

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of  
Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District, Marcus, 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 presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District 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 4 through 12 and 37 through 39 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 operation, 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 Marcus-Meriden-Cleghorn Community School District's basic financial statements. We previously audited, in accordance with the standards referred 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 May 29, 2014 on our consideration of Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and compliance.

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

May 29, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Marcus-Meriden-Cleghorn (MMC) 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 \$4,805,270 in fiscal 2012 to \$4,803,422 in fiscal 2013, while General Fund expenditures increased from \$4,461,398 in fiscal 2012 to \$4,477,891 in fiscal 2013. The District's General Fund balance increased from \$713,910 in fiscal 2012 to \$1,041,539 in fiscal 2013, a 46% increase.
- The District's solvency ratio has continued to increase to 17.95% from 9.56% in 2012.

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

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

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

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

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

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

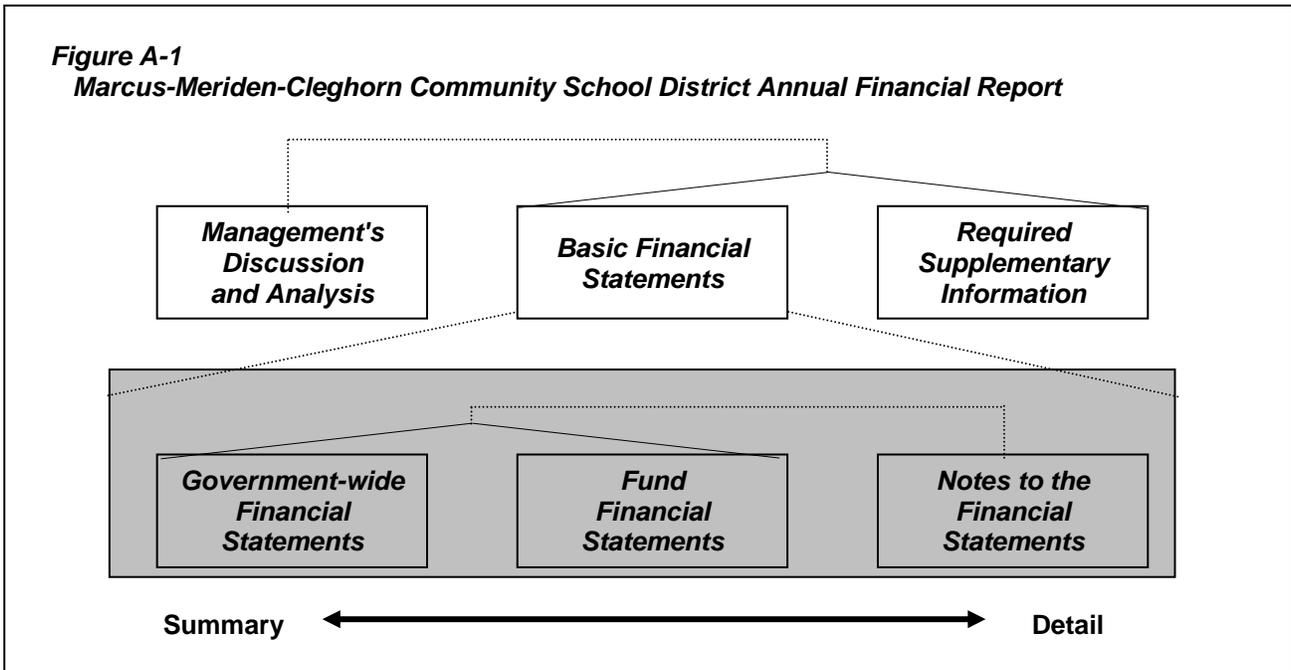


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net 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 two kinds of funds:

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

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

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

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

The required financial statements for 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.

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 net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,507,281	7,306,981	66,272	73,453	6,573,553	7,380,434	12.27
Capital assets	3,848,825	3,772,308	48,750	46,981	3,897,575	3,819,289	(2.00)
<b>Total assets</b>	<b>10,356,106</b>	<b>11,079,289</b>	<b>115,022</b>	<b>120,434</b>	<b>10,471,128</b>	<b>11,199,723</b>	<b>6.96</b>
Long-term liabilities	2,263,991	2,292,162	514	514	2,264,505	2,292,676	1.24
Other liabilities	3,601,158	3,682,199	3,193	5,741	3,604,351	3,687,940	2.32
<b>Total liabilities</b>	<b>5,865,149</b>	<b>5,974,361</b>	<b>3,707</b>	<b>6,255</b>	<b>5,868,856</b>	<b>5,980,616</b>	<b>1.90</b>
Net Position:							
Net investment in capital assets	1,912,182	1,582,308	48,750	46,981	1,960,932	1,629,289	(16.91)
Restricted	1,932,570	2,319,573	-	-	1,932,570	2,319,573	20.02
Unrestricted	646,205	1,203,047	62,565	67,198	708,770	1,270,245	79.22
<b>TOTAL NET POSITION</b>	<b>4,490,957</b>	<b>5,104,928</b>	<b>111,315</b>	<b>114,179</b>	<b>4,602,272</b>	<b>5,219,107</b>	<b>13.40</b>

The District's total net position increased 13.40%, or \$616,835, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets position 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 \$387,003 or 20.02% over the prior year. The main factor for this increase was due to the district using leftover capital project funds to repay their outstanding debt. This allowed the Local Option Sales and Service Tax to increase by \$383,757.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$561,475, or 79.22%. This increase in unrestricted net position was a result of the District using the Cash Reserve Levy to increase our cash balance.

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

Figure A-4

	Change in Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	
Revenues							
Program Revenues:							
Charges for services	273,358	328,018	107,465	109,419	380,823	437,437	14.86
Operating grants & contributions	740,030	691,885	98,770	93,892	838,800	785,777	(6.32)
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,808,837	2,932,758	-	-	2,808,837	2,932,758	4.41
Income surtax	208,253	276,566	-	-	208,253	276,566	32.80
Statewide sales, services & use tax	338,838	383,757	-	-	338,838	383,757	13.25
Unrestricted state grants	1,272,678	1,173,406	-	-	1,272,678	1,173,406	(7.80)
Unrestricted investment earnings	19,387	8,027	200	91	19,587	8,118	(58.55)
Other revenue	8,793	1,114	-	-	8,793	1,114	(87.33)
<b>Total Revenues</b>	<b>5,670,174</b>	<b>5,795,531</b>	<b>206,435</b>	<b>203,402</b>	<b>5,876,609</b>	<b>5,998,933</b>	<b>2.08</b>
Expenses:							
Instruction	3,088,710	3,178,531	-	-	3,088,710	3,178,531	2.91
Support services	1,553,893	1,519,783	-	-	1,553,893	1,519,783	(2.19)
Non-instructional programs	-	-	194,804	200,538	194,804	200,538	2.94
Other expenditures	427,674	483,246	-	-	427,674	483,246	12.99
<b>Total expenses</b>	<b>5,070,277</b>	<b>5,181,560</b>	<b>194,804</b>	<b>200,538</b>	<b>5,265,081</b>	<b>5,382,098</b>	<b>2.22</b>
<b>CHANGE IN NET POSITION</b>	<b>599,897</b>	<b>613,971</b>	<b>11,631</b>	<b>2,864</b>	<b>611,528</b>	<b>616,835</b>	<b>.87</b>
Net position beginning of year	3,891,060	4,490,957	99,684	111,315	3,990,744	4,602,272	15.32
Net position end of year	4,490,957	5,104,928	111,315	114,179	4,602,272	5,219,107	13.40

In fiscal year 2013 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 2.08% increase in revenues and a 2.22% increase in expenses. Property tax increased \$123,921 but our unrestricted state grants decreased \$99,272 making it difficult to cover the negotiated salaries and benefits increases for the year.

### Governmental Activities

Revenues for governmental activities were \$5,795,531 and expenses were \$5,181,560.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2012	2013	Percent Change 2012-2013	2012	2013	Percent Change 2012-2013
	\$	\$	%	\$	\$	%
Instruction	3,088,710	3,178,531	2.91	2,257,512	2,339,574	3.63
Support Services	1,553,893	1,519,783	(2.19)	1,550,140	1,516,722	(2.15)
Other Expenses	427,674	483,246	12.99	249,237	305,361	22.52
<b>TOTAL</b>	<b>5,070,277</b>	<b>5,181,560</b>	<b>2.19</b>	<b>4,056,889</b>	<b>4,161,657</b>	<b>2.58</b>

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$328,018. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$691,885.
- The net cost of governmental activities was financed with \$3,593,081 in property and local other taxes and \$1,173,406 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$203,402 and expenses were \$200,538. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,344,061, which was an increase over last year's ending fund balances of \$2,827,566.

### Governmental Fund Highlights

- The General Fund balance increased from \$713,910 to \$1,041,539, mainly due to the use of a cash reserve levy.
- The Capital Projects Fund balance increased due to our sales tax revenues being greater than our debt payment leaving a balance of \$1,823,475 to end Fiscal 2013.

## Proprietary Fund Highlights

School Nutrition Fund net position increased from \$111,315 at June 30, 2012 to \$114,179 at June 30, 2013, representing an increase of 2.57%. The reason for the increase in net position was attributable to an increase in State and Federal funds and increased charges for services.

## BUDGETARY HIGHLIGHTS

Over the course of the year, MMC Community School District's receipts were \$12,469 more than budgeted receipts, a variance of .20%.

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.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$3,819,289, 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) This represents a net decrease of 2.00% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$223,643.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
	\$	\$	\$	\$	\$	\$	%
Land	11,900	11,900	-	-	11,900	11,900	0.00
Buildings	3,056,260	2,947,663	-	-	3,056,260	2,947,663	(3.55)
Improvements	600,169	595,662	-	-	600,169	595,662	(.75)
Equipment & furniture	180,496	217,083	48,750	46,981	229,246	264,064	15.19
<b>TOTAL</b>	<b>3,848,825</b>	<b>3,772,308</b>	<b>48,750</b>	<b>46,981</b>	<b>3,897,575</b>	<b>3,819,289</b>	<b>(2.01)</b>

## Long-Term Debt

At June 30, 2013 the District had \$2,256,908 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 5.32% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District's general obligation bonds are not rated.

The early retirement benefits are scheduled to be fully paid out in fiscal year 2014. There have not been any discussions to date of adding any new retirement benefits at this time, which will help reduce our total indebtedness.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2012</b>	<b>2013</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>%</b>
General obligation bonds	2,315,000	2,190,000	(5.40)
Early retirement	37,150	5,382	(85.51)
Net OPEB liability	31,683	61,526	94.19
	<u>2,383,833</u>	<u>2,256,908</u>	<u>(5.32)</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:

- The biggest concern that MMC faces is the declining enrollment, the reason for concern is that state funding is calculated on a per student basis. With that in mind, the largest remaining class graduated in the spring of 2013. The 2015 budget will see a decrease of 18.2 students on the certified budget. This has forced the District to cut expenses and look at other ways to keep the District financially stable.
- The District's Board and Administrators have turned their main focus of the District at this time is to work on a sharing relationship with our neighboring District. The District is still reviewing their current facilities to see if any changes or updates can be made to help cut costs. The District has taken a very proactive approach to the future and we continue to look at any and all ways to keep the District financially solvent.

## 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 Joe Mohning, District Treasurer and Business Manager, Marcus-Meriden-Cleghorn Community School District, 400 E Fenton, Marcus, Iowa, 51035.

## BASIC FINANCIAL STATEMENTS

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	3,703,743	64,667	3,768,410
Receivables:			
Property tax:			
Delinquent	32,749	-	32,749
Succeeding year	3,083,666	-	3,083,666
Accounts	580	206	786
Due from other governments	415,521	1,507	417,028
Internal balances	(494)	494	-
Inventories	-	6,579	6,579
Prepaid expenses	23,165	-	23,165
Unamortized bond issue costs	48,051	-	48,051
Capital assets, net of accumulated depreciation	<u>3,772,308</u>	<u>46,981</u>	<u>3,819,289</u>
<b>Total assets</b>	<u>11,079,289</u>	<u>120,434</u>	<u>11,199,723</u>
<b>Liabilities</b>			
Accounts payable	183,013	1,022	184,035
Salaries and benefits payable	393,446	554	394,000
Accrued interest payable	15,513	-	15,513
Deferred revenue:			
Succeeding year property tax	3,083,666	-	3,083,666
Other	6,561	4,165	10,726
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Termination benefits	5,382	-	5,382
Portion due after one year:			
General obligation bonds payable	2,060,000	-	2,060,000
Bond premium	35,254	-	35,254
Net OPEB liability	<u>61,526</u>	<u>514</u>	<u>62,040</u>
<b>Total liabilities</b>	<u>5,974,361</u>	<u>6,255</u>	<u>5,980,616</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net position</b>			
Net investment in capital assets	1,582,308	46,981	1,629,289
Restricted for:			
Categorical funding			
Categorical funding	163,144	-	163,144
Management levy	432,486	-	432,486
Physical plant and equipment levy	227,434	-	227,434
Student activities	34,431	-	34,431
School infrastructure	1,462,078	-	1,462,078
Unrestricted	1,203,047	67,198	1,270,245
<b>Total net position</b>	<u>5,104,928</u>	<u>114,179</u>	<u>5,219,107</u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	2,092,607	184,272	423,942	-
Special	552,310	5,653	43,933	-
Other	533,614	137,320	43,837	-
	<u>3,178,531</u>	<u>327,245</u>	<u>511,712</u>	<u>-</u>
<b>Support services:</b>				
Student	189,550	-	-	-
Instructional staff	85,407	-	-	-
Administration	552,808	-	-	-
Operation and maintenance of plant	433,663	773	-	-
Transportation	258,355	-	2,288	-
	<u>1,519,783</u>	<u>773</u>	<u>2,288</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	57,305	-	-	-
Long-term debt interest	97,502	-	-	-
AEA flowthrough	177,885	-	177,885	-
Depreciation (unallocated)*	150,554	-	-	-
	<u>483,246</u>	<u>-</u>	<u>177,885</u>	<u>-</u>
<b>Total governmental activities</b>	<b>5,181,560</b>	<b>328,018</b>	<b>691,885</b>	<b>-</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	200,538	109,419	93,892	-
<b>Total</b>	<b>5,382,098</b>	<b>437,437</b>	<b>785,777</b>	<b>-</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

**Change in net position**

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,484,393)	-	(1,484,393)
(502,724)	-	(502,724)
(352,457)	-	(352,457)
<u>(2,339,574)</u>	<u>-</u>	<u>(2,339,574)</u>
(189,550)	-	(189,550)
(85,407)	-	(85,407)
(552,808)	-	(552,808)
(432,890)	-	(432,890)
(256,067)	-	(256,067)
<u>(1,516,722)</u>	<u>-</u>	<u>(1,516,722)</u>
(57,305)	-	(57,305)
(97,502)	-	(97,502)
-	-	-
(150,554)	-	(150,554)
<u>(305,361)</u>	<u>-</u>	<u>(305,361)</u>
(4,161,657)	-	(4,161,657)
<u>-</u>	<u>2,773</u>	<u>2,773</u>
<u>(4,161,657)</u>	<u>2,773</u>	<u>(4,158,884)</u>
2,699,908	-	2,699,908
232,850	-	232,850
276,566	-	276,566
383,757	-	383,757
1,173,406	-	1,173,406
8,027	91	8,118
1,114	-	1,114
<u>4,775,628</u>	<u>91</u>	<u>4,775,719</u>
613,971	2,864	616,835
<u>4,490,957</u>	<u>111,315</u>	<u>4,602,272</u>
<u>5,104,928</u>	<u>114,179</u>	<u>5,219,107</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	1,457,915	1,765,822	480,006	3,703,743
Receivables:				
Property tax:				
Delinquent	28,102	2,683	1,964	32,749
Succeeding year	2,476,169	287,498	319,999	3,083,666
Accounts	-	-	580	580
Due from other governments	329,992	85,529	-	415,521
Prepaid expenditures	16,417	-	6,748	23,165
<b>Total assets</b>	<b>4,308,595</b>	<b>2,141,532</b>	<b>809,297</b>	<b>7,259,424</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	167,838	5,741	9,434	183,013
Salaries and benefits payable	392,629	-	817	393,446
Interfund payable	494	-	-	494
Deferred revenue:				
Succeeding year property tax	2,476,169	287,498	319,999	3,083,666
Income surtax	223,365	24,818	-	248,183
Other	6,561	-	-	6,561
Total liabilities	3,267,056	318,057	330,250	3,915,363
Fund balances:				
Nonspendable:				
Prepaid expenditures	16,417	-	6,748	23,165
Restricted for:				
Categorical funding	163,144	-	-	163,144
Management levy purposes	-	-	437,868	437,868
Student activities	-	-	34,431	34,431
School infrastructure	-	1,620,859	-	1,620,859
Physical plant and equipment	-	202,616	-	202,616
Unassigned	861,978	-	-	861,978
Total fund balances	1,041,539	1,823,475	479,047	3,344,061
<b>Total liabilities and fund balances</b>	<b>4,308,595</b>	<b>2,141,532</b>	<b>809,297</b>	<b>7,259,424</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	3,344,061
<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.	3,772,308
Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds.	48,051
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	248,183
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.	(15,513)
Long-term liabilities, including bonds payable, bond premiums, termination benefits and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(2,292,162)</u>
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>5,104,928</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,752,460	616,607	176,333	3,545,400
Tuition	93,298	-	-	93,298
Other	92,373	7,552	142,822	242,747
State sources	1,692,536	-	-	1,692,536
Federal sources	172,755	-	-	172,755
Total revenues	<u>4,803,422</u>	<u>624,159</u>	<u>319,155</u>	<u>5,746,736</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,036,865	41,925	33,111	2,111,901
Special	549,780	-	-	549,780
Other	383,248	-	149,101	532,349
	<u>2,969,893</u>	<u>41,925</u>	<u>182,212</u>	<u>3,194,030</u>
Support services:				
Student	187,442	-	-	187,442
Instructional staff	85,407	-	-	85,407
Administration	544,938	-	500	545,438
Operation and maintenance of plant	317,956	47,086	72,931	437,973
Transportation	194,370	80,000	11,652	286,022
	<u>1,330,113</u>	<u>127,086</u>	<u>85,083</u>	<u>1,542,282</u>
Other expenditures:				
Facilities acquisition	-	94,755	-	94,755
Long-term debt:				
Principal	-	-	125,000	125,000
Interest and fiscal charges	-	-	98,387	98,387
AEA flowthrough	177,885	-	-	177,885
	<u>177,885</u>	<u>94,755</u>	<u>223,387</u>	<u>496,027</u>
Total expenditures	<u>4,477,891</u>	<u>263,766</u>	<u>490,682</u>	<u>5,232,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>325,531</u>	<u>360,393</u>	<u>(171,527)</u>	<u>514,397</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of equipment	2,098	-	-	2,098
Operating transfers in	-	-	222,269	222,269
Operating transfers out	-	(222,269)	-	(222,269)
Total other financing sources (uses)	<u>2,098</u>	<u>(222,269)</u>	<u>222,269</u>	<u>2,098</u>
Change in fund balances	327,629	138,124	50,742	516,495
Fund balances beginning of year	<u>713,910</u>	<u>1,685,351</u>	<u>428,305</u>	<u>2,827,566</u>
Fund balances end of year	<u><u>1,041,539</u></u>	<u><u>1,823,475</u></u>	<u><u>479,047</u></u>	<u><u>3,344,061</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		516,495
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	140,120	
Depreciation expense	<u>(216,637)</u>	(76,517)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		47,681
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		125,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		885
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	31,768	
Other postemployment benefits	<u>(30,357)</u>	1,411
The premium on bonds issued is amortized over the life of the bonds for the Statement of Activities.		2,712
Bond issue costs are recorded as an expense for the governmental funds, but are capitalized and amortized over the life of the bonds for the Statement of Activities.		<u>(3,696)</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>613,971</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	64,667
Accounts receivable	206
Due from other governments	1,507
Interfund receivable	494
Inventories	6,579
Total current assets	<u>73,453</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>46,981</u>
<b>Total assets</b>	<u>120,434</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,022
Salaries and benefits payable	554
Deferred revenue	4,165
Total current liabilities	<u>5,741</u>
Noncurrent liabilities:	
Net OPEB liability	<u>514</u>
<b>Total liabilities</b>	<u>6,255</u>
<b>Net position</b>	
Investment in capital assets	46,981
Unrestricted	67,198
<b>Total net position</b>	<u><u>114,179</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>109,419</u>
Operating expenses:	
Non-instructional programs:	
Salaries	74,736
Benefits	11,907
Purchased services	2,388
Supplies	104,305
Depreciation	7,006
Other	196
Total operating expenses	<u>200,538</u>
Operating income (loss)	<u>(91,119)</u>
Non-operating revenues:	
State sources	1,861
Federal sources	92,031
Interest income	91
Total non-operating revenues	<u>93,983</u>
Change in net position	2,864
Net position beginning of year	<u>111,315</u>
Net position end of year	<u><u>114,179</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	110,494
Cash payments to employees for services	(86,374)
Cash payments to suppliers for goods or services	(98,656)
Net cash used by operating activities	<u>(74,536)</u>
Cash flows from non-capital financing activities:	
Loan from (repaid to) General Fund	(474)
State grants received	1,861
Federal grants received	81,119
Net cash provided by non-capital financing activities	<u>82,506</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,237)</u>
Cash flows from investing activities:	
Interest on investments	<u>91</u>
Net increase (decrease) in cash and cash equivalents	2,824
Cash and cash equivalents at beginning of year	<u>61,843</u>
Cash and cash equivalents at end of year	<u><u>64,667</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(91,119)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	9,404
Depreciation	7,006
Decrease (increase) in inventories	(2,172)
Decrease (increase) in accounts receivable	(203)
(Decrease) increase in accounts payable	1,001
(Decrease) increase in salaries and benefits payable	269
(Decrease) increase in deferred revenue	1,278
Net cash used by operating activities	<u><u>(74,536)</u></u>

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

During the year ended June 30, 2013, the District received \$9,404 of federal commodities.

# MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable 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 preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net 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 expenditures is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the non-instructional function.

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

The District's deposits in banks 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.

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

### **3. Interfund Receivables and Payables**

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

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Enterprise, School Nutrition Fund	General Fund	494

#### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Debt Service Fund	Capital Projects Fund	222,269

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

#### 5. Capital Assets

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

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	11,900	-	-	11,900
Capital assets being depreciated:				
Buildings	4,971,648	37,450	-	5,009,098
Improvements other than buildings	990,154	102,670	-	1,092,824
Furniture and equipment	1,085,850	-	-	1,085,850
Total capital assets being deprec.	<u>7,047,652</u>	<u>140,120</u>	<u>-</u>	<u>7,187,772</u>
Less accumulated depreciation for:				
Buildings	1,915,388	108,597	-	2,023,985
Improvements other than buildings	389,985	41,957	-	431,942
Furniture and equipment	905,354	66,083	-	971,437
Total accumulated depreciation	<u>3,210,727</u>	<u>216,637</u>	<u>-</u>	<u>3,427,364</u>
Total capital assets being depreciated, net	<u>3,836,925</u>	<u>(76,517)</u>	<u>-</u>	<u>3,760,408</u>
Governmental activities capital assets, net	<u>3,848,825</u>	<u>(76,517)</u>	<u>-</u>	<u>3,772,308</u>
<b>Business type activities:</b>				
Furniture and equipment	132,060	5,237	4,500	132,797
Less accumulated depreciation	<u>83,310</u>	<u>7,006</u>	<u>4,500</u>	<u>85,816</u>
Business type activities capital assets, net	<u>48,750</u>	<u>(1,769)</u>	<u>-</u>	<u>46,981</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,596
Support services:	
Administration services	3,154
Transportation	52,333
	<u>66,083</u>
Unallocated depreciation	150,554
	<u>216,637</u>
Total depreciation expense – governmental activities	
Business type activities:	
Food services	<u>7,006</u>

## 6. 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
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,315,000	-	125,000	2,190,000	130,000
Termination benefits	37,150	526	32,294	5,382	5,382
Net OPEB liability	<u>31,169</u>	<u>30,357</u>	<u>-</u>	<u>61,526</u>	<u>-</u>
	<u>2,383,319</u>	<u>30,883</u>	<u>157,294</u>	<u>2,256,908</u>	<u>135,382</u>
Business type activities:					
Net OPEB liability	<u>514</u>	<u>-</u>	<u>-</u>	<u>514</u>	<u>-</u>

### Termination Benefits

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

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

At June 30, 2013, the District has obligations to one participant with a total liability of \$5,382. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$32,294.

### General Obligation Bonds Payable

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

Bond Issue of December 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	4.25	130,000	93,075	223,075
2015	4.25	135,000	87,550	222,550
2016	4.25	140,000	81,813	221,813
2017	4.25	150,000	75,862	225,862
2018	4.25	155,000	69,488	224,488
2019-2023	4.25	870,000	243,737	1,113,737
2024-2026	4.25	610,000	52,488	662,488
		2,190,000	704,013	2,894,013

## 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 contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$216,604, \$204,756, and \$171,872 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 36 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	43,961
Interest on net OPEB obligation	792
Adjustment to annual required contribution	<u>(2,851)</u>
Annual OPEB cost	41,902
Contributions made	<u>(11,545)</u>
Increase in net OPEB obligation	30,357
Net OPEB obligation beginning of year	<u>31,683</u>
 Net OPEB obligation end of year	 <u>62,040</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$11,545 to the medical plan. Plan members eligible for benefits contributed \$61,908, or 100% 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 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	28,093	55%	12,575
June 30, 2011	27,358	63%	22,621
June 30, 2012	28,408	68%	31,683
June 30, 2013	30,357	38%	62,040

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$302,502, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$302,502. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,780,000, and the ratio of the UAAL to covered payroll was 17.0%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

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

The UAAL is being amortized over 30 years.

## 9. Risk Management

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

## 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,885 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 11. Categorical Funding

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

Program	Amount
	\$
Gifted and talented	15,744
Returning dropout and dropout prevention program	3,823
Teacher salary supplement	24,583
Home school assistance program	54,835
Educator quality, professional development	46,316
Youth development	2,457
Core curriculum	15,386
	163,144

REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,881,445	109,510	3,990,955	4,062,077	4,062,077	(71,122)
State sources	1,692,536	1,861	1,694,397	1,708,592	1,708,592	(14,195)
Federal sources	172,755	92,031	264,786	167,000	167,000	97,786
Total revenues	<u>5,746,736</u>	<u>203,402</u>	<u>5,950,138</u>	<u>5,937,669</u>	<u>5,937,669</u>	<u>12,469</u>
Expenditures/Expenses:						
Instruction	3,194,030	-	3,194,030	3,298,000	3,298,000	103,970
Support services	1,542,282	-	1,542,282	2,031,000	2,031,000	488,718
Non-instructional programs	-	200,538	200,538	200,000	200,000	(538)
Other expenditures	496,027	-	496,027	760,242	760,242	264,215
Total expenditures/expenses	<u>5,232,339</u>	<u>200,538</u>	<u>5,432,877</u>	<u>6,289,242</u>	<u>6,289,242</u>	<u>856,365</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	514,397	2,864	517,261	(351,573)	(351,573)	868,834
Other financing sources (uses) net	<u>2,098</u>	<u>-</u>	<u>2,098</u>	<u>-</u>	<u>-</u>	<u>2,098</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	516,495	2,864	519,359	(351,573)	(351,573)	870,932
Balance beginning of year	<u>2,827,566</u>	<u>111,315</u>	<u>2,938,881</u>	<u>1,926,359</u>	<u>1,926,359</u>	<u>1,012,522</u>
Balance end of year	<u><u>3,344,061</u></u>	<u><u>114,179</u></u>	<u><u>3,458,240</u></u>	<u><u>1,574,786</u></u>	<u><u>1,574,786</u></u>	<u><u>1,883,454</u></u>

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

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

During the year ended June 30, 2013, expenditures in the non-instructional function exceeded the amount budgeted.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	291,619	291,619	0.0%	1,695,000	17.2%
2011	July 1, 2009	-	269,098	269,098	0.0%	1,747,000	15.4%
2012	July 1, 2009	-	238,561	238,561	0.0%	1,639,000	14.6%
2013	July 1, 2012	-	302,502	302,502	0.0%	1,780,000	17.0%

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

SUPPLEMENTARY INFORMATION

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	
Cash, cash equivalents and pooled investments	436,721	43,285	-	480,006
Receivables:				
Property tax:				
Delinquent	1,964	-	-	1,964
Succeeding year	100,000	-	219,999	319,999
Accounts	-	580	-	580
Prepaid expenditures	6,748	-	-	6,748
<b>Total assets</b>	<b>545,433</b>	<b>43,865</b>	<b>219,999</b>	<b>809,297</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	9,434	-	9,434
Salaries and benefits payable	817	-	-	817
Deferred revenue:				
Succeeding year property tax	100,000	-	219,999	319,999
Total liabilities	100,817	9,434	219,999	330,250
Fund balances:				
Nonspendable prepaid expenses	6,748	-	-	6,748
Restricted for:				
Management levy	437,868	-	-	437,868
Student activities	-	34,431	-	34,431
Total fund balances	444,616	34,431	-	479,047
<b>Total liabilities and fund balances</b>	<b>545,433</b>	<b>43,865</b>	<b>219,999</b>	<b>809,297</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	176,333	-	-	176,333
Other	5,594	137,228	-	142,822
Total revenues	<u>181,927</u>	<u>137,228</u>	<u>-</u>	<u>319,155</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	33,111	-	-	33,111
Other instruction	-	149,101	-	149,101
Support services:				
Administration services	-	-	500	500
Operation and maintenance of plant	72,931	-	-	72,931
Transportation services	11,652	-	-	11,652
Other expenditures:				
Long-term debt:				
Principal	-	-	125,000	125,000
Interest and fiscal charges	-	-	98,387	98,387
Total expenditures	<u>117,694</u>	<u>149,101</u>	<u>223,887</u>	<u>490,682</u>
Net change in fund balances	64,233	(11,873)	(223,887)	(171,527)
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>222,269</u>	<u>222,269</u>
Change in fund balances	64,233	(11,873)	(1,618)	50,742
Fund balances beginning of year	<u>380,383</u>	<u>46,304</u>	<u>1,618</u>	<u>428,305</u>
Fund balances end of year	<u><u>444,616</u></u>	<u><u>34,431</u></u>	<u><u>-</u></u>	<u><u>479,047</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	158,781	1,401,367	205,674	1,765,822
Receivables:				
Property tax:				
Delinquent	-	-	2,683	2,683
Succeeding year	-	-	287,498	287,498
Due from other governments	-	60,711	24,818	85,529
<b>Total assets</b>	<b>158,781</b>	<b>1,462,078</b>	<b>520,673</b>	<b>2,141,532</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	5,741	5,741
Deferred revenue:				
Succeeding year property tax	-	-	287,498	287,498
Income surtax	-	-	24,818	24,818
Total liabilities	-	-	318,057	318,057
Fund balances:				
Restricted for:				
School infrastructure	158,781	1,462,078	-	1,620,859
Physical plant and equipment	-	-	202,616	202,616
Total fund balances	158,781	1,462,078	202,616	1,823,475
<b>Total liabilities and fund balances</b>	<b>158,781</b>	<b>1,462,078</b>	<b>520,673</b>	<b>2,141,532</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Revenues:				
Local sources:				
Local tax	-	383,757	232,850	616,607
Other	1,693	2,962	2,897	7,552
Total revenues	<u>1,693</u>	<u>386,719</u>	<u>235,747</u>	<u>624,159</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	41,925	41,925
Support services:				
Operation and maintenance of plant	-	-	47,086	47,086
Transportation services	-	-	80,000	80,000
Other expenditures:				
Facilities acquisition	-	32	94,723	94,755
Total expenditures	<u>-</u>	<u>32</u>	<u>263,734</u>	<u>263,766</u>
Excess (deficiency) of revenues over (under) expenditures	1,693	386,687	(27,987)	360,393
Other financing sources (uses):				
Operating transfers out	<u>(221,269)</u>	<u>(1,000)</u>	<u>-</u>	<u>(222,269)</u>
Change in fund balance	(219,576)	385,687	(27,987)	138,124
Fund balances beginning of year	<u>378,357</u>	<u>1,076,391</u>	<u>230,603</u>	<u>1,685,351</u>
Fund balance end of year	<u><u>158,781</u></u>	<u><u>1,462,078</u></u>	<u><u>202,616</u></u>	<u><u>1,823,475</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Boys basketball	8,074	8,067	7,219	(4,611)	4,311
Football	(4,140)	40,629	34,961	-	1,528
Girls basketball	7,470	8,192	6,118	(4,198)	5,346
Baseball	(5,202)	6,576	7,039	3,271	(2,394)
Golf	817	235	774	-	278
Bowling	-	537	955	418	-
Boys track	-	3,705	5,526	802	(1,019)
Girls track	-	2,730	2,250	-	480
Wrestling	(6,863)	8,631	12,146	10,378	-
Softball	5,055	3,621	8,368	-	308
Volleyball	1,098	3,922	3,437	-	1,583
Yearbook	4,655	4,007	3,686	-	4,976
Pep/Jazz band	1,389	100	393	-	1,096
Vocal	1,312	249	2,022	461	-
Student council	3,118	4,991	5,517	234	2,826
Leadership club	-	607	372	(235)	-
TSA	491	165	-	(656)	-
Speech	-	351	514	163	-
Cheerleaders	1,316	1,362	1,502	-	1,176
Drama club	513	170	242	-	441
Drill team	7,757	2,075	3,198	-	6,634
National Honor Society	-	56	314	258	-
FCS	-	4,003	3,827	-	176
Lettermans club	804	16,525	11,084	(6,244)	1
Class of 2012	702	-	247	(455)	-
Class of 2013	1,332	-	1,775	443	-
Class of 2014	980	3,401	4,396	-	(15)
Class of 2015	550	-	23	-	527
Class of 2016	606	57	-	-	663
Class of 2017	426	57	-	-	483
MS athletics	-	3,215	7,723	-	(4,508)
Kathy's Kids	7,630	7,366	9,360	-	5,636
Science club	87	-	-	(29)	58
Odyssey of the mind	6,327	1,626	4,113	-	3,840
Totals	46,304	137,228	149,101	-	34,431

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,545,400	3,395,915	3,262,342	2,937,805	2,771,764	2,658,572	2,441,309	2,456,381	2,453,453	2,440,231
Tuition	93,298	89,664	96,036	107,431	108,099	120,433	118,182	119,589	151,067	126,867
Other	242,747	211,874	195,118	202,767	197,959	281,187	311,809	211,633	205,012	222,319
State sources	1,692,536	1,806,304	1,644,663	1,321,757	1,871,249	2,145,836	2,252,263	2,025,513	2,225,828	1,841,556
Federal sources	172,755	240,188	321,106	288,841	134,953	142,060	184,381	186,720	221,771	98,990
Total revenues	<u>5,746,736</u>	<u>5,743,945</u>	<u>5,519,265</u>	<u>4,858,601</u>	<u>5,084,024</u>	<u>5,348,088</u>	<u>5,307,944</u>	<u>4,999,836</u>	<u>5,257,131</u>	<u>4,729,963</u>
Expenditures:										
Instruction:										
Regular	2,111,901	2,104,645	2,098,775	1,939,257	2,067,648	2,183,502	2,203,337	2,211,222	2,101,243	2,171,633
Special	549,780	477,318	413,724	422,877	428,166	632,698	558,010	542,040	469,336	642,272
Other	532,349	532,646	485,707	458,977	509,522	478,531	537,800	536,757	537,082	393,645
Support services:										
Student	187,442	179,593	166,450	174,952	146,292	143,693	135,050	122,808	118,025	118,156
Instructional staff	85,407	101,305	80,397	102,836	140,876	68,179	93,390	80,638	128,593	85,520
Administration	545,438	517,916	533,386	506,793	538,342	531,691	590,186	538,965	493,963	479,096
Operation and maintenance	437,973	454,040	378,001	392,342	446,572	456,669	361,244	367,876	355,548	367,319
Transportation	286,022	257,617	320,710	332,894	214,000	285,824	197,448	211,876	247,936	184,288
Non-instructional programs	-	-	-	-	-	-	-	16,031	-	-
Other expenditures:										
Facilities acquisition	94,755	58,784	178,255	290,623	320,186	2,680,970	464,520	119,032	219,509	315,644
Long-term debt:										
Principal	125,000	120,000	115,000	110,000	105,000	55,000	-	-	-	-
Interest and other charges	98,387	103,988	108,825	113,450	117,712	169,787	-	-	-	-
AEA flowthrough	177,885	178,437	201,353	196,288	184,244	181,904	179,599	172,997	174,587	171,131
Total expenditures	<u>5,232,339</u>	<u>5,086,289</u>	<u>5,080,583</u>	<u>5,041,289</u>	<u>5,218,560</u>	<u>7,868,448</u>	<u>5,320,584</u>	<u>4,920,242</u>	<u>4,845,822</u>	<u>4,928,704</u>

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

To the Board of Education of  
Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District and 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 May 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marcus-Meriden-Cleghorn 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 and Responses, 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 deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A and 13-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marcus-Meriden-Cleghorn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

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.

#### Marcus-Meriden-Cleghorn Community School District's Responses to Findings

Marcus-Meriden-Cleghorn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Marcus-Meriden-Cleghorn 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 Marcus-Meriden-Cleghorn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

May 29, 2014

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

Recommendation: We realize 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 currently available staff, including elected officials.

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts budgeted in the non-instructional, function.

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

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

Conclusion: Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Brian Mugge, Board Member, Owner of Mugge Lite Construction	Repairs	2,815
Jerry Moser, Board Member	Athletic Official	408

The transactions with Brian Mugge appears to be a conflict of interest as it exceeds the \$2,500 limit. The District may do business with board members if the amount is less than \$2,500 or if the job is bid.

Recommendation: The District should establish procedures to ensure the \$2,500 limit is not exceeded or take bids.

District Response: We will monitor this in the future more closely.

Conclusion: Response accepted.

13-II-E 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.

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

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

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

- 13-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 13-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance	\$	\$
		1,076,391
Revenues/transfers in:		
Statewide sales, services and use tax revenue	383,757	
Other	2,962	386,719
	<u>          </u>	
Expenditures/transfers out:		
School infrastructure construction	32	
Transfers out	1,000	1,032
	<u>          </u>	<u>          </u>
Ending balance		<u>1,462,078</u>

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