                      |                     |                     |                 |                  |                   |
| <b>Restricted for:</b>                     |                     |                     |                 |                  |                   |
| Categorical funding                        | 141,034             | -                   | -               | -                | 141,034           |
| Debt service                               | -                   | -                   | 75,975          | -                | 75,975            |
| Management levy purposes                   | -                   | -                   | -               | 241,557          | 241,557           |
| Student activities                         | -                   | -                   | -               | 157,823          | 157,823           |
| Support trust                              | -                   | -                   | -               | 155,416          | 155,416           |
| School infrastructure                      | -                   | 1,967,454           | -               | -                | 1,967,454         |
| Physical plant and equipment               | -                   | 506,617             | -               | -                | 506,617           |
| Unassigned                                 | 2,529,281           | -                   | -               | -                | 2,529,281         |
| <b>Total fund balances</b>                 | <b>2,670,315</b>    | <b>2,474,071</b>    | <b>75,975</b>   | <b>554,796</b>   | <b>5,775,157</b>  |
| <b>Total liabilities and fund balances</b> | <b>\$ 9,192,900</b> | <b>2,958,201</b>    | <b>75,975</b>   | <b>1,117,234</b> | <b>13,344,310</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

|   |                             |
|---|-----------------------------|
| <b>Total fund balances of governmental funds(page 20)</b>   | <b>\$ 5,775,157</b>         |
| <br><b>Amounts reported for governmental activities in the<br/>Statement of Net Position are different because:</b>   |                             |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.  | 15,523,015                  |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.  | (23,241)                    |
| Blending of the Internal Service Funds to be reflected on an entity-wide basis.   | 4,160,342                   |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.  | 481,137                     |
| Long-term liabilities, including bonds payable, termination benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(6,697,911)</u>          |
| <b>Net position of governmental activities(page 18)</b>   | <b><u>\$ 19,218,499</u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

|   | General           | Capital<br>Projects | Debt<br>Service | Nonmajor       | Total             |
|---|-------------------|---------------------|-----------------|----------------|-------------------|
| <b>Revenues:</b>  |                   |                     |                 |                |                   |
| <b>Local sources:</b>                                     |                   |                     |                 |                |                   |
| Local tax   | \$ 4,212,050      | 1,230,460           | -               | 401,131        | 5,843,641         |
| Tuition   | 1,800,579         | -                   | -               | -              | 1,800,579         |
| Other   | 189,868           | 109,192             | 2,001           | 452,187        | 753,248           |
| Intermediate sources                                      | 5,993             | -                   | -               | -              | 5,993             |
| State sources   | 9,046,066         | 315,202             | -               | 309            | 9,361,577         |
| Federal sources   | 549,921           | -                   | -               | -              | 549,921           |
| <b>Total revenues</b>                                     | <b>15,804,477</b> | <b>1,654,854</b>    | <b>2,001</b>    | <b>853,627</b> | <b>18,314,959</b> |
| <b>Expenditures:</b>                                      |                   |                     |                 |                |                   |
| <b>Current:</b>   |                   |                     |                 |                |                   |
| <b>Instruction:</b>                                       |                   |                     |                 |                |                   |
| Regular   | 5,980,473         | 296,338             | -               | 155,426        | 6,432,237         |
| Special   | 3,166,801         | -                   | -               | -              | 3,166,801         |
| Other   | 2,058,651         | -                   | -               | 413,354        | 2,472,005         |
|   | <b>11,205,925</b> | <b>296,338</b>      | <b>-</b>        | <b>568,780</b> | <b>12,071,043</b> |
| <b>Support services:</b>                                  |                   |                     |                 |                |                   |
| Student   | 482,490           | -                   | -               | 7,857          | 490,347           |
| Instructional staff                                       | 461,208           | -                   | -               | 11,643         | 472,851           |
| Administration  | 1,377,500         | 1,185               | 55,148          | 20,440         | 1,454,273         |
| Operation and maintenance of plant                        | 1,131,009         | 10,228              | -               | 107,730        | 1,248,967         |
| Transportation  | 490,530           | -                   | -               | 53,252         | 543,782           |
|   | <b>3,942,737</b>  | <b>11,413</b>       | <b>55,148</b>   | <b>200,922</b> | <b>4,210,220</b>  |
| <b>Non-instructional programs:</b>                        |                   |                     |                 |                |                   |
| Food service operations                                   | -                 | -                   | -               | 272            | 272               |
| Community service and education operations                | 505               | -                   | -               | -              | 505               |
|   | <b>505</b>        | <b>-</b>            | <b>-</b>        | <b>272</b>     | <b>777</b>        |
| Capital outlay  | -                 | 1,490,217           | -               | -              | 1,490,217         |
| <b>Long-term debt:</b>                                    |                   |                     |                 |                |                   |
| Principal   | -                 | -                   | 502,000         | -              | 502,000           |
| Interest and fiscal charges                               | -                 | -                   | 260,238         | -              | 260,238           |
|   | <b>-</b>          | <b>-</b>            | <b>762,238</b>  | <b>-</b>       | <b>762,238</b>    |
| <b>Other expenditures:</b>                                |                   |                     |                 |                |                   |
| AEA flowthrough   | 565,757           | -                   | -               | -              | 565,757           |
| <b>Total expenditures</b>                                 | <b>15,714,924</b> | <b>1,797,968</b>    | <b>817,386</b>  | <b>769,974</b> | <b>19,100,252</b> |
| Excess(Deficiency)of revenues<br>over(under) expenditures | 89,553            | (143,114)           | (815,385)       | 83,653         | (785,293)         |
| <b>Other financing sources(uses):</b>                     |                   |                     |                 |                |                   |
| Transfer in   | -                 | -                   | 769,140         | -              | 769,140           |
| Transfer out  | -                 | (769,140)           | -               | -              | (769,140)         |
| Refunding revenue bond issuance                           | -                 | -                   | 3,810,000       | -              | 3,810,000         |
| Payment to escrow agent                                   | -                 | -                   | (4,357,557)     | -              | (4,357,557)       |
| Proceeds from disposal of property                        | 5,265             | -                   | -               | -              | 5,265             |
| <b>Total other financing sources(uses)</b>                | <b>5,265</b>      | <b>(769,140)</b>    | <b>221,583</b>  | <b>-</b>       | <b>(542,292)</b>  |
| Change in fund balances                                   | 94,818            | (912,254)           | (593,802)       | 83,653         | (1,327,585)       |
| Fund balance beginning of year                            | 2,575,497         | 3,386,325           | 669,777         | 471,143        | 7,102,742         |
| Fund balance end of year                                  | \$ 2,670,315      | 2,474,071           | 75,975          | 554,796        | 5,775,157         |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds(page 22) \$ (1,327,585)

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

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

|                      |                |           |
|----------------------|----------------|-----------|
| Capital expenditures | \$ 1,746,454   |           |
| Depreciation expense | (589,912)      |           |
| Loss on disposal     | <u>(3,867)</u> | 1,152,675 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows:

|        |                  |         |
|--------|------------------|---------|
| Issued | \$ (3,810,000)   |         |
| Repaid | <u>4,702,000</u> | 892,000 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (23,241)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 562,748

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

|                               |                 |           |
|-------------------------------|-----------------|-----------|
| Termination benefits          | \$ (42,675)     |           |
| Compensated absences          | 4,389           |           |
| Other postemployment benefits | <u>(99,724)</u> | (138,010) |

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (73,418)

**Changes in net position of governmental activities(page 19) \$ 1,045,169**

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

|   | Business Type       |                            |
|---|---------------------|----------------------------|
|   | Enterprise<br>Fund  | Governmental<br>Activites: |
|   | School<br>Nutrition | Internal<br>Service Fund   |
| <b>Assets</b>                                   |                     |                            |
| Cash and cash equivalents                       | \$ 38,585           | 4,362,607                  |
| Accounts receivable                             | 5,718               | 13,120                     |
| Inventories                                     | 10,418              | -                          |
| Capital assets, net of accumulated depreciation | 110,553             | -                          |
| <b>Total assets</b>                             | <b>165,274</b>      | <b>4,375,727</b>           |
| <b>Liabilities</b>                              |                     |                            |
| Accounts payable                                | 57                  | 75                         |
| Salaries and benefits payable                   | 16,455              | 12,900                     |
| Incurred but not reported claims                | -                   | 202,410                    |
| Unearned revenue                                | 6,678               | -                          |
| Net OPEB liability                              | 8,926               | -                          |
| <b>Total liabilities</b>                        | <b>32,116</b>       | <b>215,385</b>             |
| <b>Net position</b>                             |                     |                            |
| Invested in capital assets                      | 110,553             | -                          |
| Unrestricted                                    | 22,605              | 4,160,342                  |
| <b>Total net position</b>                       | <b>\$ 133,158</b>   | <b>4,160,342</b>           |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

|  | Business Type     |                  |
|--|-------------------|------------------|
|  | Activities:       |                  |
|  | Enterprise        | Governmental     |
|  | Fund              | Activites:       |
|  | School            | Internal         |
|  | Nutrition         | Service Fund     |
| Operating revenues:                                      |                   |                  |
| Local sources:   |                   |                  |
| Charges for services                                     | \$ 235,095        | -                |
| Miscellaneous  | 2,951             | 2,179,739        |
| Total operating revenues:                                | <u>238,046</u>    | <u>2,179,739</u> |
| Operating expenses:                                      |                   |                  |
| Support services:  |                   |                  |
| Administration:  |                   |                  |
| Salaries   | 15,347            | -                |
| Benefits   | 3,832             | -                |
| Services   | 5,984             | -                |
| Supplies   | 238               | -                |
|  | <u>25,401</u>     | <u>-</u>         |
| Operation and maintenance of plant:                      |                   |                  |
| Services   | 2,797             | -                |
| Total support services                                   | <u>28,198</u>     | <u>-</u>         |
| Non-instructional programs:                              |                   |                  |
| Food service operations:                                 |                   |                  |
| Salaries   | 207,642           | -                |
| Benefits   | 115,760           | -                |
| Services   | 914               | -                |
| Supplies   | 405,331           | -                |
| Depreciation   | 18,403            | -                |
|  | <u>748,050</u>    | <u>-</u>         |
| Other enterprise operations:                             |                   |                  |
| Benefits   | -                 | 1,590,851        |
| Services   | -                 | 11,800           |
| Supplies   | -                 | 14,340           |
|  | <u>-</u>          | <u>1,616,991</u> |
| Total non-instructional programs                         | <u>748,050</u>    | <u>1,616,991</u> |
| Total operating expenses                                 | <u>776,248</u>    | <u>1,616,991</u> |
| Operating income(loss)                                   | <u>(538,202)</u>  | <u>562,748</u>   |
| Non-operating revenues:                                  |                   |                  |
| Interest income  | 29                | -                |
| State sources  | 6,945             | -                |
| Federal sources  | 471,349           | -                |
| Total non-operating revenues                             | <u>478,323</u>    | <u>-</u>         |
| Change in net position before<br>other financing sources | (59,879)          | 562,748          |
| Other financing sources:                                 |                   |                  |
| Capital contributions                                    | 3,951             | -                |
| Changes in net position                                  | (55,928)          | 562,748          |
| Net position beginning of year                           | <u>189,086</u>    | <u>3,597,594</u> |
| Net position end of year                                 | <u>\$ 133,158</u> | <u>4,160,342</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

|  | Business Type                             |   |
|--|---|---|
|  | Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service Fund |
| Cash flows from operating activities:  |   |   |
| Cash received from sale of lunches and breakfasts  | \$ 242,558                                | -   |
| Cash received from miscellaneous operating activities  | 2,951                                     | 2,221,110   |
| Cash payments to employees for services  | (334,242)                                 | (1,666,898)   |
| Cash payments to suppliers for goods or services   | (374,167)                                 | (26,140)  |
| Net cash provided by(used in)operating activities  | <u>(462,900)</u>                          | <u>528,072</u>  |
| Cash flows from non-capital financing activities:  |   |   |
| State grants received  | 6,945                                     | -   |
| Federal grants received  | 424,308                                   | -   |
| Net cash provided by non-capital financing activities  | <u>431,253</u>                            | <u>-</u>  |
| Cash flows from investing activities:  |   |   |
| Interest on investments  | 29  | -   |
| Net increase(decrease) in cash and cash equivalents  | (31,618)                                  | 528,072   |
| Cash and cash equivalents at beginning of year   | 70,203                                    | 3,834,535   |
| Cash and cash equivalents at end of year   | <u>\$ 38,585</u>                          | <u>4,362,607</u>  |
| Reconciliation of operating income(loss)to net cash provided by(used in)operating activities:        |   |   |
| Operating income(loss)   | \$ (538,202)                              | 562,748   |
| Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities: |   |   |
| Commodities consumed   | 47,041                                    | -   |
| Depreciation   | 18,403                                    | -   |
| Increase in inventories  | (28)                                      | -   |
| Decrease in accounts receivable  | 2,298                                     | 41,371  |
| Decrease in accounts payable   | (5,915)                                   | (1,525)   |
| Increase in salaries and benefits payable  | 4,824                                     | 2,690   |
| Increase in other postemployment benefits payable  | 3,514                                     | -   |
| Decrease in incurred but not reported claims   | -   | (77,212)  |
| Increase in unearned revenue   | 5,165                                     | -   |
| Net cash provided by(used in)operating activities  | <u>\$ (462,900)</u>                       | <u>528,072</u>  |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received Federal commodities valued at \$47,041.

During the year ended June 30, 2013, the Capital Projects: Physical Plant and Equipment Levy Fund contributed \$3,951 of capital contributions to the Nutrition Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

|                             | Private Purpose<br>Trust |              |
|-----------------------------|--------------------------|--------------|
|                             | Scholarship              | Agency       |
| Assets                      |                          |              |
| Cash and pooled investments | \$ 337,264               | 3,876        |
| Interest receivable         | 424                      | -            |
| Total assets                | <u>337,688</u>           | <u>3,876</u> |
| Liabilities                 |                          |              |
| Accounts payable            | -                        | 130          |
| Due to other groups         | -                        | 3,746        |
| Total liabilities           | <u>-</u>                 | <u>3,876</u> |
| Net position                |                          |              |
| Restricted for scholarships | 274,804                  | -            |
| Unrestricted                | 62,884                   | -            |
| Total net position          | <u>\$ 337,688</u>        | <u>-</u>     |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

|                                |    | Private Purpose<br>Trust |
|--------------------------------|----|--------------------------|
|                                |    | Scholarship              |
| Additions:                     |    |                          |
| Local sources:                 |    |                          |
| Gifts and contributions        | \$ | 1,902                    |
| Interest income                |    | 2,094                    |
| Total additions                |    | 3,996                    |
| Deductions:                    |    |                          |
| Instruction:                   |    |                          |
| Other:                         |    |                          |
| Scholarships awarded           |    | 8,300                    |
| Change in net position         |    | (4,304)                  |
| Net position beginning of year |    | 341,992                  |
| Net position end of year       | \$ | 337,688                  |

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position (previously 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Any unused bond proceeds for the construction of capital assets is added back to invested in capital assets, net or related debt.

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used to account for revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following non-major proprietary fund:

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

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

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

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

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

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net position 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.

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

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

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

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

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

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

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

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

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at July 1, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$181,398 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

| Receivable Fund | Payable Fund | Amount    |
|-----------------|--------------|-----------|
| Management Levy | General      | \$ 14,769 |

The General Fund is repaying the Management Fund for early retiree benefits paid that were ineligible to be paid from the Management Fund.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| Transfer to  | Transfer from   | Amount     |
|--------------|---|------------|
| Debt Service | Capital Projects:<br>Statewide Sales, Services<br>and Use Tax | \$ 769,140 |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness and to release the reserve account associated with the revenue bond issue dated June 28, 2007 to aid in the revenue bond refinancing.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

|  | Balance<br>Beginning of<br>Year | Increases        | Decreases      | Balance<br>End<br>of Year |
|--|---------------------------------|------------------|----------------|---------------------------|
| Governmental activities:                     |                                 |                  |                |                           |
| Capital assets not being depreciated:        |                                 |                  |                |                           |
| Land   | \$ 234,026                      | 51,185           | -              | 285,211                   |
| Construction in progress                     | 1,155,782                       | 498,993          | 985,729        | 669,046                   |
| Total capital assets not being depreciated   | <u>1,389,808</u>                | <u>550,178</u>   | <u>985,729</u> | <u>954,257</u>            |
| Capital assets being depreciated:            |                                 |                  |                |                           |
| Buildings                                    | 18,437,278                      | 2,036,945        | -              | 20,474,223                |
| Land improvements                            | 1,376,313                       | 57,564           | -              | 1,433,877                 |
| Machinery and equipment                      | 3,637,639                       | 87,496           | 153,920        | 3,571,215                 |
| Total capital assets being depreciated       | <u>23,451,230</u>               | <u>2,182,005</u> | <u>153,920</u> | <u>25,479,315</u>         |
| Less accumulated depreciation for:           |                                 |                  |                |                           |
| Buildings                                    | 6,954,014                       | 365,102          | -              | 7,319,116                 |
| Land improvements                            | 727,375                         | 57,492           | -              | 784,867                   |
| Machinery and equipment                      | 2,789,309                       | 167,318          | 150,053        | 2,806,574                 |
| Total accumulated depreciation               | <u>10,470,698</u>               | <u>589,912</u>   | <u>150,053</u> | <u>10,910,557</u>         |
| Total capital assets being depreciated, net  | <u>12,980,532</u>               | <u>1,592,093</u> | <u>3,867</u>   | <u>14,568,758</u>         |
| Governmental activities capital assets, net  | <u>\$ 14,370,340</u>            | <u>2,142,271</u> | <u>989,596</u> | <u>15,523,015</u>         |
| Business type activities:                    |                                 |                  |                |                           |
| Machinery and equipment                      | \$ 321,696                      | 3,951            | -              | 325,647                   |
| Less accumulated depreciation                | 196,691                         | 18,403           | -              | 215,094                   |
| Business type activities capital assets, net | <u>\$ 125,005</u>               | <u>(14,452)</u>  | <u>-</u>       | <u>110,553</u>            |

Depreciation expense was charged by the District as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                           |                   |
| Instruction:                                       |                   |
| Regular  | \$ 54,553         |
| Other  | 9,835             |
| Support services:                                  |                   |
| Administration                                     | 6,374             |
| Operation and maintenance of plant                 | 11,722            |
| Transportation                                     | 84,834            |
|  | <u>167,318</u>    |
| Unallocated depreciation                           | <u>422,594</u>    |
| Total governmental activities depreciation expense | <u>\$ 589,912</u> |
| Business type activities:                          |                   |
| Food services                                      | <u>\$ 18,403</u>  |

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

|                           | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|---------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental activities:  |                                 |           |           |                           |                           |
| Revenue bonds             | 7,120,000                       | 3,810,000 | 4,702,000 | 6,228,000                 | 705,000                   |
| Termination benefits      | 150,671                         | 203,691   | 161,016   | 193,346                   | 142,424                   |
| Compensated absences      | 27,653                          | 23,264    | 27,653    | 23,264                    | 23,264                    |
| Net OPEB liability        | 153,577                         | 99,724    | -         | 253,301                   | -                         |
| Total                     | \$ 7,451,901                    | 4,136,679 | 4,890,669 | 6,697,911                 | 870,688                   |
| Business type activities: |                                 |           |           |                           |                           |
| Net OPEB liability        | \$ 5,412                        | 3,514     | -         | 8,926                     | -                         |

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bonds issued April 9, 2012 |              |          | Bonds issued February 26, 2013 |              |          | Total     |          |           |
|----------------------------|----------------------------|--------------|----------|--------------------------------|--------------|----------|-----------|----------|-----------|
|                            | Interest<br>Rate           | Principal    | Interest | Interest<br>Rate               | Principal    | Interest | Principal | Interest | Total     |
| 2014                       | 2.55 %                     | \$ 235,000   | 61,659   | 1.80 %                         | \$ 470,000   | 90,233   | 705,000   | 151,892  | 856,892   |
| 2015                       | 2.55                       | 287,000      | 55,667   | 1.80                           | 460,000      | 58,050   | 747,000   | 113,717  | 860,717   |
| 2016                       | 2.55                       | 296,000      | 48,348   | 1.80                           | 460,000      | 49,770   | 756,000   | 98,118   | 854,118   |
| 2017                       | 2.55                       | 306,000      | 40,800   | 1.80                           | 460,000      | 41,490   | 766,000   | 82,290   | 848,290   |
| 2018                       | 2.55                       | 312,000      | 32,997   | 1.80                           | 480,000      | 33,210   | 792,000   | 66,207   | 858,207   |
| 2019-2021                  | 2.55                       | 982,000      | 50,490   | 1.80                           | 1,480,000    | 46,260   | 2,462,000 | 96,750   | 2,558,750 |
| Total                      |                            | \$ 2,418,000 | 289,961  |                                | \$ 3,810,000 | 319,013  | 6,228,000 | 608,974  | 6,836,974 |

The District has pledged future statewide sales, services and use tax to repay the \$6,310,000 bonds issued in April 2012 and February 2013. The bonds were issued for the purpose of financing a portion of the costs of high school renovation and HVAC projects and for refinancing previously issued bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 72% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,836,974. For the current year, \$502,000 in principal and \$260,238 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,186,085.

The resolution providing for the issuance of statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Termination benefits

The District offered a voluntary early retirement plan to its employees in fiscal 2012 and fiscal 2013. The Board has complete discretion to offer an early retirement plan and reserves the right to discontinue or alter the plan at any time. To be eligible for the early retirement plan employees must have reached the age of fifty-five and have completed fifteen years of continuous service. The early retirement incentives for each eligible employee are equal to 50% of the employee's current salary (without extra duty increments, Teacher Salary Supplement wages and extended term contracts).

Employees had to complete an early retirement application as well as written resignation which are required to be approved by the Board of Education. Approval by the board of the employee's application constituted a voluntary resignation, and made the employee eligible for disbursement of the early retirement incentive. Failure of the Board to approve the application leaves the employee's contract with the board in full effect.

Upon retirement, employees are eligible to continue participating in the districts group insurance plan at the employee's expense by paying the monthly premium in full. Insurance coverage ceases when the retiree reaches Medicare eligibility, secures other employment in which the employer provides insurance coverage, or dies.

At June 30, 2013, the District has obligations to seventeen participants with a total liability of \$193,346. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$161,016.

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

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$735,556, \$721,059, and \$619,169, respectively, equal to the required contributions for each year

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees and their spouses. There are 170 active and 14 retired members in the plan. Participants must be 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 119,102        |
| Interest on net OPEB obligation            | 7,155             |
| Adjustment to annual required contribution | (12,596)          |
| Annual OPEB cost                           | <u>113,661</u>    |
| Contributions made                         | (10,423)          |
| Increase in net OPEB obligation            | <u>103,238</u>    |
| Net OPEB obligation beginning of year      | <u>158,989</u>    |
| Net OPEB obligation end of year            | <u>\$ 262,227</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013. For the year ended June 30, 2013, the District contributed \$10,423 to the benefit plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2011                | 95,796           | 81.42%                                     | 59,905              |
| 2012                | 113,237          | 12.50%                                     | 158,989             |
| 2013                | 113,661          | 9.17%                                      | 262,227             |

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$859,355, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$859,355. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,824,697, and the ratio of the UAAL to covered payroll was 10.98%. As of June 30, 2013, there were no trust fund assets.

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

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

As of July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy and the projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information contained in the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,160,342 at June 30, 2013. The incurred but not recorded and unpaid claims liability of \$202,410 reported in the plan at June 30, 2013 based on the requirements of GASB Statement Number 10, is set up as a liability.

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$565,757 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements

**(11) Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2013 are comprised of the following programs:

| Program  | Amount            |
|--|-------------------|
| At-risk supplemental weighting                     | \$ 28,222         |
| Returning dropouts and dropout prevention programs | 5,498             |
| Beginning teacher mentoring and induction program  | 1,977             |
| Teacher salary supplement                          | 1,326             |
| Market factor                                      | 1,717             |
| Professional development for model core curriculum | 57,859            |
| Professional development                           | 17,048            |
| Market factor incentives                           | 11,597            |
| Four-year old preschool state aid                  | 15,790            |
| Total  | <u>\$ 141,034</u> |

**(12) Construction Commitments**

The District has entered into contracts totaling \$687,436 for an energy project and a window replacement project. As of June 30, 2013, costs of \$669,046 had been incurred against the contracts. The balance of \$18,390 remaining at June 30, 2013, will be paid as work on the projects progress. Once the projects are completed, the costs will be capitalized in the District's capital assets listing.

**(13) Bond Defeasement**

On February 13, 2013, the District issued \$3,810,000 in revenue bonds with interest rates of 1.80% and placed \$547,557 of cash in an irrevocable escrow account to refund \$4,200,000 of outstanding revenue bonds dated June 28, 2007 with interest rates of 4.00%.

The proceeds of the refunding issue along with the additional cash have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the June 28, 2007 revenue bond issuance from January 1, 2014, to when the bonds are callable on July 1, 2014.

The District is contingently liable in the remote possibility the escrow account is insufficient to pay the bonds. After the principal and interest on all of the outstanding bonds are paid any remaining funds in the escrow account, together with any interest there on, will be returned to the District. The new refunding bonds have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. The economic gain for the refunding is \$206,317. At June 30, 2013, \$4,200,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively.

**(14) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

|   | Invested<br>in Capital<br>Assets | Debt<br>Service | Management<br>Levy | School<br>Infrastructure | Unassigned/<br>Restricted<br>Balances |
|---|----------------------------------|-----------------|--------------------|--------------------------|---------------------------------------|
| Fund Balance (Exhibit C)                        | \$ -                             | 75,975          | 241,557            | 1,967,454                | 2,529,281                             |
| Capital assets, net of accumulated depreciation | 15,523,015                       | -               | -                  | -                        | -                                     |
| Revenue Bond capitalized indebtedness           | (6,043,137)                      | -               | -                  | -                        | -                                     |
| Revenue bond proceeds not expended              | -                                | -               | -                  | (184,863)                | -                                     |
| Internal service fund                           | -                                | -               | -                  | -                        | 4,160,342                             |
| Compensated absences                            | -                                | -               | -                  | -                        | (23,264)                              |
| Total termination benefits payable              | -                                | -               | (149,038)          | -                        | (44,308)                              |
| Net OPEB liability                              | -                                | -               | -                  | -                        | (253,301)                             |
| Income surtax                                   | -                                | -               | -                  | -                        | 481,137                               |
| Accrued interest payable                        | -                                | (23,241)        | -                  | -                        | -                                     |
|   | \$ 9,479,878                     | 52,734          | 92,519             | 1,782,591                | 6,849,887                             |

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

|   | Governmental        | Proprietary    | Total             | Budgeted Amounts  |                   | Final to         |
|---|---------------------|----------------|-------------------|-------------------|-------------------|------------------|
|   | Fund Types          | Fund Type      |                   | Original          | Final             | Actual           |
|   | Actual              | Actual         |                   |                   |                   | Actual           |
| Revenues:   |                     |                |                   |                   |                   |                  |
| Local sources   | \$ 8,397,468        | 238,075        | 8,635,543         | 8,248,771         | 8,248,771         | 386,772          |
| Intermediate sources  | 5,993               | -              | 5,993             | 6,480             | 6,480             | (487)            |
| State sources   | 9,361,577           | 6,945          | 9,368,522         | 9,363,106         | 9,363,106         | 5,416            |
| Federal sources   | 549,921             | 471,349        | 1,021,270         | 1,025,982         | 1,025,982         | (4,712)          |
| Total revenues  | <u>18,314,959</u>   | <u>716,369</u> | <u>19,031,328</u> | <u>18,644,339</u> | <u>18,644,339</u> | <u>386,989</u>   |
| Expenditures/Expenses:  |                     |                |                   |                   |                   |                  |
| Instruction   | 12,071,043          | -              | 12,071,043        | 12,222,311        | 12,566,361        | 495,318          |
| Support services  | 4,210,220           | 28,198         | 4,238,418         | 4,458,952         | 4,534,475         | 296,057          |
| Non-instructional programs  | 777                 | 748,050        | 748,827           | 819,246           | 769,441           | 20,614           |
| Other expenditures  | 2,818,212           | -              | 2,818,212         | 3,233,582         | 7,516,888         | 4,698,676        |
| Total expenditures/expenses   | <u>19,100,252</u>   | <u>776,248</u> | <u>19,876,500</u> | <u>20,734,091</u> | <u>25,387,165</u> | <u>5,510,665</u> |
| Excess(Deficiency)of revenues<br>over(under)expenditures/expenses                                 | (785,293)           | (59,879)       | (845,172)         | (2,089,752)       | (6,742,826)       | 5,897,654        |
| Other financing sources(uses), net  | (542,292)           | 3,951          | (538,341)         | -                 | -                 | (538,341)        |
| Excess(Deficiency)of revenues and<br>other financing sources over(under)<br>expenditures/expenses | (1,327,585)         | (55,928)       | (1,383,513)       | (2,089,752)       | (6,742,826)       | 5,359,313        |
| Balance beginning of year   | <u>7,102,742</u>    | <u>189,086</u> | <u>7,291,828</u>  | <u>7,012,181</u>  | <u>7,012,181</u>  | <u>279,647</u>   |
| Balance end of year   | <u>\$ 5,775,157</u> | <u>133,158</u> | <u>5,908,315</u>  | <u>4,922,429</u>  | <u>269,355</u>    | <u>5,638,960</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures \$4,653,074.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll ( c ) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|-----------------------|---|
| 2010                | July 1, 2008             | -                             | 1,043,000                             | 1,043,000                 | 0.00%              | 8,448,713             | 12.35%  |
| 2011                | July 1, 2008             | -                             | 1,043,000                             | 1,043,000                 | 0.00%              | 7,909,596             | 13.19%  |
| 2012                | July 1, 2011             | -                             | 905,447                               | 905,447                   | 0.00%              | 7,956,435             | 11.38%  |
| 2013                | July 1, 2011             | -                             | 859,355                               | 859,355                   | 0.00%              | 7,824,697             | 10.98%  |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

|                                     | Special Revenue         |                     |                  | Total            |
|-------------------------------------|-------------------------|---------------------|------------------|------------------|
|                                     | Manage-<br>ment<br>Levy | Student<br>Activity | Support<br>Trust |                  |
| Assets                              |                         |                     |                  |                  |
| Cash and pooled investments         | \$ 222,572              | 169,781             | 155,383          | 547,736          |
| Receivables:                        |                         |                     |                  |                  |
| Property tax:                       |                         |                     |                  |                  |
| Delinquent                          | 4,283                   | -                   | -                | 4,283            |
| Succeeding year                     | 550,000                 | -                   | -                | 550,000          |
| Interest                            | -                       | 68                  | 33               | 101              |
| Interfund receivable                | 14,769                  | -                   | -                | 14,769           |
| Accounts                            | -                       | 345                 | -                | 345              |
| Total assets                        | <u>\$ 791,624</u>       | <u>170,194</u>      | <u>155,416</u>   | <u>1,117,234</u> |
| Liabilities and fund balances       |                         |                     |                  |                  |
| Liabilities                         |                         |                     |                  |                  |
| Accounts payable                    | \$ 67                   | 10,441              | -                | 10,508           |
| Salaries and benefits payable       | -                       | 1,930               | -                | 1,930            |
| Deferred revenue:                   |                         |                     |                  |                  |
| Succeeding year property tax        | 550,000                 | -                   | -                | 550,000          |
| Total liabilities                   | <u>550,067</u>          | <u>12,371</u>       | <u>-</u>         | <u>562,438</u>   |
| Fund balances:                      |                         |                     |                  |                  |
| Restricted for:                     |                         |                     |                  |                  |
| Management levy purposes            | 241,557                 | -                   | -                | 241,557          |
| Student activities                  | -                       | 157,823             | -                | 157,823          |
| Support trust                       | -                       | -                   | 155,416          | 155,416          |
| Total fund balances                 | <u>241,557</u>          | <u>157,823</u>      | <u>155,416</u>   | <u>554,796</u>   |
| Total liabilities and fund balances | <u>\$ 791,624</u>       | <u>170,194</u>      | <u>155,416</u>   | <u>1,117,234</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

|                                    | Special Revenue         |                     |                  | Total   |
|------------------------------------|-------------------------|---------------------|------------------|---------|
|                                    | Manage-<br>ment<br>Levy | Student<br>Activity | Support<br>Trust |         |
| Revenues:                          |                         |                     |                  |         |
| Local sources:                     |                         |                     |                  |         |
| Local tax                          | \$ 401,131              | -                   | -                | 401,131 |
| Other                              | 5,842                   | 431,088             | 15,257           | 452,187 |
| State sources                      | 309                     | -                   | -                | 309     |
| Total revenues                     | 407,282                 | 431,088             | 15,257           | 853,627 |
| Expenditures:                      |                         |                     |                  |         |
| Current:                           |                         |                     |                  |         |
| Instruction:                       |                         |                     |                  |         |
| Regular                            | 155,426                 | -                   | -                | 155,426 |
| Other                              | -                       | 413,354             | -                | 413,354 |
| Support services:                  |                         |                     |                  |         |
| Student                            | 7,857                   | -                   | -                | 7,857   |
| Instructional staff                | 11,643                  | -                   | -                | 11,643  |
| Administration                     | 17,996                  | 2,444               | -                | 20,440  |
| Operation and maintenance of plant | 106,521                 | 1,209               | -                | 107,730 |
| Transportation                     | 33,776                  | 19,476              | -                | 53,252  |
| Non-instructional programs:        |                         |                     |                  |         |
| Food service operations            | 272                     | -                   | -                | 272     |
| Total expenditures                 | 333,491                 | 436,483             | -                | 769,974 |
| Change in fund balances            | 73,791                  | (5,395)             | 15,257           | 83,653  |
| Fund balances beginning of year    | 167,766                 | 163,218             | 140,159          | 471,143 |
| Fund balances end of year          | \$ 241,557              | 157,823             | 155,416          | 554,796 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

|  | Capital Projects                               |                          |  | Total            |
|--|--|--------------------------|--|------------------|
|  | Statewide<br>Sales,<br>Services<br>and Use Tax | Construction<br>Projects | Physical<br>Plant and<br>Equipment<br>Levy |                  |
| <b>Assets</b>                              |  |                          |  |                  |
| Cash and pooled investments                | \$ 1,342,269                                   | 190,713                  | 550,898                                    | 2,083,880        |
| Receivables:                               |  |                          |  |                  |
| Property tax:                              |  |                          |  |                  |
| Delinquent                                 | -  | -                        | 3,420                                      | 3,420            |
| Succeeding year                            | -  | -                        | 374,413                                    | 374,413          |
| Interest                                   | 782  | -                        | 63   | 845              |
| Accounts                                   | -  | 3,510                    | -  | 3,510            |
| Due from other governments                 | 492,133  | -                        | -  | 492,133          |
| <b>Total assets</b>                        | <b>\$ 1,835,184</b>                            | <b>194,223</b>           | <b>928,794</b>                             | <b>2,958,201</b> |
| <b>Liabilities and fund balances</b>       |  |                          |  |                  |
| Liabilities                                |  |                          |  |                  |
| Accounts payable                           | \$ 52,593                                      | 9,360                    | 47,764                                     | 109,717          |
| Deferred revenue:                          |  |                          |  |                  |
| Succeeding year property tax               | -  | -                        | 374,413                                    | 374,413          |
| <b>Total liabilities</b>                   | <b>52,593</b>                                  | <b>9,360</b>             | <b>422,177</b>                             | <b>484,130</b>   |
| Fund balances:                             |  |                          |  |                  |
| Restricted for:                            |  |                          |  |                  |
| School infrastructure                      | 1,782,591                                      | 184,863                  | -  | 1,967,454        |
| Physical plant and equipment               | -  | -                        | 506,617                                    | 506,617          |
| <b>Total fund balances</b>                 | <b>1,782,591</b>                               | <b>184,863</b>           | <b>506,617</b>                             | <b>2,474,071</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 1,835,184</b>                            | <b>194,223</b>           | <b>928,794</b>                             | <b>2,958,201</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

|  | Capital Projects                               |                          |  | Total            |
|--|--|--------------------------|--|------------------|
|  | Statewide<br>Sales,<br>Services<br>and Use Tax | Construction<br>Projects | Physical<br>Plant and<br>Equipment<br>Levy |                  |
| Revenues:  |  |                          |  |                  |
| Local sources:   |  |                          |  |                  |
| Local tax  | \$ 871,128                                     | -                        | 359,332                                    | 1,230,460        |
| Other  | 108,076  | 202                      | 914  | 109,192          |
| State sources  | 314,957  | -                        | 245  | 315,202          |
| Total revenues   | <u>1,294,161</u>                               | <u>202</u>               | <u>360,491</u>                             | <u>1,654,854</u> |
| Expenditures:  |  |                          |  |                  |
| Current:   |  |                          |  |                  |
| Instruction:   |  |                          |  |                  |
| Regular  | 296,338  | -                        | -  | 296,338          |
| Support services:  |  |                          |  |                  |
| Administration   | 1,185  | -                        | -  | 1,185            |
| Operation and maintenance of plant                       | 6,393  | -                        | 3,835                                      | 10,228           |
| Transportation   | -  | -                        | -  | -                |
| Capital outlays  | 153,711  | 1,123,133                | 213,373                                    | 1,490,217        |
| Total expenditures                                       | <u>457,627</u>                                 | <u>1,123,133</u>         | <u>217,208</u>                             | <u>1,797,968</u> |
| Excess(Deficiency)of revenues<br>over(under)expenditures | 836,534  | (1,122,931)              | 143,283                                    | (143,114)        |
| Other financing uses:                                    |  |                          |  |                  |
| Transfer out   | (769,140)                                      | -                        | -  | (769,140)        |
| Change in fund balances                                  | 67,394   | (1,122,931)              | 143,283                                    | (912,254)        |
| Fund balance beginning of year                           | <u>1,715,197</u>                               | <u>1,307,794</u>         | <u>363,334</u>                             | <u>3,386,325</u> |
| Fund balance end of year                                 | <u>\$ 1,782,591</u>                            | <u>184,863</u>           | <u>506,617</u>                             | <u>2,474,071</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

| Account                     | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Intrafund<br>Transfers | Balance<br>End<br>of Year |
|-----------------------------|---------------------------------|----------|-------------------|------------------------|---------------------------|
| Drug testing                | \$ 891                          | -        | -                 | -                      | 891                       |
| Interest                    | -                               | 487      | -                 | (487)                  | -                         |
| HS activity tickets         | -                               | 20,300   | -                 | (20,200)               | 100                       |
| Activities control          | 5,751                           | -        | -                 | 1,237                  | 6,988                     |
| HS speech                   | -                               | 5        | 2,419             | 2,414                  | -                         |
| Speech fundraiser           | 2,960                           | 5,248    | 4,559             | 600                    | 4,249                     |
| HS vocal music              | -                               | 11,013   | 9,400             | (1,613)                | -                         |
| Harm helpers                | 1,840                           | 2,482    | 2,734             | -                      | 1,588                     |
| HS band                     | -                               | 1,967    | 4,746             | 2,779                  | -                         |
| HS band tour                | 93                              | -        | -                 | -                      | 93                        |
| Athletic control            | 30,649                          | 5,162    | 2,325             | (614)                  | 32,872                    |
| Athletic pass               | 3,035                           | 3,025    | 2,021             | -                      | 4,039                     |
| Coed cross country          | -                               | 1        | 1,527             | 1,526                  | -                         |
| Cross country fundraiser    | 218                             | 3,188    | 3,114             | 200                    | 492                       |
| Tennis fundraiser           | 909                             | 1,504    | 1,591             | 200                    | 1,022                     |
| Bowling                     | -                               | -        | 457               | 457                    | -                         |
| Bowl                        | 1,039                           | 1,919    | 1,962             | -                      | 996                       |
| HS cheerleaders             | -                               | -        | 499               | 499                    | -                         |
| Cheerleaders fundraiser     | 4,051                           | 17,409   | 18,382            | -                      | 3,078                     |
| Dance squad                 | -                               | -        | 515               | 515                    | -                         |
| Dance squad fundraiser      | 1,357                           | 5,995    | 5,027             | 200                    | 2,525                     |
| HS boys basketball          | -                               | 13,191   | 11,599            | (1,592)                | -                         |
| Boys basketball fundraiser  | 1,847                           | 11,671   | 11,183            | -                      | 2,335                     |
| HS football                 | -                               | 28,378   | 16,786            | (11,592)               | -                         |
| Football fundraiser         | 3,741                           | 20,956   | 20,377            | -                      | 4,320                     |
| HS boys soccer              | -                               | 1,500    | 3,012             | 1,512                  | -                         |
| Boys soccer fundraiser      | 454                             | 1,958    | 1,758             | 200                    | 854                       |
| HS baseball                 | -                               | 3,076    | 9,148             | 6,072                  | -                         |
| Baseball fundraiser         | -                               | 12,460   | 7,291             | (170)                  | 4,999                     |
| HS boys track               | -                               | 3,755    | 7,428             | 3,673                  | -                         |
| Track fundraiser            | 1,903                           | 8,019    | 6,949             | 300                    | 3,273                     |
| Boys tennis                 | -                               | 13       | 618               | 605                    | -                         |
| HS boys golf                | -                               | 567      | 2,260             | 1,693                  | -                         |
| Boys golf fundraiser        | 2,278                           | 1,397    | 1,318             | -                      | 2,357                     |
| HS wrestling                | -                               | 3,351    | 3,152             | (199)                  | -                         |
| Wrestling fundraiser        | 6,167                           | 11,220   | 15,102            | -                      | 2,285                     |
| HS girls basketball         | -                               | 11,544   | 9,776             | (1,768)                | -                         |
| Girls basketball fundraiser | 5,030                           | 7,145    | 10,030            | -                      | 2,145                     |
| HS volleyball               | -                               | 4,054    | 5,916             | 1,862                  | -                         |
| Volleyball fundraiser       | 1,274                           | 14,419   | 13,773            | -                      | 1,920                     |
| HS girls soccer             | -                               | 1,503    | 3,228             | 1,725                  | -                         |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| Account                    | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Intrafund<br>Transfers | Balance<br>End<br>of Year |
|----------------------------|---------------------------------|----------|-------------------|------------------------|---------------------------|
| HS girls soccer fundraiser | 626                             | 2,263    | 918               | -                      | 1,971                     |
| HS softball                | -                               | 1,348    | 6,031             | 4,683                  | -                         |
| Softball fundraiser        | 2,697                           | 1,848    | 2,322             | 200                    | 2,423                     |
| HS girls track             | -                               | 1,178    | 3,895             | 2,717                  | -                         |
| Girls track fundraiser     | -                               | 262      | 605               | 343                    | -                         |
| Girls tennis               | -                               | -        | 618               | 618                    | -                         |
| HS girls golf              | -                               | 180      | 1,630             | 1,450                  | -                         |
| Girls golf fundraiser      | 627                             | -        | 378               | -                      | 249                       |
| Club hope                  | 21,632                          | 60,647   | 82,881            | 1,018                  | 416                       |
| HS yearbook                | 1,807                           | 7,216    | 5,311             | 2                      | 3,714                     |
| Dive                       | 737                             | -        | 89                | 701                    | 1,349                     |
| HS winter concessions      | 1,262                           | 31,906   | 22,132            | (9,897)                | 1,139                     |
| HS class of 2013           | 1,272                           | -        | 1,100             | (172)                  | -                         |
| HS class of 2014           | 1,937                           | 7,583    | 10,563            | 1,043                  | -                         |
| HS class of 2015           | 787                             | -        | -                 | 300                    | 1,087                     |
| HS class of 2016           | 751                             | 1,549    | 168               | 401                    | 2,533                     |
| HS class of 2017           | -                               | 1,000    | -                 | -                      | 1,000                     |
| HS post grads              | 3,369                           | -        | -                 | 177                    | 3,546                     |
| HS BPA                     | 2,734                           | 4,095    | 4,495             | 3                      | 2,337                     |
| HOSA                       | 8,495                           | 8,389    | 9,588             | 2,011                  | 9,307                     |
| FCCLA                      | 1,563                           | 706      | 1,232             | 1                      | 1,038                     |
| FFA                        | 576                             | 22,031   | 25,146            | 2,539                  | -                         |
| National honor society     | -                               | 254      | 446               | 192                    | -                         |
| Student senate             | 3,942                           | 3,353    | 4,092             | 204                    | 3,407                     |
| Spanish club               | 5,782                           | 2,358    | 1,424             | 1,106                  | 7,822                     |
| French club                | 6,839                           | 865      | 676               | 306                    | 7,334                     |
| Maquoketan                 | 239                             | -        | -                 | -                      | 239                       |
| HS SADD                    | 655                             | 5,139    | 1,912             | -                      | 3,882                     |
| MS chorus                  | 15                              | 50       | 38                | -                      | 27                        |
| MS band                    | 209                             | 6,072    | 6,092             | 3                      | 192                       |
| MS boys athletics          | 5,456                           | 7,499    | 5,966             | 5                      | 6,994                     |
| MS mat refurbishing        | 1,523                           | -        | -                 | 1                      | 1,524                     |
| MS girls athletics         | 5,598                           | 6,911    | 6,136             | 6                      | 6,379                     |
| MS awards                  | 2,105                           | 1,984    | 1,920             | 2                      | 2,171                     |
| MS student council         | 3,925                           | 2,380    | 4,503             | 2                      | 1,804                     |
| MS concessions             | 81                              | 2,140    | 2,194             | -                      | 27                        |
| MS card club               | 384                             | -        | -                 | 1                      | 385                       |
| Elementary chorus          | 106                             | -        | -                 | -                      | 106                       |
| Total                      | \$ 163,218                      | 431,088  | 436,483           | -                      | 157,823                   |

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

| Account              | Balance<br>Beginning<br>of Year | Revenues      | Expendi-<br>tures | Balance<br>End<br>of Year |
|----------------------|---------------------------------|---------------|-------------------|---------------------------|
| Stoddard Donation    | \$ 108,506                      | 6             | -                 | 108,512                   |
| Jan Donation         | 26,758                          | 1,143         | -                 | 27,901                    |
| Paver Project        | 4,895                           | 400           | -                 | 5,295                     |
| Jack Marlowe Project | -                               | 13,708        | -                 | 13,708                    |
| Total                | <u>\$ 140,159</u>               | <u>15,257</u> | -                 | <u>155,416</u>            |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2013

| Private Purpose Trust - Scholarship Fund |                   |              |               |             |             |              |               |              |             |              |                |              |                |
|--|-------------------|--------------|---------------|-------------|-------------|--------------|---------------|--------------|-------------|--------------|----------------|--------------|----------------|
|  | Wendell           | Joiner       | Schuman       | Other       | Zimmerman   | Bothwell     | Marcucci      | Greene       | Wolf        | Hute         | Shimaneck      | Dwain        | Total          |
|  | Scholarship       | Scholarship  | Scholarship   | Scholarship | Scholarship | Scholarship  | Scholarship   | Scholarship  | Scholarship | Scholarship  | Scholarship    | Scholarship  |                |
| <b>Assets</b>                            |                   |              |               |             |             |              |               |              |             |              |                |              |                |
| Cash and pooled investments              | \$ 131,820        | 5,301        | 10,431        | 600         | 672         | 1,705        | 48,145        | 3,023        | 188         | 3,754        | 130,625        | 1,000        | 337,264        |
| Interest receivable                      | 108               | 2            | 14            | -           | -           | -            | 41            | 1            | -           | 4            | 254            | -            | 424            |
| <b>Total assets</b>                      | <b>131,928</b>    | <b>5,303</b> | <b>10,445</b> | <b>600</b>  | <b>672</b>  | <b>1,705</b> | <b>48,186</b> | <b>3,024</b> | <b>188</b>  | <b>3,758</b> | <b>130,879</b> | <b>1,000</b> | <b>337,688</b> |
| <b>Liabilities</b>                       |                   |              |               |             |             |              |               |              |             |              |                |              |                |
|  | -                 | -            | -             | -           | -           | -            | -             | -            | -           | -            | -              | -            | -              |
| <b>Net position</b>                      |                   |              |               |             |             |              |               |              |             |              |                |              |                |
| Restricted for scholarships              | 129,804           | 5,000        | 10,000        | -           | -           | -            | -             | -            | -           | -            | 130,000        | -            | 274,804        |
| Unrestricted                             | 2,124             | 303          | 445           | 600         | 672         | 1,705        | 48,186        | 3,024        | 188         | 3,758        | 879            | 1,000        | 62,884         |
| <b>Total net position</b>                | <b>\$ 131,928</b> | <b>5,303</b> | <b>10,445</b> | <b>600</b>  | <b>672</b>  | <b>1,705</b> | <b>48,186</b> | <b>3,024</b> | <b>188</b>  | <b>3,758</b> | <b>130,879</b> | <b>1,000</b> | <b>337,688</b> |

55

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2013

|                                |    | Private Purpose Trust - Scholarship Fund |             |             |             |             |             |             |             |             |             |             |             |         |
|--------------------------------|----|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------|
|                                |    | Wendell                                  | Joiner      | Schuman     | Other       | Zimmerman   | Bothwell    | Marcucci    | Greene      | Wolf        | Hute        | Shimaneck   | Dwain       | Total   |
|                                |    | Scholarship                              | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship | Scholarship |         |
| Additions:                     |    |  |             |             |             |             |             |             |             |             |             |             |             |         |
| Local sources:                 |    |  |             |             |             |             |             |             |             |             |             |             |             |         |
| Gifts and contributions        | \$ | -  | 252         | -           | 500         | -           | 450         | -           | -           | 200         | 500         | -           | -           | 1,902   |
| Interest income                |    | 1,246                                    | 21          | 52          | -           | -           | -           | 195         | 14          | -           | 13          | 553         | -           | 2,094   |
| Total additions                |    | 1,246                                    | 273         | 52          | 500         | -           | 450         | 195         | 14          | 200         | 513         | 553         | -           | 3,996   |
| Deductions:                    |    |  |             |             |             |             |             |             |             |             |             |             |             |         |
| Instruction:                   |    |  |             |             |             |             |             |             |             |             |             |             |             |         |
| Other:                         |    |  |             |             |             |             |             |             |             |             |             |             |             |         |
| Scholarships awarded           |    | 1,250                                    | 500         | -           | 950         | 400         | 400         | 1,500       | 500         | 200         | 1,000       | 1,350       | 250         | 8,300   |
| Changes in net position        |    | (4)                                      | (227)       | 52          | (450)       | (400)       | 50          | (1,305)     | (486)       | -           | (487)       | (797)       | (250)       | (4,304) |
| Net position beginning of year |    | 131,932                                  | 5,530       | 10,393      | 1,050       | 1,072       | 1,655       | 49,491      | 3,510       | 188         | 4,245       | 131,676     | 1,250       | 341,992 |
| Net position end of year       | \$ | 131,928                                  | 5,303       | 10,445      | 600         | 672         | 1,705       | 48,186      | 3,024       | 188         | 3,758       | 130,879     | 1,000       | 337,688 |

56

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

|                             | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End<br>of Year |
|-----------------------------|---------------------------------|-----------|-----------|---------------------------|
| <b>Assets</b>               |                                 |           |           |                           |
| Cash and pooled investments | \$ 2,881                        | 50,674    | 49,679    | 3,876                     |
| <b>Liabilities</b>          |                                 |           |           |                           |
| Accounts payable            | \$ 32                           | 130       | 32        | 130                       |
| Due to other groups         | 2,849                           | 50,544    | 49,647    | 3,746                     |
| Total liabilities           | \$ 2,881                        | 50,674    | 49,679    | 3,876                     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|                                    | Modified Accrual Basis |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | Years Ended June 30,   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|                                    | 2013                   | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              |
| Revenues:                          |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Local sources:                     |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Local tax                          | \$ 5,843,641           | 5,842,743         | 5,586,873         | 5,561,028         | 5,630,705         | 5,540,702         | 5,677,215         | 5,275,463         | 5,086,399         | 5,212,755         |
| Tuition                            | 1,800,579              | 1,595,271         | 1,536,714         | 1,519,869         | 1,471,389         | 1,382,562         | 1,417,048         | 1,310,925         | 1,344,955         | 1,145,634         |
| Other                              | 753,058                | 771,680           | 882,570           | 927,688           | 875,159           | 1,153,884         | 882,531           | 894,134           | 731,758           | 706,578           |
| Intermediate sources               | 5,993                  | 3,945             | 8,888             | -                 | -                 | -                 | 165               | 67,380            | 62,691            | 56,787            |
| State sources                      | 9,361,577              | 9,431,099         | 9,525,342         | 7,829,985         | 8,718,009         | 8,759,891         | 8,015,028         | 7,382,870         | 7,189,981         | 6,935,450         |
| Federal sources                    | 549,921                | 940,067           | 1,443,571         | 1,913,682         | 961,826           | 512,234           | 555,941           | 616,074           | 951,591           | 1,210,073         |
| <b>Total</b>                       | <b>\$ 18,314,769</b>   | <b>18,584,805</b> | <b>18,983,958</b> | <b>17,752,252</b> | <b>17,657,088</b> | <b>17,349,273</b> | <b>16,547,928</b> | <b>15,546,846</b> | <b>15,367,375</b> | <b>15,267,277</b> |
| Expenditures:                      |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Instruction:                       |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Regular                            | \$ 6,432,237           | 6,382,639         | 6,145,416         | 6,247,444         | 5,763,001         | 5,494,974         | 5,313,578         | 5,232,550         | 5,031,911         | 4,953,183         |
| Special                            | 3,166,801              | 3,053,502         | 3,238,042         | 3,140,524         | 3,252,054         | 3,118,967         | 2,868,397         | 2,695,274         | 2,546,452         | 2,944,409         |
| Other                              | 2,472,005              | 2,453,580         | 2,525,186         | 2,538,482         | 2,060,548         | 1,966,120         | 1,992,986         | 1,910,065         | 1,835,834         | 1,386,010         |
| Support services:                  |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Student                            | 490,347                | 564,543           | 794,653           | 787,424           | 765,681           | 494,118           | 478,759           | 468,581           | 485,350           | 648,009           |
| Instructional staff                | 472,851                | 433,112           | 409,756           | 459,228           | 585,951           | 501,442           | 472,364           | 533,538           | 424,137           | 348,957           |
| Administration                     | 1,454,273              | 1,449,187         | 1,408,476         | 1,527,286         | 1,539,072         | 1,369,717         | 1,414,106         | 1,294,067         | 1,138,680         | 1,056,431         |
| Operation and maintenance of plant | 1,248,967              | 1,252,879         | 1,355,051         | 1,281,385         | 1,238,015         | 1,161,128         | 1,080,629         | 1,100,601         | 1,000,149         | 962,709           |
| Transportation                     | 543,782                | 750,136           | 571,108           | 726,336           | 616,934           | 585,469           | 623,958           | 709,457           | 526,607           | 515,949           |
| Other support                      | -                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 900               |
| Non-instructional programs         | 777                    | 2,438             | 12,907            | 4,115             | 12,544            | 12,688            | 12,698            | 9,002             | 5,256             | 32,927            |
| Capital outlays                    | 1,490,217              | 1,466,594         | 463,282           | 354,726           | 476,721           | 5,120,874         | 1,593,675         | 202,500           | 2,324,435         | 920,702           |
| Long-term debt:                    |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                          | 502,000                | 630,000           | 300,000           | 290,000           | 500,000           | 295,000           | 815,000           | 785,000           | 550,000           | 1,570,000         |
| Interest and fiscal charges        | 260,238                | 303,350           | 216,400           | 228,200           | 244,153           | 135,612           | 135,957           | 45,255            | 55,681            | 115,776           |
| Other expenditures:                |                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| AEA flow-through                   | 565,757                | 565,100           | 627,756           | 615,579           | 559,978           | 539,094           | 504,377           | 462,476           | 453,706           | 451,567           |
| <b>Total</b>                       | <b>\$ 19,100,252</b>   | <b>19,307,060</b> | <b>18,068,033</b> | <b>18,200,729</b> | <b>17,614,652</b> | <b>20,795,203</b> | <b>17,306,484</b> | <b>15,448,366</b> | <b>16,378,198</b> | <b>15,907,529</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

| GRANTOR/PROGRAM   | CFDA<br>NUMBER | GRANT<br>NUMBER | PROGRAM<br>EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| INDIRECT:   |                |                 |                         |
| U.S. DEPARTMENT OF AGRICULTURE:   |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:   |                |                 |                         |
| SCHOOL NUTRITION CLUSTER PROGRAMS:  |                |                 |                         |
| SCHOOL BREAKFAST PROGRAM  | 10.553         | FY 13           | 87,868                  |
| NATIONAL SCHOOL LUNCH PROGRAM   | 10.555         | FY 13           | 383,481 *               |
|   |                |                 | <u>471,349</u>          |
| U.S. DEPARTMENT OF EDUCATION:   |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:   |                |                 |                         |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES                              | 84.010         | 4041-G          | 281,378                 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES                              | 84.010         | 4041-GC         | 46,708                  |
| TITLE I SCHOOLS IN NEED OF ASSISTANCE(SINA)                               | 84.010         | FY 13           | 19,980                  |
|   |                |                 | <u>348,066</u>          |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATE                    | 84.048         | FY 13           | <u>8,675</u>            |
| IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)                        | 84.367         | FY 13           | <u>76,707</u>           |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)           | 84.369         | FY 13           | <u>9,633</u>            |
| AREA EDUCATION AGENCY:  |                |                 |                         |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B)                             |                |                 |                         |
|   | 84.027         | FY 13           | <u>80,818</u>           |
| ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)                      | 84.365         | FY 13           | <u>209</u>              |
| NATIONAL ENDOWMENT FOR THE ARTS:  |                |                 |                         |
| IOWA ARTS COUNCIL:  |                |                 |                         |
| PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS<br>(BIG YELLOW SCHOOL BUS) |                |                 |                         |
|   | 45.025         | FY 13           | <u>200</u>              |
|   |                |                 | <u>\$ 995,657</u>       |

\* Includes \$47,041 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maquoketa 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2014.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Maquoketa Community School District's Responses to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2014  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

To the Board of Education of  
Maquoketa Community School District

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Maquoketa Community School District's major federal programs for the year ended June 30, 2013. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

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

We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maquoketa Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, Maquoketa Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

## Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2014  
Newton, Iowa

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses or significant deficiencies 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 unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered Programs:
    - School Nutrition Cluster
      - CFDA Number 10.553 - School Breakfast Program
      - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
    - CDFFA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.
- IV-B-13 Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and<br>Business Connection                           | Transaction<br>Description | Amount     |
|--|----------------------------|------------|
| Barb Bowman, Teacher<br>Spouse owns Bowman Oil Company           | Fuel                       | \$ 113,120 |
| Sue Mayberry, Teacher<br>Spouse owns Mayberry Appliance Center   | Purchased<br>Services      | \$ 400     |
| Tara Michel, Teacher<br>Mother-in-law provided supplies          | Supplies                   | \$ 128     |
| Tracy Wilkins, Athletic Director<br>Spouse took tickets at games | Purchased<br>Services      | \$ 250     |
| James Manderscheid, Substitute bus driver                        | Purchased<br>Services      | \$ 612     |

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

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

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting - We noted a variance in the supplementary weighting information certified to the Iowa Department of Education. Concurrent enrollment was understated by 0.321 students

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

Response - The Dept. of Management has been notified of the change and it is included in the FY15 Budget Aid & Levy.

Conclusion - Response accepted.

IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

|   |    |         |                     |
|---|----|---------|---------------------|
| Beginning Balance                         |    | \$      | 1,715,197           |
| Revenues/transfers in:                    |    |         |                     |
| Sales tax revenues                        | \$ | 871,128 |                     |
| Other local revenues                      |    | 108,076 |                     |
| School infrastructure supplemental amount |    | 314,957 |                     |
|   |    |         | <u>1,294,161</u>    |
|   |    |         | 3,009,358           |
| Expenditures/transfers out:               |    |         |                     |
| School infrastructure construction        |    | 20,966  |                     |
| Land                                      |    | 50,000  |                     |
| Equipment                                 |    | 318,458 |                     |
| Other                                     |    | 68,203  |                     |
| Transfers to other funds:                 |    |         |                     |
| Debt service fund                         |    | 769,140 |                     |
|   |    |         | <u>1,226,767</u>    |
| Ending balance                            |    |         | <u>\$ 1,782,591</u> |

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-13 Interfund Loans - We noted during our audit that termination benefits for four former employees were being paid from the Management Levy Fund. However these employees were over the age of 65 at the time their benefits began. In accordance with Chapter 298.4 of the Code of Iowa, termination benefits are allowable from the Management Levy Fund if the employee is within the age range of 55 to 65 at the time of retirement.

Adjustments to interfund payables/receivables from the General Fund to the Management Levy Fund for \$14,769 have been shown on the financial statements.

Recommendation – The District should have the Board of Directors approved the repayment of \$14,769 from the General Fund to the Management Levy Fund as a correction for the termination benefits expenditures paid from the incorrect fund.

Response - The District had four individuals that were age 65 and their amounts were paid from the Management Fund. Years ago when we had someone at age 65, it was allowable from the Management Fund. The State has since clarified that age 65 was not eligible and the transfer will be made in fiscal year 2013-14.

Conclusion - Response accepted.