

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
John Zietlow	President	2015
Chris Huber	Vice President	2013
Donna Kunde	Board Member	2015
Leola Kay Harris	Board Member	2013
Doug Dabroski	Board Member	2013
School Officials		
Doug Tuetkan	Superintendent	2013
Erika Imler	District Secretary/ Business Manager	2013
Lynch & Dallas, P.C.	Attorney	2013

Maquoketa Valley Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

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 Valley Community School District, Delhi, 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 Valley 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.

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 15 and 40 through 42 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 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 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 Valley 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. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 20, 2014 on our consideration of Maquoketa Valley 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 report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Maquoketa Valley Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,635,088 at June 30, 2012 to \$6,971,089 at June 30, 2013, while General Fund expenditures increased from \$7,458,162 at June 30, 2012 to \$7,618,044 at June 30, 2013. This resulted in a decrease in the District's fund balance from \$1,904,289 at June 30, 2012 to \$1,257,334 at June 30, 2013, which was a 33.97% decrease from the prior year.
- The decrease in revenues was due to a decrease in property tax and federal source revenues. The increase in expenditures was a result of the increase in negotiated salaries and benefits paid to District employees during the year.

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

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

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

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 non-major funds.

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

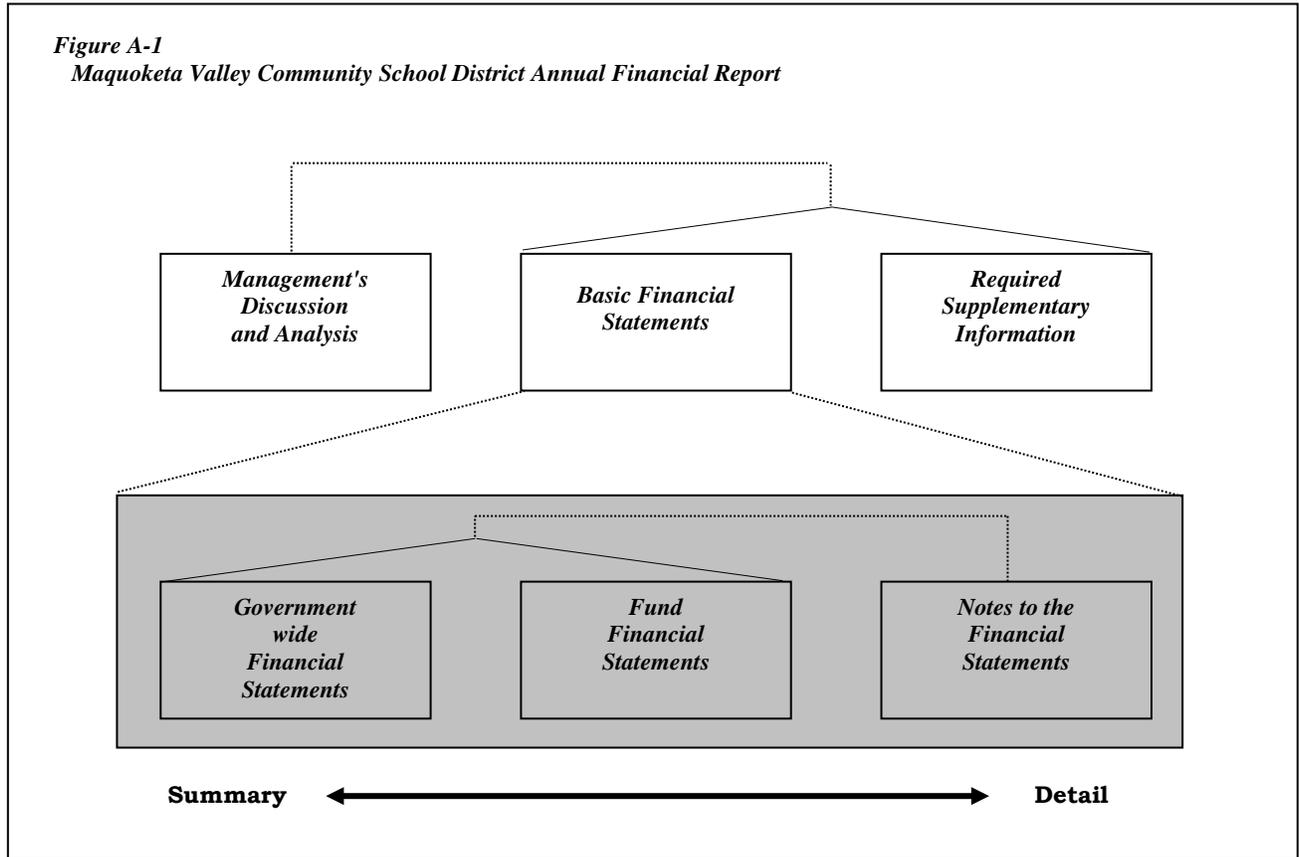


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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.

The two Government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial 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, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

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

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

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	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
Current and other assets	\$ 8,530,963	8,377,187	121,099	131,709	8,652,062	8,508,896	1.68%
Capital assets	8,302,242	8,401,073	24,429	28,120	8,326,671	8,429,193	-1.22%
Total assets	16,833,205	16,778,260	145,528	159,829	16,978,733	16,938,089	0.24%
Long-term obligations	2,695,000	3,260,044	-	-	2,695,000	3,260,044	-17.33%
Other liabilities	4,261,312	4,116,902	6,590	8,009	4,267,902	4,124,911	3.47%
Total liabilities	6,956,312	7,376,946	6,590	8,009	6,962,902	7,384,955	-5.72%
Net Position:							
Invested in capital assets, net of related debt	5,607,242	5,226,073	24,429	28,120	5,631,671	5,254,193	7.18%
Restricted	3,312,060	2,738,182	-	-	3,312,060	2,738,182	20.96%
Unrestricted	957,591	1,437,059	114,509	123,700	1,072,100	1,560,759	-31.31%
Total net position	\$ 9,876,893	9,401,314	138,938	151,820	10,015,831	9,553,134	4.84%

The District's combined net position increased by 4.84% or \$462,697 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 20.96% or \$573,878 over the prior year. The increase is due in part to the increase in fund balance of the Management Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by 31.31% or \$488,659 from the prior year. The decrease is due in part to the decrease in fund balance of 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.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 579,355	534,723	223,577	207,508	802,932	742,231	8.18%
Operating grants, contributions and restricted interest	574,942	541,816	201,592	198,358	776,534	740,174	4.91%
Capital grants, contributions and restricted interest	-	1,645	-	-	-	1,645	-100.00%
General revenues:							
Property tax	3,904,984	4,197,041	-	-	3,904,984	4,197,041	-6.96%
Statewide sales, services and use tax	609,418	557,197	-	-	609,418	557,197	9.37%
Unrestricted state grants	3,375,953	3,362,461	-	-	3,375,953	3,362,461	0.40%
Nonspecific program federal grants	-	105,836	-	-	-	105,836	-100.00%
Unrestricted investment earnings	39,394	73,132	593	1,474	39,987	74,606	-46.40%
Other general revenue	115,841	103,042	234	-	116,075	103,042	12.65%
Total revenues	9,199,887	9,476,893	425,996	407,340	9,625,883	9,884,233	-2.61%
Program expenses:							
Governmental activities:							
Instructional	5,677,791	5,363,258	-	-	5,677,791	5,363,258	5.86%
Support services	2,396,923	2,270,574	24,145	25,791	2,421,068	2,296,365	5.43%
Non-instructional programs	-	-	414,733	389,625	414,733	389,625	6.44%
Other expenses	649,594	699,869	-	-	649,594	699,869	-7.18%
Total expenses	8,724,308	8,333,701	438,878	415,416	9,163,186	8,749,117	4.73%
Change in net position	475,579	1,143,192	(12,882)	(8,076)	462,697	1,135,116	-59.24%
Net position beginning of year	9,401,314	8,258,122	151,820	159,896	9,553,134	8,418,018	13.48%
Net position end of year	\$ 9,876,893	9,401,314	138,938	151,820	10,015,831	9,553,134	4.84%

In fiscal 2013, property tax, statewide sales, services and use tax, and unrestricted state grants account for 85.77% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.81% of the revenue from business type activities.

The District's total revenues were \$9,625,883, of which \$9,199,887 was for governmental activities and \$425,996 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.61% in revenues and an 4.73% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,199,887 and expenses were \$8,724,308.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,677,791	5,363,258	5.86%	4,813,882	4,577,502	5.16%
Support services	2,396,923	2,270,574	5.56%	2,389,594	2,261,471	5.67%
Other expenses	649,594	699,869	-7.18%	366,535	416,544	-12.01%
Totals	\$ 8,724,308	8,333,701	4.69%	7,570,011	7,255,517	4.33%

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$579,355.
- Federal and state government subsidized certain programs with operating grants and contributions totaling \$574,942.
- The net cost of governmental activities was financed with \$3,904,984 in property tax, \$609,418 in statewide sales, services and use tax, \$3,375,953 in unrestricted state grants, \$39,394 in unrestricted investment earnings, and \$115,841 in other general revenue.

Business Type Activities

The District’s only business type activity is the School Nutrition Fund. Revenues of the District’s business type activities totaled \$425,996 and expenses totaled \$438,878 at June 30, 2013. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$4,248,044, above last year’s ending fund balances of \$4,216,610. The primary reason for the increase in combined fund balances can be attributed to the increase in fund balances of the Capital Projects Accounts and the Management Levy Fund.

Governmental Fund Highlights

- The District’s General Fund financial position is the result of many factors. The General Fund balance decreased from \$1,904,289 in fiscal 2012 to \$1,257,334 in fiscal 2013, representing a decrease of 33.97%. This decrease is primarily the result of a decrease in property tax and federal source revenues.
- The Capital Projects Fund balance increased from \$1,190,368 for fiscal year 2012 to \$1,493,562 for fiscal year 2013. The increase in fund balance was the result of an increase in statewide sales, services and use tax revenues compared to the prior year.
- The Management Levy Fund increased from \$741,399 for fiscal 2012 to \$1,130,164 for fiscal 2013. The increase in fund balance was the result of an increase in property tax revenue as compared to the prior year.
- The Debt Service Fund increased from \$283,136 for fiscal 2012 to \$287,979 for fiscal 2013. The increase in fund balance was a result of an increase in property tax revenue as compared to the prior year.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased from \$151,820 at June 30, 2012 to \$138,938 at June 30, 2013, representing a decrease of 8.49%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$45,260 less than budgeted revenues, a variance of 0.47%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$8,326,671, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) There is more detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$414,000.

The original cost of the District's capital assets was \$14,160,699. Governmental funds account for \$13,896,748, with the remainder of \$263,951 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$45,000 reported at June 30, 2012. The decrease in construction in progress is due the completion of adding new boilers in the High School.

Figure A-6
Capital Assets, Net of Depreciation

	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	\$ 99,421	99,421	-	-	99,421	99,421	0.00%
Construction in progress	-	45,000	-	-	-	45,000	-100.00%
Buildings	7,381,644	7,504,098	-	-	7,381,644	7,504,098	-1.63%
Land improvements	433,703	357,674	-	-	433,703	357,674	21.26%
Machinery and equipment	387,474	394,880	24,429	28,120	411,903	423,000	-2.62%
Total	\$ 8,302,242	8,401,073	24,429	28,120	8,326,671	8,429,193	-1.22%

Long-Term Debt

At June 30, 2013, the District had \$2,695,000 in long-term debt outstanding consisting of general obligation bonds payable. This represents a decrease of 17.33% from last year's balance of \$3,260,044. (See Figure A-7) There is a more detailed account of the District's long-term liabilities available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 2,695,000	3,175,000	-15.12%
Termination benefits	-	85,044	-100.00%
Total	<u>\$ 2,695,000</u>	<u>3,260,044</u>	<u>-17.33%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District continues to see a decrease in certified enrollment. A steady decline is expected in the future.
- A significant increase in utility and transportation costs continue to be a concern for the District.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property tax.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erika Imler, District Secretary/Business Manager, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

Maquoketa Valley Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,184,487	105,321	4,289,808
Receivables:			
Property tax:			
Delinquent	57,442	-	57,442
Succeeding year	3,951,819	-	3,951,819
Accounts	4,951	-	4,951
Due from other governments	306,001	-	306,001
Inventories	-	15,778	15,778
Net OPEB asset	26,263	-	26,263
Capital assets, net of accumulated depreciation	8,302,242	24,429	8,326,671
Total Assets	16,833,205	145,528	16,978,733
Liabilities			
Accounts payable	289,287	230	289,517
Salaries and benefits payable	15,550	-	15,550
Accrued interest payable	4,656	-	4,656
Unearned revenue	-	6,360	6,360
Deferred revenue:			
Succeeding year property tax	3,951,819	-	3,951,819
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	500,000	-	500,000
Portion due after one year:			
General obligation bonds payable	2,195,000	-	2,195,000
Total Liabilities	6,956,312	6,590	6,962,902
Net Position			
Invested in capital assets, net of related debt	5,607,242	24,429	5,631,671
Restricted for:			
Categorical funding	326,006	-	326,006
Management levy purposes	1,130,164	-	1,130,164
School infrastructure	1,329,054	-	1,329,054
Physical plant and equipment	164,508	-	164,508
Student activities	79,005	-	79,005
Debt service	283,323	-	283,323
Unrestricted	957,591	114,509	1,072,100
Total Net Position	\$ 9,876,893	138,938	10,015,831

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,629,741	223,553	43,339	(3,362,849)	-	(3,362,849)
Special	882,700	20,209	136,406	(726,085)	-	(726,085)
Other	1,165,350	335,593	104,809	(724,948)	-	(724,948)
	<u>5,677,791</u>	<u>579,355</u>	<u>284,554</u>	<u>(4,813,882)</u>	<u>-</u>	<u>(4,813,882)</u>
Support services:						
Student	219,361	-	77	(219,284)	-	(219,284)
Instructional staff	324,442	-	-	(324,442)	-	(324,442)
Administration	800,489	-	-	(800,489)	-	(800,489)
Operation and maintenance of plant	617,123	-	-	(617,123)	-	(617,123)
Transportation	435,508	-	7,252	(428,256)	-	(428,256)
	<u>2,396,923</u>	<u>-</u>	<u>7,329</u>	<u>(2,389,594)</u>	<u>-</u>	<u>(2,389,594)</u>
Long-term debt interest	73,423	-	-	(73,423)	-	(73,423)
Other Expenditures:						
AEA flowthrough	283,059	-	283,059	-	-	-
Depreciation(unallocated)*	293,112	-	-	(293,112)	-	(293,112)
	<u>576,171</u>	<u>-</u>	<u>283,059</u>	<u>(293,112)</u>	<u>-</u>	<u>(293,112)</u>
Total governmental activities	8,724,308	579,355	574,942	(7,570,011)	-	(7,570,011)
Business type activities:						
Support services:						
Administration	9,825	-	-	-	(9,825)	(9,825)
Operation and maintenance of plant	14,320	-	-	-	(14,320)	(14,320)
	<u>24,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,145)</u>	<u>(24,145)</u>
Non-instructional programs:						
Nutrition services	414,733	223,577	201,592	-	10,436	10,436
Total business type activities	<u>438,878</u>	<u>223,577</u>	<u>201,592</u>	<u>-</u>	<u>(13,709)</u>	<u>(13,709)</u>
Total	<u>\$ 9,163,186</u>	<u>802,932</u>	<u>776,534</u>	<u>(7,570,011)</u>	<u>(13,709)</u>	<u>(7,583,720)</u>
General Revenues:						
Local tax levied for:						
General purposes				\$ 3,265,614	-	3,265,614
Debt service				556,996	-	556,996
Capital outlay				82,374	-	82,374
Statewide sales, services and use tax				609,418	-	609,418
Unrestricted state grants				3,375,953	-	3,375,953
Unrestricted investment earnings				39,394	593	39,987
Other general revenues				115,841	234	116,075
Total general revenues				<u>8,045,590</u>	<u>827</u>	<u>8,046,417</u>
Change in net position				475,579	(12,882)	462,697
Net position beginning of year				9,401,314	151,820	9,553,134
Net position end of year				<u>\$ 9,876,893</u>	<u>138,938</u>	<u>10,015,831</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
Assets						
Cash and pooled investments	\$ 1,346,795	1,121,777	1,343,467	279,778	92,670	4,184,487
Receivables:						
Property tax:						
Delinquent	39,641	8,387	1,213	8,201	-	57,442
Succeeding year	2,709,893	600,000	86,068	555,858	-	3,951,819
Accounts	3,320	-	-	-	1,631	4,951
Due from other funds	10,742	-	-	-	-	10,742
Due from other governments	133,499	-	171,972	-	530	306,001
Total Assets	\$ 4,243,890	1,730,164	1,602,720	843,837	94,831	8,515,442
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ -	-	8,685	-	2,057	10,742
Accounts payable	261,113	-	14,405	-	13,769	289,287
Salaries and benefits payable	15,550	-	-	-	-	15,550
Deferred revenue:						
Succeeding year property tax	2,709,893	600,000	86,068	555,858	-	3,951,819
Total liabilities	2,986,556	600,000	109,158	555,858	15,826	4,267,398
Fund balances:						
Restricted for:						
Categorical funding	326,006	-	-	-	-	326,006
Management levy purposes	-	1,130,164	-	-	-	1,130,164
School infrastructure	-	-	1,329,054	-	-	1,329,054
Physical plant and equipment	-	-	164,508	-	-	164,508
Student activities	-	-	-	-	79,005	79,005
Debt service	-	-	-	287,979	-	287,979
Unassigned	931,328	-	-	-	-	931,328
Total fund balances	1,257,334	1,130,164	1,493,562	287,979	79,005	4,248,044
Total Liabilities and Fund Balances	\$ 4,243,890	1,730,164	1,602,720	843,837	94,831	8,515,442

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds(page 20)	\$	4,248,044
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,302,242
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.		(4,656)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		26,263
Long-term liabilities, including general obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,695,000)
Net position of governmental activities(page 18)	\$	9,876,893

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,695,448	570,166	691,792	556,996	-	4,514,402
Tuition	208,895	-	-	-	-	208,895
Other	130,191	12,910	10,955	4,202	381,777	540,035
State sources	3,671,381	-	-	-	-	3,671,381
Federal sources	265,174	-	-	-	-	265,174
Total revenues	6,971,089	583,076	702,747	561,198	381,777	9,199,887
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,428,375	136,929	68,356	-	-	3,633,660
Special	879,745	-	-	-	-	879,745
Other	750,934	-	-	-	400,190	1,151,124
	5,059,054	136,929	68,356	-	400,190	5,664,529
Support services:						
Student	218,288	-	-	-	-	218,288
Instructional staff	322,768	737	-	-	-	323,505
Administration	819,086	-	7,249	-	-	826,335
Operation and maintenance of plant	552,934	51,839	-	-	-	604,773
Transportation	362,855	4,806	81,132	-	-	448,793
	2,275,931	57,382	88,381	-	-	2,421,694
Capital outlay	-	-	242,816	-	-	242,816
Long-term debt:						
Principal	-	-	-	480,000	-	480,000
Interest and fiscal charges	-	-	-	76,355	-	76,355
	-	-	-	556,355	-	556,355
Other expenditures:						
AEA flowthrough	283,059	-	-	-	-	283,059
Total expenditures	7,618,044	194,311	399,553	556,355	400,190	9,168,453
Change in fund balances	(646,955)	388,765	303,194	4,843	(18,413)	31,434
Fund balances beginning of year	1,904,289	741,399	1,190,368	283,136	97,418	4,216,610
Fund balances end of year	\$ 1,257,334	1,130,164	1,493,562	287,979	79,005	4,248,044

SEE NOTES TO FINANCIAL STATEMENTS

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

Change in fund balances - total governmental funds(page 22) \$ 31,434

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

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

Capital outlay	\$ 310,278	
Depreciation expense	(409,109)	(98,831)

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.

Repaid		480,000
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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.

2,932

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	85,044	
Other postemployment benefits	(25,000)	60,044

Change in net position of governmental activities(page 19) \$ 475,579

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUND
 JUNE 30, 2013

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 105,321
Inventories	15,778
Capital assets, net of depreciation	24,429
Total Assets	<u>145,528</u>
Liabilities	
Accounts payable	230
Unearned revenue	6,360
Total Liabilities	<u>6,590</u>
Net Position	
Invested in capital assets	24,429
Unrestricted	114,509
Total Net Position	<u>\$ 138,938</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 223,577
Donations	300
Miscellaneous	234
TOTAL OPERATING REVENUE	224,111
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	8,446
Benefits	1,379
	9,825
Operation and maintenance of plant:	
Services	12,679
Supplies	1,641
	14,320
Total support services	24,145
Non-instructional programs:	
Food service operations:	
Salaries	178,988
Benefits	29,234
Services	738
Supplies	200,386
Other	496
Depreciation	4,891
Total non-instructional programs	414,733
TOTAL OPERATING EXPENSES	438,878
OPERATING LOSS	(214,767)
NON-OPERATING REVENUES:	
State sources	3,739
Federal sources	197,553
Interest income	593
TOTAL NON-OPERATING REVENUES	201,885
Change in net position	(12,882)
Net position beginning of year	151,820
Net position end of year	\$ 138,938

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 224,026
Cash received from miscellaneous operating activities	534
Cash payments to employees for services	(218,695)
Cash payments to suppliers for goods or services	(189,330)
Net cash used in operating activities	<u>(183,465)</u>
Cash flows from non-capital financing activities:	
State grants received	3,739
Federal grants received	168,106
Net cash provided by non-capital financing activities	<u>171,845</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(1,200)</u>
Cash flows from investing activities:	
Interest on investments	<u>593</u>
Net decrease in cash and cash equivalents	(12,227)
Cash and cash equivalents at beginning of year	<u>117,548</u>
Cash and cash equivalents at end of year	<u>\$ 105,321</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (214,767)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	29,447
Depreciation	4,891
Increase in inventories	(1,617)
Decrease in accounts payable	(1,220)
Decrease in salaries and benefits payable	(648)
Increase in unearned revenue	449
Net cash used in operating activities	<u>\$ (183,465)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received federal commodities valued at \$29,447.

SEE NOTES TO FINANCIAL STATEMENTS

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 4,993
Liabilities	-
Net position	
Restricted for scholarships	\$ 4,993

SEE NOTES TO FINANCIAL STATEMENTS

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 44</u>
Deductions:	<u>-</u>
Change in net position	44
Net position beginning of year	<u>4,949</u>
Net position end of year	<u>\$ 4,993</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's Non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Restricted net 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, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - restricted 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 the governmental funds are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

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

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

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net 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 in bank 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. As of the year ended June 30, 2013, the District had no investments.

(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
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 8,685
General	Activity	<u>2,057</u>
Total		<u>\$ 10,742</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for purchasing a CNC machine and a camera.

The Activity Fund is repaying the General Fund for an invoice paid from the incorrect fund.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 99,421	-	-	99,421
Construction in progress	45,000	45,353	90,353	-
Total capital assets not being depreciated	<u>144,421</u>	<u>45,353</u>	<u>90,353</u>	<u>99,421</u>
Capital assets being depreciated:				
Buildings	10,839,955	116,068	-	10,956,023
Land improvements	1,028,613	130,619	-	1,159,232
Machinery and equipment	1,573,481	108,591	-	1,682,072
Total capital assets being depreciated	<u>13,442,049</u>	<u>355,278</u>	<u>-</u>	<u>13,797,327</u>
Less accumulated depreciation for:				
Buildings	3,335,857	238,522	-	3,574,379
Land improvements	670,939	54,590	-	725,529
Machinery and equipment	1,178,601	115,997	-	1,294,598
Total accumulated depreciation	<u>5,185,397</u>	<u>409,109</u>	<u>-</u>	<u>5,594,506</u>
Total capital assets being depreciated, net	<u>8,256,652</u>	<u>(53,831)</u>	<u>-</u>	<u>8,202,821</u>
Governmental activities capital assets, net	<u>\$ 8,401,073</u>	<u>(8,478)</u>	<u>90,353</u>	<u>8,302,242</u>
Business type activities:				
Machinery and equipment	\$ 263,180	1,200	429	263,951
Less accumulated depreciation	235,060	4,891	429	239,522
Business type activities capital assets, net	<u>\$ 28,120</u>	<u>(3,691)</u>	<u>-</u>	<u>24,429</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 23,875
Other		12,898
Support services:		
Administration		6,745
Operation and maintenance of plant		4,744
Transportation		67,735
		<u>115,997</u>
Unallocated depreciation		<u>293,112</u>
		<u>\$ 409,109</u>
Business type activities:		
Food services		<u>\$ 4,891</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,175,000	-	480,000	2,695,000	500,000
Termination benefits*	85,044	-	85,044	-	-
Total	<u>\$ 3,260,044</u>	<u>-</u>	<u>565,044</u>	<u>2,695,000</u>	<u>500,000</u>

*Termination benefits are now included as an explicit rate subsidy and reported in accordance with GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 5, 2012				
	Interest Rates	Principal	Interest	Total	
2014	1.50 %	\$ 500,000	55,858	555,856	
2015	1.65	515,000	48,357	563,356	
2016	2.15	535,000	39,860	574,860	
2017	2.40	560,000	28,358	588,356	
2018	2.55	585,000	14,917	599,916	
		<u>\$ 2,695,000</u>	<u>187,350</u>	<u>2,882,344</u>	

(6) 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 76 active and 18 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers early retirement benefits in the form of insurance benefits resulting in an explicit rate subsidy to the OPEB liability.

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

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

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

Annual required contribution	\$	124,000
Interest on net OPEB obligation		(2,000)
Adjustment to annual required contribution		2,263
Annual OPEB cost		<u>124,263</u>
Contributions made		<u>(99,000)</u>
Increase in net OPEB obligation		25,263
Net OPEB obligation - beginning of year		<u>(51,263)</u>
Net OPEB obligation - end of year	\$	<u><u>(26,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$99,000 to the medical plan. Plan members eligible for benefits contributed \$117,000 or 54.17% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 147,931	112.21%	\$ (28,069)
2012	147,806	115.69%	(51,263)
2013	124,263	79.67%	(26,000)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,330,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,330,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,753,403, and the ratio of the UAAL to the covered payroll was 35.4%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from Table 1 in GASB 45 paragraph 35(b) and applying the termination factors used in Table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan for retirees less than age 65 are \$769 per month for the Classic 100 plan, \$748 per month for the Classic 200 plan and \$702 per month for the Classic 500 plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$402,469, \$364,973 and \$306,618, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$283,059 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.

(10) Categorical Funding

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

Program	Amount
LEP weighting	\$ 10,997
Home school assistance program	14,784
Talented and gifted	1,511
Beginning teacher mentoring and induction program	2,295
Teacher salary supplement	74,256
Market factor	4,409
Professional development	8,896
Statewide voluntary preschool	175,581
Professional development for model core curriculum	31,728
Market factor incentives	1,549
Total	<u>\$ 326,006</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,263,332	224,704	5,488,036	5,511,770	5,511,770	(23,734)
State sources	3,671,381	3,739	3,675,120	3,704,373	3,704,373	(29,253)
Federal sources	265,174	197,553	462,727	455,000	455,000	7,727
Total revenues	9,199,887	425,996	9,625,883	9,671,143	9,671,143	(45,260)
Expenditures/expenses:						
Instruction	5,664,529	-	5,664,529	6,706,500	6,706,500	1,041,971
Support services	2,421,694	24,145	2,445,839	3,981,000	3,981,000	1,535,161
Non-instructional programs	-	414,733	414,733	558,156	558,156	143,423
Other expenditures	1,082,230	-	1,082,230	1,209,259	1,209,259	127,029
Total expenditures/expenses	9,168,453	438,878	9,607,331	12,454,915	12,454,915	2,847,584
Excess(Deficiency) of revenues over(under) expenditures/expenses	31,434	(12,882)	18,552	(2,783,772)	(2,783,772)	2,802,324
Balance beginning of year	4,216,610	151,820	4,368,430	4,255,912	4,255,912	112,518
Balance end of year	\$ 4,248,044	138,938	4,386,982	1,472,140	1,472,140	2,914,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$1,576,000	\$1,576,000	0.0%	\$3,594,000	43.9%
2011	July 1, 2009	-	\$1,576,000	\$1,576,000	0.0%	\$3,437,768	45.8%
2012	July 1, 2009	-	\$1,576,000	\$1,576,000	0.0%	\$3,647,300	43.2%
2013	July 1, 2012	-	\$1,330,000	\$1,330,000	0.0%	\$3,753,403	35.4%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,171,355	172,112	1,343,467
Receivables:			
Property taxes:			
Delinquent	-	1,213	1,213
Succeeding year	-	86,068	86,068
Due from other governments	171,972	-	171,972
Total assets	\$ 1,343,327	259,393	1,602,720
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ 8,685	-	8,685
Accounts payable	5,588	8,817	14,405
Deferred revenue:			
Succeeding year property tax	-	86,068	86,068
Total liabilities	14,273	94,885	109,158
Fund balances:			
Restricted for:			
School infrastructure	1,329,054	-	1,329,054
Physical plant and equipment	-	164,508	164,508
Total fund balances	1,329,054	164,508	1,493,562
Total liabilities and fund balances	\$ 1,343,327	259,393	1,602,720

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 609,418	82,374	691,792
Other	8,886	2,069	10,955
Total Revenues	618,304	84,443	702,747
EXPENDITURES:			
Current:			
Instruction:			
Regular	67,905	451	68,356
Support services:			
Adminstration	-	7,249	7,249
Transportation	81,132	-	81,132
Capital outlay	170,989	71,827	242,816
Total Expenditures	320,026	79,527	399,553
Change in fund balance	298,278	4,916	303,194
Fund balances beginning of year	1,030,776	159,592	1,190,368
Fund balances end of year	\$ 1,329,054	164,508	1,493,562

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama & Speech	\$ 1,553	22,947	24,406	-	94
Fall Musical	2,238	2,623	1,740	-	3,121
Vocal	3,302	4,184	3,350	-	4,136
Instrumental Music	4,759	3,030	4,550	-	3,239
Middle School Baseball	874	-	-	-	874
Middle School Softball	301	-	-	-	301
Middle School Athletics	-	9,511	9,851	340	-
State Tournaments	-	1,778	621	-	1,157
Iron Man/Weight Room	4,072	15	1,341	-	2,746
Cross Country	-	891	1,381	726	236
Golf	-	3,335	4,236	901	-
Boys Basketball	3,168	7,640	7,497	750	4,061
Football	8,347	13,541	17,799	750	4,839
Baseball	1,190	13,116	11,410	750	3,646
Boys Track	297	2,052	1,918	750	1,181
Wrestling	3,481	16,769	19,687	750	1,313
Girls Basketball	5,831	19,562	27,495	2,102	-
Volleyball	291	4,730	3,788	750	1,983
Softball	1,691	5,845	5,215	750	3,071
Girls Track	-	2,184	3,748	1,564	-
Post Prom	5,066	20,876	22,837	-	3,105
Spanish	6,171	79,104	78,476	-	6,799
FFA	13,450	45,954	49,981	-	9,423
Student Council	615	1,867	1,886	-	596
Academic Excellence	769	12	402	924	1,303
National Honor Society	271	149	685	265	-
Cheerleaders	449	2,345	2,966	750	578
Drill Team	2,804	7,665	10,784	750	435
Yearbook	80	5,197	5,483	276	70
Earlville Elem.	1,708	159	1,061	(751)	55
Johnston Elem.	5,702	31	1,305	(2,423)	2,005
Delhi Elem.	3,833	1,471	2,677	-	2,627
Music Trip	-	6,146	3,645	-	2,501
Band Uniforms	2,984	15	135	-	2,864
Art	249	4	-	-	253
Class of 2009	7	-	-	(7)	-
Class of 2010	6	-	-	(6)	-
Class of 2011	457	-	-	(457)	-
Class of 2012	476	-	22	(454)	-
Class of 2013	954	3,092	3,636	-	410
Class of 2014	470	3,968	3,540	-	898
Class of 2015	375	128	106	-	397
Class of 2016	-	283	87	-	196
Assemblies	835	12	-	-	847
Activities Middle School	1,635	2,042	3,183	-	494
Student Services	6,657	67,504	57,260	(9,750)	7,151
Total	<u>\$ 97,418</u>	<u>381,777</u>	<u>400,190</u>	<u>-</u>	<u>79,005</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
ASSETS				
Cash and pooled investments	\$ 845	895	3,253	4,993
LIABILITIES	-	-	-	-
NET POSITION				
Restricted for scholarships	\$ 845	895	3,253	4,993

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 11	11	22	44
Deductions:	-	-	-	-
Change in net position	11	11	22	44
Net position beginning of year	834	884	3,231	4,949
Net position end of year	\$ 845	895	3,253	4,993

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 4,514,402	4,754,238	4,406,581	4,217,805	4,007,151	3,981,260	3,969,223	3,693,609	3,648,364	3,419,986
Tuition	208,895	247,454	258,807	270,749	321,814	269,187	232,443	197,019	170,199	191,156
Other	540,035	482,481	497,629	417,261	536,147	484,058	461,615	637,045	391,206	365,966
State sources	3,671,381	3,659,412	3,585,032	3,274,344	3,930,023	3,902,425	3,584,731	3,593,272	3,580,337	3,292,486
Federal sources	265,174	333,308	486,069	737,820	242,349	234,154	231,111	230,398	231,511	235,414
Total	\$ 9,199,887	9,476,893	9,234,118	8,917,979	9,037,484	8,871,084	8,479,123	8,351,343	8,021,617	7,505,008
Expenditures:										
Instruction:										
Regular	\$ 3,633,660	3,763,797	3,835,764	3,456,318	3,663,357	3,541,548	3,130,332	3,086,546	3,046,995	3,338,473
Special	879,745	856,569	797,867	734,860	853,478	780,096	718,045	707,322	572,247	770,323
Other	1,151,124	980,690	1,074,473	949,362	939,971	822,844	714,254	687,782	888,338	722,273
Support services:										
Student	218,288	211,457	247,798	234,748	276,827	256,352	451,747	223,028	203,075	201,290
Instructional staff	323,505	310,006	273,375	315,590	233,395	245,720	254,587	241,523	185,982	171,906
Administration	826,335	796,401	730,979	822,622	858,287	808,280	766,278	793,089	754,983	731,626
Operation and maintenance of plant	604,773	627,141	659,593	734,530	797,508	714,956	716,412	715,716	742,104	670,199
Transportation	448,793	356,327	419,750	316,588	388,329	394,619	447,872	329,547	375,104	340,644
Capital outlay	242,816	137,086	75,113	52,920	122,600	87,761	77,046	20,615	76,052	84,883
Long-term debt:										
Principal	480,000	3,640,000	450,000	435,000	420,000	410,000	250,000	350,000	335,000	320,000
Interest	76,355	139,830	156,030	170,770	185,050	198,590	362,789	282,665	298,643	313,422
Other expenditures:										
AEA flowthrough	283,059	283,325	320,862	321,665	298,068	294,633	279,049	272,957	273,089	273,552
Total	\$ 9,168,453	12,102,629	9,041,604	8,544,973	9,036,870	8,555,399	8,168,411	7,710,790	7,751,612	7,938,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards 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 Valley 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 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maquoketa Valley Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Valley Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 through I-C-13 to be significant deficiencies.

Compliance and Other Matters

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

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 Valley Community School District's Responses to Findings

Maquoketa Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Maquoketa Valley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will continue to review procedures to improve internal controls.

Conclusion - Response acknowledged.

I-B-13 Bank Deposits - We noted during the audit that money collected is sent to the Central Office on a weekly basis to be deposited. The Central Office then makes deposits on a weekly or bi-weekly basis.

Recommendation - The District should require that all money be sent to the central office in a timely manner, with all receipts being deposited when received. The District should review procedures to ensure that the deposits are being made in a timely manner.

Response - The District will look for ways to improve the timeliness of bank deposits.

Conclusion - Response accepted.

I-C-13 Purchase Orders - We noted during our audit the District currently uses purchase orders in the purchasing process, however, the Student Activity Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will redistribute the Business Procedure Manual to all employees in an effort to review purchase order procedures that need to be followed.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-13 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The District will review commodity inventory pricing procedures to ensure correct pricing is being used.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted in the certified budget.

II-B-13 Questionable Disbursements - We noted during our audit that the District purchased athletic polo's for softball coaches from the Student Activity Fund. Purchasing clothing for coaches does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Article III, Section 31 requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval. A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing to District employees in lieu of using public funds.

Response - The District will review purchasing procedures with all coaches and sponsors to ensure policies are being followed.

Conclusion - Response accepted.

II-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.

II-D-13 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Leola Kay Harris, Board Member Spouse owns Harris Electric	Repairs	\$11,203
Randy Maur, Bus Driver Owns Marla's Screen Prints	Shirt printing	\$21,933
Doug Dabroski, Board Member	Athletic official	\$535

In accordance with Attorney General’s opinion dated November 9, 1976, the above transaction with the spouse of board member Leola Kay Harris does not appear to represent a conflict of interest.

In accordance with Attorney General’s opinion dated July 2, 1990, the above transaction with the bus driver does not appear to present a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member Doug Dabroski does not appear to be a conflict of interest.

II-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.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-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.
- II-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.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-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		\$ 1,030,776
Revenues:		
Sales tax revenues	\$ 609,418	
Other local sources	8,886	618,304
	<u> </u>	<u>1,649,080</u>
Expenditures:		
School infrastructure construction	\$ 170,989	
Equipment	149,037	320,026
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 1,329,054</u></u>

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

- II-M-13 Physical Plant and Equipment Levy (PPEL) Expenditures - We noted that fire alarm inspections and elevator maintenance were paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: Physical Plant and Equipment Levy Fund. These expenditures would not appear to be allowable expenditures from the Capital Projects accounts.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa. We request corrective transfers in the amounts of \$3,014 from the General Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund and \$448.47 from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund.

Response - The District will make the corrective transfer as requested and all future maintenance expenditures will be expensed from the General Fund.

Conclusion - Response accepted.

II-N-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all officiating contracts.

Conclusion - Response accepted.

II-O-13 Checks Outstanding - We noted during our audit that the District had checks included in the District's payroll bank reconciliation that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will try to locate all payees with payroll checks older than one year and reissue checks if necessary.

Conclusion - Response accepted.