

MAQUOKETA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Elections)		
Brian Tabor	President	2013
Michael Hayward	Vice President	2015
Deb Lane	Board Member	2015
Marty Hudrlik	Board Member	2013
David Sybesma	Board Member	2015
(After September 2013 Elections)		
Michael Hayward	President	2015
David Sybesma	Vice President	2015
Deb Lane	Board Member	2015
Tanya Roeder	Board Member	2017
Brian Tabor	Board Member	2017
School Officials		
Kim Huckstadt	Superintendent	2014
Barbara McKeon	District Secretary/Treasurer and Business Manager	2014
Steve Kahler	Attorney	2014

MAQUOKETA COMMUNITY SCHOOL DISTRICT



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Maquoketa Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2015, on our consideration of Maquoketa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,809,742 in fiscal year 2013 to \$16,343,816 in fiscal year 2014, while General Fund expenditures increased from \$15,714,924 in fiscal year 2013 to \$15,786,841 in fiscal year 2014. This resulted in an increase in the District's General Fund balance from \$2,670,315 at June 30, 2013 to a balance of \$3,227,290 at June 30, 2014, a 20.86% increase from the prior year.
- The increase in General Fund revenues was primarily a result of increases in local and state sources in fiscal year 2014. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

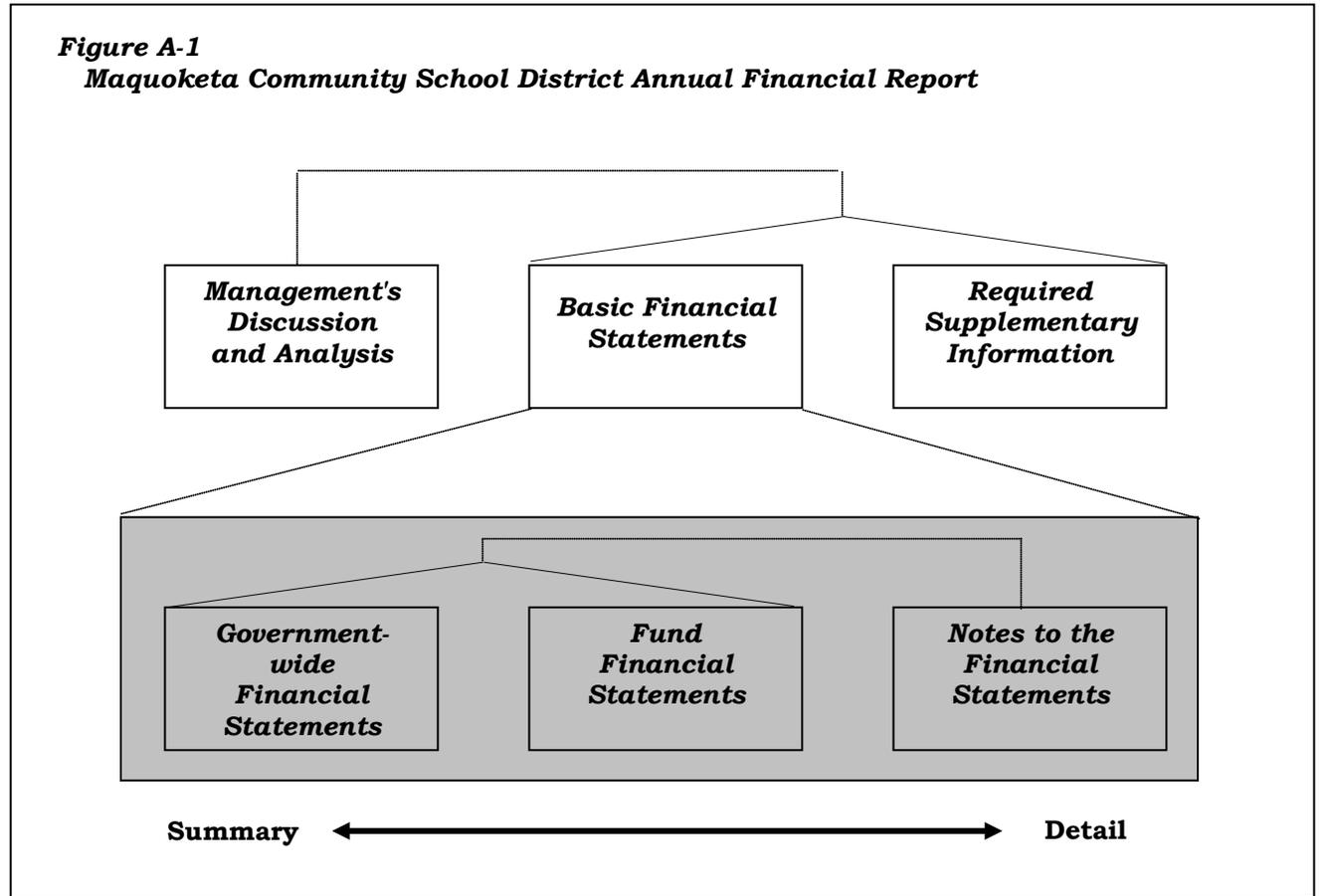


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$17,937,686	17,705,268	42,717	54,721	17,980,403	17,759,989	1.24%
Capital assets	15,497,130	15,523,015	95,529	110,553	15,592,659	15,633,568	-0.26%
Total assets	33,434,816	33,228,283	138,246	165,274	33,573,062	33,393,557	0.54%
Long-term liabilities	5,996,545	6,697,911	12,766	8,926	6,009,311	6,706,837	-10.40%
Other liabilities	2,165,026	2,503,978	17,815	23,190	2,182,841	2,527,168	-13.63%
Total liabilities	8,161,571	9,201,889	30,581	32,116	8,192,152	9,234,005	-11.28%
Deferred inflows of resources	4,978,797	4,807,895	-	-	4,978,797	4,807,895	3.55%
Net position:							
Net investment in capital assets	9,974,130	9,479,878	95,529	110,553	10,069,659	9,590,431	5.00%
Restricted	3,199,461	2,888,734	-	-	3,199,461	2,888,734	10.76%
Unrestricted	7,120,857	6,849,887	12,136	22,605	7,132,993	6,872,492	3.79%
Total net position	\$20,294,448	19,218,499	107,665	133,158	20,402,113	19,351,657	5.43%

The District's combined net position increased by 5.43% or \$1,050,456 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position

increased \$310,727 or 10.76% from the prior year. The increase was primarily due to an increase in the Management Levy Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement - increased \$260,501 or 3.79%. The increase in unrestricted net position is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 2,215,162	2,284,651	219,095	235,095	2,434,257	2,519,746	-3.39%
Operating grant, contributions and restricted interest	1,801,573	1,512,541	483,291	478,294	2,284,864	1,990,835	14.77%
Capital grants, contributions and restricted interest	35,395	-	-	-	35,395	-	100.00%
General revenues:							
Property tax	4,824,162	4,454,819	-	-	4,824,162	4,454,819	8.29%
Income surtax	642,988	444,276	-	-	642,988	444,276	44.73%
Statewide sales, services and use tax	1,207,056	1,186,085	-	-	1,207,056	1,186,085	1.77%
Unrestricted state grants	8,180,612	8,089,993	-	-	8,180,612	8,089,993	1.12%
Unrestricted investment earnings	25,119	23,885	19	29	25,138	23,914	5.12%
Other	108,090	245,291	2,681	2,951	110,771	248,242	-55.38%
Total revenues	19,040,157	18,241,541	705,086	716,369	19,745,243	18,957,910	4.15%
Program expenses:							
Governmental activities:							
Instruction	11,780,784	11,743,990	-	-	11,780,784	11,743,990	0.31%
Support services	5,021,009	4,175,824	21,320	28,198	5,042,329	4,204,022	19.94%
Non-instructional programs	336	777	714,655	748,050	714,991	748,827	-4.52%
Other expenses	1,156,683	1,271,830	-	-	1,156,683	1,271,830	-9.05%
Total expenses	17,958,812	17,192,421	735,975	776,248	18,694,787	17,968,669	4.04%
Excess(Deficiency) of revenues over(under) expenditures	1,081,345	1,049,120	(30,889)	(59,879)	1,050,456	989,241	6.19%
Transfers	(5,396)	(3,951)	5,396	3,951	-	-	0.00%
Change in net position	1,075,949	1,045,169	(25,493)	(55,928)	1,050,456	989,241	6.19%
Net position beginning of year	19,218,499	18,173,330	133,158	189,086	19,351,657	18,362,416	5.39%
Net position end of year	\$ 20,294,448	19,218,499	107,665	133,158	20,402,113	19,351,657	5.43%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 78.02% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.62% of the revenue from business type activities.

The District's total revenues were approximately \$19.75 million of which approximately \$19.04 million was for governmental activities and approximately \$0.71 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.15% increase in revenues and a 4.04% increase in expenses. The increase in revenues is attributable to the increase in local and state sources received during the year.

Governmental Activities

Revenues for governmental activities were \$19,040,157 and expenses were \$17,958,812 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 11,780,784	11,743,990	0.31%	8,384,575	8,547,650	-1.91%
Support services	5,021,009	4,175,824	20.24%	4,948,558	4,140,729	19.51%
Non-instructional programs	336	777	100.00%	336	777	-56.76%
Other expenses	1,156,683	1,271,830	-9.05%	573,213	706,073	-18.82%
Totals	<u>\$ 17,958,812</u>	<u>17,192,421</u>	<u>4.46%</u>	<u>13,906,682</u>	<u>13,395,229</u>	<u>3.82%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$2,215,162.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,836,968.
- The net cost of governmental activities was financed with \$4,824,162 in property taxes, \$642,988 in income surtax, \$1,207,056 in statewide sales, services and use tax, \$8,180,612 in unrestricted state grants, \$25,119 in interest income and \$108,090 in other general revenues.

Business Type Activities

Revenues for the District's business type activities were \$705,086 and expenses were \$735,975. The District's business type activities include the School Nutrition Fund. Revenues were comprised of charges for service, federal and state reimbursements, unrestricted investment earnings and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,284,170, above last year's ending fund balances of \$5,775,157.

Governmental Fund Highlights

- The District's General Fund balance increased from \$2,670,315 on June 30, 2013 to \$3,227,290 on June 30, 2014. The increase in the District's General Fund financial position is the product of many factors. Local and state source revenues increased compared to the prior year. The increase in expenditures was related to an increase in expenditures in the instruction functional area. The increase in revenues outpaced the increase in expenditures ensuring the increase in the District's General Fund balance.
- The Capital Projects Fund balance decreased from \$2,474,071 in fiscal year 2013 to \$2,212,506 in fiscal year 2014. This decrease in fund balance is the result of the District completing window replacement and lighting upgrade projects in fiscal year 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$1,782,591 at June 30, 2013 to \$1,712,333 at June 30, 2014. The Capital Projects: Construction Projects Fund balance decreased from \$184,863 at June 30, 2013 to \$0 at June 30, 2014. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$506,617 at June 30, 2013 to \$500,173 at June 30, 2014.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$133,158 at June 30, 2013 to \$107,665 at June 30, 2014, representing a decrease of 19.14% due to decreases in lunch sale revenue received compared to the prior year.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$221,618 more than budgeted revenues, a variance of 1.14%. The most significant variances resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2014 the District did amend their certified budget in all functions.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$15.59 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$637,371.

The original cost of the District's capital assets was approximately \$27.09 million. Governmental funds account for approximately \$26.78 million, with the remainder of approximately \$0.31 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$669,046 reported at June 30, 2013, compared to \$30,294 reported at June 30, 2014. This decrease resulted from the completion of a geothermal project by the District during the year, and capitalizing the project as part of the District's capital asset listing.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 285,211	285,211	-	-	285,211	285,211	0.00%
Construction in progress	30,294	669,046	-	-	30,294	669,046	-95.47%
Buildings	13,722,615	13,155,107	-	-	13,722,615	13,155,107	4.31%
Land improvements	638,061	649,010	-	-	638,061	649,010	-1.69%
Machinery and equipment	820,949	764,641	95,529	110,553	916,478	875,194	4.72%
Total	\$ 15,497,130	15,523,015	95,529	110,553	15,592,659	15,633,568	-0.26%

Long-Term Debt

At June 30, 2014, the District had \$6,009,311 in revenue bonds and other long-term debt outstanding. This represents a decrease of 10.40% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- At June 30, 2014, the District had revenue bonds payable of \$5,523,000. These bonds are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had termination benefits payable of \$103,302 at June 30, 2014. Of this amount, \$88,532 is payable from the Special Revenue, Management Levy Fund and \$14,770 is payable from the General Fund.
- The District had compensated absences payable of \$7,679 at June 30, 2014 payable from the General Fund.
- The District had Net OPEB liability payable of \$375,330 at June 30, 2014. Of this amount \$362,564 is attributed to governmental activities and \$12,766 is attributed to business type activities.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 5,523,000	6,228,000	-	-	5,523,000	6,228,000	-11.32%
Termination benefits	103,302	193,346	-	-	103,302	193,346	-46.57%
Compensated absences	7,679	23,264	-	-	7,679	23,264	-66.99%
Net OPEB liability	362,564	253,301	12,766	8,926	375,330	262,227	43.13%
Total	\$ 5,996,545	6,697,911	12,766	8,926	6,009,311	6,706,837	-10.40%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Certified Enrollment count for October 2014 is up by 2 students. The District anticipates the enrollment to remain level for a couple of years.
- The District is reviewing HVAC needs at the High School and Middle School. Updating these systems may require financing by means of a voted general obligation school bonds funded with property taxes.
- The District's voters approved extending the Voted Levy for Physical Plant and Equipment for another 10 years. This increased the maximum property tax levy from \$0.67 per thousand dollar valuation to up to \$1.00 per thousand dollar valuation effective during the 2017/18 school year
- If the Board of Education continues to offer an Early Retirement Incentive Program, the District will be required to report an explicit benefit liability under GASB Statement 45. The Board has offered the incentive as a means to reduce salary and benefit expenses in the general fund due to declining enrollment and low allowable growth set the State Legislators.
- If the State of Iowa continues to annually set low (0-4%) Regular Program State Percent of Growth combined with the declining or steady enrollment, the District will receive less funding from the State.
- The federally mandated Affordable Care Act will add health care expenditures to the District that we currently do not have.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 10,938,751	35,061	10,973,812
Receivables:			
Property tax:			
Delinquent	58,170	-	58,170
Succeeding year	4,978,797	-	4,978,797
Income surtax	575,238	-	575,238
Interest	6,098	-	6,098
Accounts	39,972	113	40,085
Due from other governments	1,340,660	-	1,340,660
Inventories	-	7,543	7,543
Capital assets, net of accumulated depreciation	15,497,130	95,529	15,592,659
Total assets	33,434,816	138,246	33,573,062
Liabilities			
Accounts payable	688,069	212	688,281
Salaries and benefits payable	1,126,187	12,520	1,138,707
Advances from grantors	17,014	-	17,014
Incurred but not reported claims	333,756	-	333,756
Unearned revenue	-	5,083	5,083
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	747,000	-	747,000
Termination benefits	85,842	-	85,842
Compensated absences	7,679	-	7,679
Portion due after one year:			
Revenue bonds	4,776,000	-	4,776,000
Termination benefits	17,460	-	17,460
Net OPEB liability	362,564	12,766	375,330
Total liabilities	8,161,571	30,581	8,192,152
Deferred inflows of resources			
Unavailable property tax revenue	4,978,797	-	4,978,797
Net position			
Net investment in capital assets	9,974,130	95,529	10,069,659
Restricted for:			
Categorical funding	231,113	-	231,113
Debt service	75,417	-	75,417
Management levy purposes	380,655	-	380,655
Student activities	153,427	-	153,427
Support trust	146,343	-	146,343
School infrastructure	1,712,333	-	1,712,333
Physical plant and equipment	500,173	-	500,173
Unrestricted	7,120,857	12,136	7,132,993
Total net position	\$ 20,294,448	107,665	20,402,113

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,256,612	978,783	169,284	355	(5,108,190)	-	(5,108,190)
Special	3,050,978	827,902	177,073	-	(2,046,003)	-	(2,046,003)
Other	2,473,194	398,736	844,076	-	(1,230,382)	-	(1,230,382)
	11,780,784	2,205,421	1,190,433	355	(8,384,575)	-	(8,384,575)
Support services:							
Student	527,706	-	-	-	(527,706)	-	(527,706)
Instructional staff	551,855	-	5,940	-	(545,915)	-	(545,915)
Administration	1,513,588	-	170	-	(1,513,418)	-	(1,513,418)
Operation and maintenance of plant	1,787,478	3,435	-	35,040	(1,749,003)	-	(1,749,003)
Transportation	640,382	6,306	21,560	-	(612,516)	-	(612,516)
	5,021,009	9,741	27,670	35,040	(4,948,558)	-	(4,948,558)
Non-instructional programs:							
Food service operations	295	-	-	-	(295)	-	(295)
Community service and education operations	41	-	-	-	(41)	-	(41)
	336	-	-	-	(336)	-	(336)
Long-term debt interest	129,650	-	-	-	(129,650)	-	(129,650)
Other expenditures:							
AEA flowthrough	583,470	-	583,470	-	-	-	-
Depreciation(unallocated)*	443,563	-	-	-	(443,563)	-	(443,563)
	1,027,033	-	583,470	-	(443,563)	-	(443,563)
Total governmental activities	17,958,812	2,215,162	1,801,573	35,395	(13,906,682)	-	(13,906,682)
Business type activities:							
Support services:							
Administration	12,579	-	-	-	-	(12,579)	(12,579)
Operation and maintenance of plant	8,741	-	-	-	-	(8,741)	(8,741)
Total support services	21,320	-	-	-	-	(21,320)	(21,320)
Non-instructional programs:							
Food service operations	714,655	219,095	483,291	-	-	(12,269)	(12,269)
Total business type activities	735,975	219,095	483,291	-	-	(33,589)	(33,589)
Total	\$ 18,694,787	2,434,257	2,284,864	35,395	(13,906,682)	(33,589)	(13,940,271)
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 4,448,702	-		4,448,702
Capital outlay				375,460	-		375,460
Income surtax				642,988	-		642,988
Statewide sales, services and use tax				1,207,056	-		1,207,056
Unrestricted state grants				8,180,612	-		8,180,612
Unrestricted investment earnings				25,119	19		25,138
Other				108,090	2,681		110,771
Transfers				(5,396)	5,396		-
Total general revenues & transfers				14,982,631	8,096		14,990,727
Change in net position				1,075,949	(25,493)		1,050,456
Net position beginning of year				19,218,499	133,158		19,351,657
Net position end of year				\$ 20,294,448	107,665		20,402,113

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

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 4,046,308	1,728,894	848,428	6,623,630
Receivables:				
Property tax:				
Delinquent	47,343	4,119	6,708	58,170
Succeeding year	3,943,258	385,539	650,000	4,978,797
Income surtax	575,238	-	-	575,238
Interest	5,242	708	148	6,098
Accounts	28,457	11,222	293	39,972
Due from other governments	839,990	500,600	70	1,340,660
Total assets	<u>\$ 9,485,836</u>	<u>2,631,082</u>	<u>1,505,647</u>	<u>13,622,565</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 624,813	16,023	9,467	650,303
Salaries and benefits payable	1,115,237	-	1,806	1,117,043
Advances from grantors	-	17,014	-	17,014
Total liabilities	<u>1,740,050</u>	<u>33,037</u>	<u>11,273</u>	<u>1,784,360</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,943,258	385,539	650,000	4,978,797
Income surtax	575,238	-	-	575,238
Total liabilities	<u>4,518,496</u>	<u>385,539</u>	<u>650,000</u>	<u>5,554,035</u>
Fund balances:				
Restricted for:				
Categorical funding	231,113	-	-	231,113
Debt service	-	-	75,417	75,417
Management levy purposes	-	-	469,187	469,187
Student activities	-	-	153,427	153,427
Support trust	-	-	146,343	146,343
School infrastructure	-	1,712,333	-	1,712,333
Physical plant and equipment	-	500,173	-	500,173
Unassigned	2,996,177	-	-	2,996,177
Total fund balances	<u>3,227,290</u>	<u>2,212,506</u>	<u>844,374</u>	<u>6,284,170</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,485,836</u>	<u>2,631,082</u>	<u>1,505,647</u>	<u>13,622,565</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 6,284,170
<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.	15,497,130
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,934,455
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	575,238
Long-term liabilities, including bonds payable, termination benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,996,545)</u>
Net position of governmental activities(page 18)	<u><u>\$ 20,294,448</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,445,700	375,460	551,889	5,373,049
Tuition	1,732,446	-	-	1,732,446
Other	278,198	43,159	428,000	749,357
Intermediate sources	10,425	-	-	10,425
State sources	9,226,851	1,207,292	385	10,434,528
Federal sources	646,251	-	-	646,251
Total revenues	16,339,871	1,625,911	980,274	18,946,056
Expenditures:				
Current:				
Instruction:				
Regular	5,947,936	-	130,411	6,078,347
Special	3,050,978	-	-	3,050,978
Other	2,081,779	-	393,557	2,475,336
	11,080,693	-	523,968	11,604,661
Support services:				
Student	510,260	-	14,136	524,396
Instructional staff	429,993	112,354	21,597	563,944
Administration	1,489,292	1,585	14,980	1,505,857
Operation and maintenance of plant	1,197,839	5,434	118,982	1,322,255
Transportation	495,253	109,942	63,666	668,861
	4,122,637	229,315	233,361	4,585,313
Non-instructional programs:				
Food service operations	-	-	295	295
Community service and education operations	41	-	-	41
	41	-	295	336
Capital outlay	-	800,845	8,472	809,317
Long-term debt:				
Principal	-	-	705,000	705,000
Interest and fiscal charges	-	-	152,891	152,891
	-	-	857,891	857,891
Other expenditures:				
AEA flowthrough	583,470	-	-	583,470
Total expenditures	15,786,841	1,030,160	1,623,987	18,440,988
Excess(Deficiency)of revenues over(under) expenditures	553,030	595,751	(643,713)	505,068
Other financing sources(uses):				
Transfer in	-	89,846	857,316	947,162
Transfer out	-	(947,162)	-	(947,162)
Sale of capital assets	3,945	-	-	3,945
Total other financing sources(uses)	3,945	(857,316)	857,316	3,945
Change in fund balances	556,975	(261,565)	213,603	509,013
Fund balances beginning of year	2,670,315	2,474,071	630,771	5,775,157
Fund balances end of year	\$ 3,227,290	2,212,506	844,374	6,284,170

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ 509,013

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

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

Capital expenditures	\$ 595,867	
Depreciation expense	(620,625)	
Loss on disposal	(1,127)	(25,885)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 705,000

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

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 94,101

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (225,887)

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	90,044	
Compensated absences	15,585	
Other postemployment benefits	(109,263)	(3,634)

Changes in net position of governmental activities(page 19) \$ 1,075,949

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,061	4,315,121
Accounts receivable	113	-
Inventories	7,543	-
	<u>42,717</u>	<u>4,315,121</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	95,529	-
Total assets	<u>138,246</u>	<u>4,315,121</u>
Liabilities		
Accounts payable	212	37,766
Salaries and benefits payable	12,520	9,144
Incurred but not reported claims	-	333,756
Unearned revenue	5,083	-
Net OPEB liability	12,766	-
Total liabilities	<u>30,581</u>	<u>380,666</u>
Net position		
Invested in capital assets	95,529	-
Unrestricted	12,136	3,934,455
Total net position	<u>\$ 107,665</u>	<u>3,934,455</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 219,095	-
Miscellaneous	2,681	2,188,934
Total operating revenues:	<u>221,776</u>	<u>2,188,934</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	4,954	-
Benefits	1,341	-
Services	6,008	-
Supplies	276	-
	<u>12,579</u>	<u>-</u>
Operation and maintenance of plant:		
Services	5,067	-
Total support services	<u>17,646</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	192,769	-
Benefits	117,206	-
Services	616	-
Supplies	387,318	-
Depreciation	16,746	-
	<u>714,655</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	2,392,410
Services	-	11,075
Supplies	-	11,336
	<u>-</u>	<u>2,414,821</u>
Total non-instructional programs	<u>714,655</u>	<u>2,414,821</u>
Total operating expenses	<u>732,301</u>	<u>2,414,821</u>
Operating loss	<u>(510,525)</u>	<u>(225,887)</u>
Non-operating revenues(expenses):		
Interest income	19	-
Loss on disposal of capital assets	(3,674)	-
State sources	6,286	-
Federal sources	477,005	-
Total non-operating revenues(expenses)	<u>479,636</u>	<u>-</u>
Change in net position before other financing sources	(30,889)	(225,887)
Other financing sources:		
Capital contributions	5,396	-
Changes in net position	(25,493)	(225,887)
Net position beginning of year	133,158	4,160,342
Net position end of year	<u>\$ 107,665</u>	<u>3,934,455</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 223,105	-
Cash received from miscellaneous operating activities	2,681	2,202,054
Cash payments to employees for services	(316,365)	(2,227,129)
Cash payments to suppliers for goods or services	(346,464)	(22,411)
Net cash used in operating activities	<u>(437,043)</u>	<u>(47,486)</u>
Cash flows from non-capital financing activities:		
State grants received	6,286	-
Federal grants received	427,214	-
Net cash provided by non-capital financing activities	<u>433,500</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	19	-
Net decrease in cash and cash equivalents	(3,524)	(47,486)
Cash and cash equivalents at beginning of year	<u>38,585</u>	<u>4,362,607</u>
Cash and cash equivalents at end of year	<u>\$ 35,061</u>	<u>4,315,121</u>
Reconciliation of operating income(loss)to net cash provided by(used in)operating activities:		
Operating loss	\$ (510,525)	(225,887)
Adjustments to reconcile operating income(loss)to net cash provided by(used in)operating activities:		
Commodities consumed	49,791	-
Depreciation	16,746	-
Decrease in inventories	2,875	-
Decrease in accounts receivable	5,605	13,120
Increase in accounts payable	155	37,691
Decrease in salaries and benefits payable	(3,935)	(3,756)
Increase in other postemployment benefits payable	3,840	-
Increase in incurred but not reported claims	-	131,346
Decrease in unearned revenue	(1,595)	-
Net cash used in operating activities	<u>\$ (437,043)</u>	<u>(47,486)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$49,791.

During the year ended June 30, 2014, the Capital Projects: Statewide Sales, Services and Use Tax Fund contributed \$5,396 of capital contributions to the Nutrition Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 332,917	11,364
Interest receivable	592	-
Total assets	<u>333,509</u>	<u>11,364</u>
Liabilities		
Due to other groups	<u>-</u>	<u>11,364</u>
Net position		
Restricted for scholarships	274,804	-
Unrestricted	58,705	-
Total net position	<u>\$ 333,509</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,647
Interest income	1,624
Total additions	<u>3,271</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>7,450</u>
Change in net position	(4,179)
Net position beginning of year	<u>337,688</u>
Net position end of year	<u>\$ 333,509</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Any unused bond proceeds for the construction of capital assets is added back to invested in capital assets, net or related debt.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following non-major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at July 1, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$212,452 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 857,316
Capital Projects: Construction Projects	Capital Projects: Statewide Sales, Services and Use Tax	89,846
		<u>\$ 947,162</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Projects Fund for payment of vendors for the District's lighting upgrade project.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 285,211	-	-	285,211
Construction in progress	669,046	30,294	669,046	30,294
Total capital assets not being depreciated	<u>954,257</u>	<u>30,294</u>	<u>669,046</u>	<u>315,505</u>
Capital assets being depreciated:				
Buildings	20,474,223	951,130	-	21,425,353
Land improvements	1,433,877	48,992	-	1,482,869
Machinery and equipment	3,571,215	234,497	249,973	3,555,739
Total capital assets being depreciated	<u>25,479,315</u>	<u>1,234,619</u>	<u>249,973</u>	<u>26,463,961</u>
Less accumulated depreciation for:				
Buildings	7,319,116	383,622	-	7,702,738
Land improvements	784,867	59,941	-	844,808
Machinery and equipment	2,806,574	177,062	248,846	2,734,790
Total accumulated depreciation	<u>10,910,557</u>	<u>620,625</u>	<u>248,846</u>	<u>11,282,336</u>
Total capital assets being depreciated, net	<u>14,568,758</u>	<u>613,994</u>	<u>1,127</u>	<u>15,181,625</u>
Governmental activities capital assets, net	<u>\$ 15,523,015</u>	<u>644,288</u>	<u>670,173</u>	<u>15,497,130</u>
Business type activities:				
Machinery and equipment	\$ 325,647	5,396	17,730	313,313
Less accumulated depreciation	215,094	16,746	14,056	217,784
Business type activities capital assets, net	<u>\$ 110,553</u>	<u>(11,350)</u>	<u>3,674</u>	<u>95,529</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 50,796
Other		9,811
Support services:		
Administration		12,220
Operation and maintenance of plant		12,033
Transportation		92,202
		<u>177,062</u>
Unallocated depreciation		<u>443,563</u>
		<u>\$ 620,625</u>
Business type activities:		
Food services operations		<u>\$ 16,746</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 6,228,000	-	705,000	5,523,000	747,000
Termination benefits	193,346	69,839	159,883	103,302	85,842
Compensated absences	23,264	7,679	23,264	7,679	7,679
Net OPEB liability	253,301	109,263	-	362,564	-
Total	<u>\$ 6,697,911</u>	<u>186,781</u>	<u>888,147</u>	<u>5,996,545</u>	<u>840,521</u>
Business type activities:					
Net OPEB liability	\$ 8,926	3,840	-	12,766	-

Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds issued April 9, 2012			Bonds issued February 26, 2013			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2015	2.55%	\$ 287,000	55,667	1.80%	\$ 460,000	58,050	\$ 747,000	113,717	860,717
2016	2.55	296,000	48,348	1.80	460,000	49,770	756,000	98,118	854,118
2017	2.55	306,000	40,800	1.80	460,000	41,490	766,000	82,290	848,290
2018	2.55	312,000	32,997	1.80	480,000	33,210	792,000	66,207	858,207
2019	2.55	318,000	25,041	1.80	500,000	24,390	818,000	49,431	867,431
2020-2021	2.55	664,000	25,449	1.80	980,000	21,870	1,644,000	47,319	1,691,319
Total		<u>\$ 2,183,000</u>	<u>228,302</u>		<u>\$ 3,340,000</u>	<u>228,780</u>	<u>\$ 5,523,000</u>	<u>457,082</u>	<u>5,980,082</u>

The District has pledged future statewide sales, services and use tax to repay the \$6,310,000 bonds issued in April 2012 and February 2013. The bonds were issued for the purpose of financing a portion of the costs of high school renovation and HVAC projects and for refinancing previously issued

bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 71% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,980,082. For the current year, \$705,000 in principal and \$151,892 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,207,056.

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

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

Termination Benefits(Early Retirement)

The District offered a voluntary early retirement plan to its employees in fiscal 2012 through 2014. The Board has complete discretion to offer an early retirement plan and reserves the right to discontinue or alter the plan at any time. To be eligible for the early retirement plan employees must have reached the age of fifty-five and have completed fifteen years of continuous service. The early retirement incentives for each eligible employee are equal to 50% of the employee's current salary (without extra duty increments, Teacher Salary Supplement wages and extended term contracts).

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

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

At June 30, 2014, the District has obligations to eleven participants with a total liability of \$103,302. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$159,883.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$799,520, \$735,556 and \$721,059, respectively, equal to the required contributions for each year

Note 7. Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 126,096
Interest on net OPEB obligation	11,880
Adjustment to annual required contribution	(14,406)
Annual OPEB cost	<u>123,570</u>
Contributions made	<u>(10,467)</u>
Increase in net OPEB obligation	113,103
Net OPEB obligation beginning of year	<u>262,227</u>
Net OPEB obligation end of year	<u><u>\$ 375,330</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014. For the year ended June 30, 2014, the District contributed \$10,467 to the benefit plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 113,237	12.50%	\$ 158,989
2013	113,661	9.17	262,227
2014	123,570	8.47	375,330

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$859,355, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$859,355. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,677,427, and the ratio of the UAAL to covered payroll was 11.19%. As of June 30, 2014, there were no trust fund assets.

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

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

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

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

Note 8. Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,934,455 at June 30, 2014. The incurred but not recorded and unpaid claims liability of \$333,756 reported in the plan at June 30, 2014 based on the requirements of GASB Statement Number 10, is set up as a liability.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$583,470 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements

Note 10. Construction Commitments

The District has entered into a contract totaling \$137,970 for middle school fire door project. As of June 30, 2014, costs of \$30,294 have been incurred against the contracts. The balance of \$107,676 remaining at June 30, 2014, will be paid as work on the project progresses. Once the projects are completed, the costs will be capitalized in the District's capital asset listing.

Note 11. Budget Over Expenditure

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area.

Note 12. Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 15,189
At-risk supplemental weighting	33,271
Gifted and talented programs	2,226
Successful progression for early readers	19,249
Beginning teacher mentoring and induction program	3,768
Teacher salary supplement	903
Teacher leadership grants	7,345
Professional development for model core curriculum	48,198
Professional development	45,445
Market factor incentives	2,688
Four-year old preschool state aid	52,831
Total	<u>\$ 231,113</u>

Note 13. Bond Defeasement

On February 13, 2013, the District issued \$3,810,000 in revenue bonds with interest rates of 1.80% and placed \$547,557 of cash in an irrevocable escrow account to refund \$4,200,000 of outstanding revenue bonds dated June 28, 2007 with interest rates of 4.00%. The proceeds of the refunding issue along with the additional cash have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the June 28, 2007 revenue bond issuance from January 1, 2014, to when the bonds are callable on July 1, 2014.

The District is contingently liable in the remote possibility the escrow account is insufficient to pay the bonds. After the principal and interest on all of the outstanding bonds are paid any remaining funds in the escrow account, together with any interest there on, will be returned to the District. The new refunding bonds have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. The economic gain for the refunding is \$206,317. At June 30, 2014, \$4,200,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 15. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Management Levy	Unassigned/ Unrestricted Balances
Fund Balance (Exhibit C)	\$ -	469,187	2,996,177
Capital assets, net of accumulated depreciation	15,497,130	-	-
Revenue Bond capitalized indebtedness	(5,523,000)	-	-
Internal service fund	-	-	3,934,455
Compensated absences	-	-	(7,679)
Termination benefits payable	-	(88,532)	(14,770)
Net OPEB liability	-	-	(362,564)
Income surtax	-	-	575,238
Net Position (Exhibit A)	<u>\$ 9,974,130</u>	<u>380,655</u>	<u>7,120,857</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total			Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 7,854,852	221,795	8,076,647	9,109,937	9,109,937	(1,033,290)
Intermediate sources	10,425	-	10,425	322,088	322,088	(311,663)
State sources	10,434,528	6,286	10,440,814	8,950,192	8,950,192	1,490,622
Federal sources	646,251	477,005	1,123,256	1,047,307	1,047,307	75,949
Total revenues	18,946,056	705,086	19,651,142	19,429,524	19,429,524	221,618
Expenditures/Expenses:						
Instruction	11,604,661	-	11,604,661	13,056,975	12,956,975	1,352,314
Support services	4,585,313	21,320	4,606,633	4,741,516	4,841,516	234,883
Non-instructional programs	336	714,655	714,991	783,631	833,631	118,640
Other expenditures	2,250,678	-	2,250,678	2,037,561	1,987,561	(263,117)
Total expenditures/expenses	18,440,988	735,975	19,176,963	20,619,683	20,619,683	1,442,720
Excess(Deficiency)of revenues over(under)expenditures/expenses	505,068	(30,889)	474,179	(1,190,159)	(1,190,159)	1,664,338
Other financing sources(uses), net	3,945	5,396	9,341	-	-	9,341
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	509,013	(25,493)	483,520	(1,190,159)	(1,190,159)	1,673,679
Balances beginning of year	5,775,157	133,158	5,908,315	4,698,101	4,698,101	1,210,214
Balances end of year	\$ 6,284,170	107,665	6,391,835	3,507,942	3,507,942	2,883,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures in the support services functional area by \$100,000 and non-instructional programs functional area by \$50,000. The District decreased expenditures in the instruction functional area by \$100,000 and other expenditures functional area by \$50,000.

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,043,000	\$ 1,043,000	0.00%	\$ 7,192,573	14.50%
2010	July 1, 2008	-	1,043,000	1,043,000	0.00	8,448,713	12.35
2011	July 1, 2008	-	1,043,000	1,043,000	0.00	7,909,596	13.19
2012	July 1, 2011	-	909,900	909,900	0.00	7,956,435	11.44
2013	July 1, 2011	-	905,447	905,447	0.00	7,824,697	11.57
2014	July 1, 2011	-	859,355	859,355	0.00	7,677,427	11.19

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Total	Debt Service	Total Nonmajor
	Management Levy	Student Activity	Support Trust			
Assets						
Cash and pooled investments	\$ 463,282	161,251	148,478	773,011	75,417	848,428
Receivables:						
Property tax:						
Delinquent	6,708	-	-	6,708	-	6,708
Succeeding year	650,000	-	-	650,000	-	650,000
Interest	-	57	91	148	-	148
Accounts	-	293	-	293	-	293
Due from other governments	-	70	-	70	-	70
Total assets	\$ 1,119,990	161,671	148,569	1,430,230	75,417	1,505,647
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 803	6,438	2,226	9,467	-	9,467
Salaries and benefits payable	-	1,806	-	1,806	-	1,806
Total liabilities	803	8,244	2,226	11,273	-	11,273
Deferred inflows of resources						
Unavailable revenues:						
Succeeding year property tax	650,000	-	-	650,000	-	650,000
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	75,417	75,417
Management levy purposes	469,187	-	-	469,187	-	469,187
Student activities	-	153,427	-	153,427	-	153,427
Support trust	-	-	146,343	146,343	-	146,343
Total fund balances	469,187	153,427	146,343	768,957	75,417	844,374
Total liabilities, deferred inflows of resources and fund balances	\$ 1,119,990	161,671	148,569	1,430,230	75,417	1,505,647

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Total	Debt Service	Total
	Management Levy	Student Activity	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ 551,889	-	-	551,889	-	551,889
Other	8,473	417,921	1,589	427,983	17	428,000
State sources	385	-	-	385	-	385
Total revenues	560,747	417,921	1,589	980,257	17	980,274
Expenditures:						
Current:						
Instruction:						
Regular	128,411	-	2,000	130,411	-	130,411
Other	-	393,557	-	393,557	-	393,557
	128,411	393,557	2,000	523,968	-	523,968
Support services:						
Student	14,136	-	-	14,136	-	14,136
Instructional staff	21,597	-	-	21,597	-	21,597
Administration	13,307	1,673	-	14,980	-	14,980
Operation and maintenance of plant	117,115	1,677	190	118,982	-	118,982
Transportation	38,256	25,410	-	63,666	-	63,666
	204,411	28,760	190	233,361	-	233,361
Non-instructional programs:						
Food service operations	295	-	-	295	-	295
Capital outlay	-	-	8,472	8,472	-	8,472
Long-term debt:						
Principal	-	-	-	-	705,000	705,000
Interest and fiscal charges	-	-	-	-	152,891	152,891
	-	-	-	-	857,891	857,891
Total expenditures	333,117	422,317	10,662	766,096	857,891	1,623,987
Excess(Deficiency)of revenues over(under)expenditures	227,630	(4,396)	(9,073)	214,161	(857,874)	(643,713)
Other financing sources:						
Transfer in	-	-	-	-	857,316	857,316
Change in fund balances	227,630	(4,396)	(9,073)	214,161	(558)	213,603
Fund balances beginning of year	241,557	157,823	155,416	554,796	75,975	630,771
Fund balances end of year	\$ 469,187	153,427	146,343	768,957	75,417	844,374

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,222,874	506,020	1,728,894
Receivables:			
Property tax:			
Delinquent	-	4,119	4,119
Succeeding year	-	385,539	385,539
Interest	641	67	708
Accounts	11,072	150	11,222
Due from other governments	500,600	-	500,600
Total assets	<u>\$ 1,735,187</u>	<u>895,895</u>	<u>2,631,082</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 5,840	10,183	16,023
Advances from grantors	17,014	-	17,014
Total liabilities	<u>22,854</u>	<u>10,183</u>	<u>33,037</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	385,539	385,539
Fund balances:			
Restricted for:			
School infrastructure	1,712,333	-	1,712,333
Physical plant and equipment	-	500,173	500,173
Total fund balances	<u>1,712,333</u>	<u>500,173</u>	<u>2,212,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,735,187</u>	<u>895,895</u>	<u>2,631,082</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	375,460	375,460
Other	33,710	480	8,969	43,159
State sources	1,207,056	-	236	1,207,292
Total revenues	<u>1,240,766</u>	<u>480</u>	<u>384,665</u>	<u>1,625,911</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	112,354	-	-	112,354
Administration	1,010	-	575	1,585
Operation and maintenance of plant	549	-	4,885	5,434
Transportation	-	-	109,942	109,942
Capital outlays	249,949	275,189	275,707	800,845
Total expenditures	<u>363,862</u>	<u>275,189</u>	<u>391,109</u>	<u>1,030,160</u>
Excess(Deficiency)of revenues over(under)expenditures	876,904	(274,709)	(6,444)	595,751
Other financing sources(uses):				
Transfer in	-	89,846	-	89,846
Transfer out	(947,162)	-	-	(947,162)
Total other financing sources(uses)	<u>(947,162)</u>	<u>89,846</u>	<u>-</u>	<u>(857,316)</u>
Change in fund balances	(70,258)	(184,863)	(6,444)	(261,565)
Fund balance beginning of year	<u>1,782,591</u>	<u>184,863</u>	<u>506,617</u>	<u>2,474,071</u>
Fund balance end of year	<u>\$ 1,712,333</u>	<u>-</u>	<u>500,173</u>	<u>2,212,506</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drug testing	\$ 891	-	-	-	891
Interest	-	486	-	(486)	-
HS activity tickets	100	18,190	202	(18,088)	-
Activities control	6,988	-	-	(3,079)	3,909
HS speech	-	576	2,067	1,491	-
Speech fundraiser	4,249	4,034	3,365	420	5,338
HS vocal music	-	6,972	10,376	3,404	-
Harm helpers	1,588	4,259	3,246	-	2,601
HS band	-	1,160	3,330	2,170	-
HS band tour	93	14,205	13,134	-	1,164
Athletic control	32,872	10,424	9,790	(18,759)	14,747
Athletic pass	4,039	1,135	2,318	-	2,856
Coed cross country	-	-	1,063	1,063	-
Cross country fundraiser	492	510	845	-	157
Tennis fundraiser	1,022	3,352	3,074	210	1,510
Bowling	-	223	1,430	1,207	-
Bowl	996	2,048	2,277	-	767
HS cheerleaders	-	186	312	126	-
Cheerleaders fundraiser	3,078	-	3,470	392	-
Dance squad	-	14,091	13,038	-	1,053
Dance squad fundraiser	2,525	2,643	3,913	-	1,255
HS boys basketball	-	9,353	10,923	1,570	-
Boys basketball fundraiser	2,335	9,692	4,546	-	7,481
HS football	-	25,094	19,604	(5,490)	-
Football fundraiser	4,320	27,646	23,177	-	8,789
HS boys soccer	-	4,175	6,311	2,136	-
Boys soccer fundraiser	854	102	432	-	524
HS baseball	-	4,187	13,963	9,776	-
Baseball fundraiser	4,999	10,533	13,575	-	1,957
HS boys track	-	4,149	3,613	(536)	-
Track fundraiser	3,273	7,377	9,716	-	934
Boys tennis	-	451	995	544	-
HS boys golf	-	203	2,234	2,031	-
Boys golf fundraiser	2,357	341	723	-	1,975
HS wrestling	-	2,896	4,846	1,950	-
Wrestling fundraiser	2,285	695	1,210	-	1,770
HS girls basketball	-	6,889	10,058	3,169	-
Girls basketball fundraiser	2,145	12,218	9,198	-	5,165
HS volleyball	-	3,729	6,886	3,157	-
Volleyball fundraiser	1,920	13,799	11,826	-	3,893
HS girls soccer	-	4,560	6,543	1,983	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS girls soccer fundraiser	1,971	1,198	1,510	-	1,659
HS softball	-	2,669	6,932	4,263	-
Softball fundraiser	2,423	3,141	4,168	-	1,396
HS girls track	-	3,544	7,632	4,088	-
Girls track fundraiser	-	3,485	2,687	340	1,138
Girls tennis	-	-	1,168	1,168	-
HS girls golf	-	366	2,891	2,525	-
Girls golf fundraiser	249	582	672	-	159
Club hope	416	49,885	42,861	366	7,806
HS yearbook	3,714	4,121	3,815	12	4,032
Dive	1,349	-	130	213	1,432
HS winter concessions	1,139	26,486	19,334	(7,113)	1,178
HS class of 2015	1,087	9,959	10,756	1,599	1,889
HS class of 2016	2,533	343	103	217	2,990
HS class of 2017	1,000	-	-	213	1,213
HS class of 2018	-	1,040	-	1	1,041
HS post grads	3,546	-	-	(432)	3,114
HS BPA	2,337	1,548	1,083	6	2,808
HOSA	9,307	5,182	5,396	1,422	10,515
FCCLA	1,038	632	1,543	1	128
FFA	-	38,192	36,419	(1,773)	-
National honor society	-	247	1,125	878	-
Student senate	3,407	3,021	4,376	216	2,268
Spanish club	7,822	877	710	579	8,568
French club	7,334	1,398	7,316	569	1,985
Maquoketan	239	-	-	1	240
HS SADD	3,882	9	85	219	4,025
MS chorus	27	-	-	-	27
MS band	192	9,669	8,166	5	1,700
MS boys athletics	6,994	5,839	4,443	20	8,410
MS mat refurbishing	1,524	1,000	-	6	2,530
MS girls athletics	6,379	5,915	4,097	19	8,216
MS awards	2,171	889	1,354	5	1,711
MS student council	1,804	2,075	2,131	4	1,752
MS concessions	27	2,026	1,785	1	269
MS card club	385	-	-	-	385
Elementary chorus	106	-	-	1	107
Total	\$ 157,823	417,921	422,317	-	153,427

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Stoddard Donation	\$ 108,512	5	-	108,517
Jan Donation	27,901	129	-	28,030
Paver Project	5,295	315	2,190	3,420
Jack Marlowe Project	13,708	1,140	8,472	6,376
Total	<u>\$ 155,416</u>	<u>1,589</u>	<u>10,662</u>	<u>146,343</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Wendell scholarship	\$ 131,928	658	2,001	130,585
Joiner scholarship	5,303	18	299	5,022
Schuman scholarship	10,445	48	-	10,493
Other scholarship	600	600	1,200	-
Zimmerman scholarship	672	-	400	272
Bothwell scholarship	1,705	600	-	2,305
Marcucci scholarship	48,186	239	1,500	46,925
Greene scholarship	3,024	258	500	2,782
Wolf scholarship	188	200	200	188
Hute scholarship	3,758	10	500	3,268
Shimanek scholarship	130,879	640	600	130,919
Dwain scholarship	1,000	-	250	750
Total	<u>\$ 337,688</u>	<u>3,271</u>	<u>7,450</u>	<u>333,509</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 3,876	35,926	28,438	11,364
Liabilities				
Accounts payable	\$ 130	-	130	-
Due to other groups	3,746	35,926	28,308	11,364
Total liabilities	\$ 3,876	35,926	28,438	11,364

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 5,373,049	5,843,641	5,842,743	5,586,873	5,561,028	5,630,705	5,540,702	5,677,215	5,275,463	5,086,399
Tuition	1,732,446	1,800,579	1,595,271	1,536,714	1,519,869	1,471,389	1,382,562	1,417,048	1,310,925	1,344,955
Other	749,357	753,058	771,680	882,570	927,688	875,159	1,153,884	882,531	894,134	731,758
Intermediate sources	10,425	5,993	3,945	8,888	-	-	-	165	67,380	62,691
State sources	10,434,528	9,361,577	9,431,099	9,525,342	7,829,985	8,718,009	8,759,891	8,015,028	7,382,870	7,189,981
Federal sources	646,251	549,921	940,067	1,443,571	1,913,682	961,826	512,234	555,941	616,074	951,591
Total	\$ 18,946,056	18,314,769	18,584,805	18,983,958	17,752,252	17,657,088	17,349,273	16,547,928	15,546,846	15,367,375
Expenditures:										
Instruction:										
Regular	\$ 6,078,347	6,432,237	6,382,639	6,145,416	6,247,444	5,763,001	5,494,974	5,313,578	5,232,550	5,031,911
Special	3,050,978	3,166,801	3,053,502	3,238,042	3,140,524	3,252,054	3,118,967	2,868,397	2,695,274	2,546,452
Other	2,475,336	2,472,005	2,453,580	2,525,186	2,538,482	2,060,548	1,966,120	1,992,986	1,910,065	1,835,834
Support services:										
Student	524,396	490,347	564,543	794,653	787,424	765,681	494,118	478,759	468,581	485,350
Instructional staff	563,944	472,851	433,112	409,756	459,228	585,951	501,442	472,364	533,538	424,137
Administration	1,505,857	1,454,273	1,449,187	1,408,476	1,527,286	1,539,072	1,369,717	1,414,106	1,294,067	1,138,680
Operation and maintenance of plant	1,322,255	1,248,967	1,252,879	1,355,051	1,281,385	1,238,015	1,161,128	1,080,629	1,100,601	1,000,149
Transportation	668,861	543,782	750,136	571,108	726,336	616,934	585,469	623,958	709,457	526,607
Non-instructional programs	336	777	2,438	12,907	4,115	12,544	12,688	12,698	9,002	5,256
Capital outlay	809,317	1,490,217	1,466,594	463,282	354,726	476,721	5,120,874	1,593,675	202,500	2,324,435
Long-term debt:										
Principal	705,000	502,000	630,000	300,000	290,000	500,000	295,000	815,000	785,000	550,000
Interest and fiscal charges	152,891	260,238	303,350	216,400	228,200	244,153	135,612	135,957	45,255	55,681
Other expenditures:										
AEA flow-through	583,470	565,757	565,100	627,756	615,579	559,978	539,094	504,377	462,476	453,706
Total	\$ 18,440,988	19,100,252	19,307,060	18,068,033	18,200,729	17,614,652	20,795,203	17,306,484	15,448,366	16,378,198

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 84,669
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	392,336 *
			<u>477,005</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-G	295,025
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-GC	26,953
TITLE I SCHOOLS IN NEED OF ASSISTANCE(SINA)	84.010	FY 14	14,904
			<u>336,882</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATE	84.048	FY 14	<u>18,036</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 13	<u>28,645</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>69,818</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	<u>10,610</u>
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS(AIDS EDUCATION)	93.938	FY 14	<u>170</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
HOSPITAL PREPAREDNESS PROGRAM(HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS(PHEP) ALIGNED COPPERATIVE AGREEMENTS(MEDICAL RESERVE CORPS)	93.074	FY 14	<u>1,579</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>71,937</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 14	<u>3,438</u>
			<u>\$ 1,018,120</u>

* Includes \$49,791 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-

compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Maquoketa Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2015
Newton, Iowa

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Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Maquoketa Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Maquoketa Community School District's major federal programs for the year ended June 30, 2014. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Maquoketa Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Maquoketa Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Maquoketa Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Maquoketa Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2015
Newton, Iowa

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budgeted amount in the other expenditures functional area.

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.

Response - The budget was monitored and amended, however, the expenditures in the other expenditures functional area were underestimated. Often summer projects expenses come near the end of the fiscal year making it difficult to amend the budget accordingly.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Fuel	\$ 119,147
Joanie Bowman, Teacher Spouse owns Bowman's Body Shop & Wreckage Services	Repairs	783
Kathy Klocke, Nurse Spouse owns Klocke Excavating	Landscaping Services	250
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Parts and Equipment	388
Tara Michel, Teacher Mother-in-law provided catering	Catering	1,335
Tracy Wilkins, Athletic Director Spouse, District event ticket taker	Purchased Services	380
James Manderscheid, Substitute bus driver	Key & lock Services	1,977

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

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

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting - We noted a variance in the supplementary weighting information certified to the Iowa Department of Education. We noted that the supplementary weighting certified to the Iowa Department of Education was understated by 4.462.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,782,591
Revenues/transfers in:		
Sales tax revenues	\$ 1,207,056	
Other local revenues	33,710	1,240,766
		<u>3,023,357</u>
Expenditures/transfers out:		
School infrastructure construction	249,949	
Equipment	112,354	
Other	1,559	
Transfers to other funds:		
Debt service fund	947,162	1,311,024
		<u>1,311,024</u>
Ending balance		<u><u>\$ 1,712,333</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.