

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
John Zietlow	President	2015
Chris Huber	Vice President	2013
Donna Kunde	Board Member	2015
Leola Kay Harris	Board Member	2013
Doug Dabroski	Board Member	2013
Board of Education (After September 2013 Election)		
John Zietlow	President	2015
Chris Huber	Vice President	2017
Donna Kunde	Board Member	2015
Doug Dabroski	Board Member	2017
Mike Feldmann	Board Member	2017
School Officials		
Doug Tuetkan	Superintendent	2014
Erika Imler	District Secretary/ Business Manager	2014
Lynch & Dallas, P.C.	Attorney	2014

Maquoketa Valley Community School District

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District as of June 30, 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 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015 on our consideration of Maquoketa Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Maquoketa Valley Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,971,089 during fiscal year 2013 to \$7,208,314 during fiscal year 2014, while General Fund expenditures decreased from \$7,618,044 during fiscal year 2013 to \$7,376,892 during fiscal year 2014. The District's fund balance decreased from \$1,257,334 at June 30, 2013 to \$1,088,756 at June 30, 2014, which was a 13.41% decrease from the prior year.
- The increase in revenues was due in part to increases in state source and tuition revenues. The decrease in expenditures occurred mainly in the support services functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

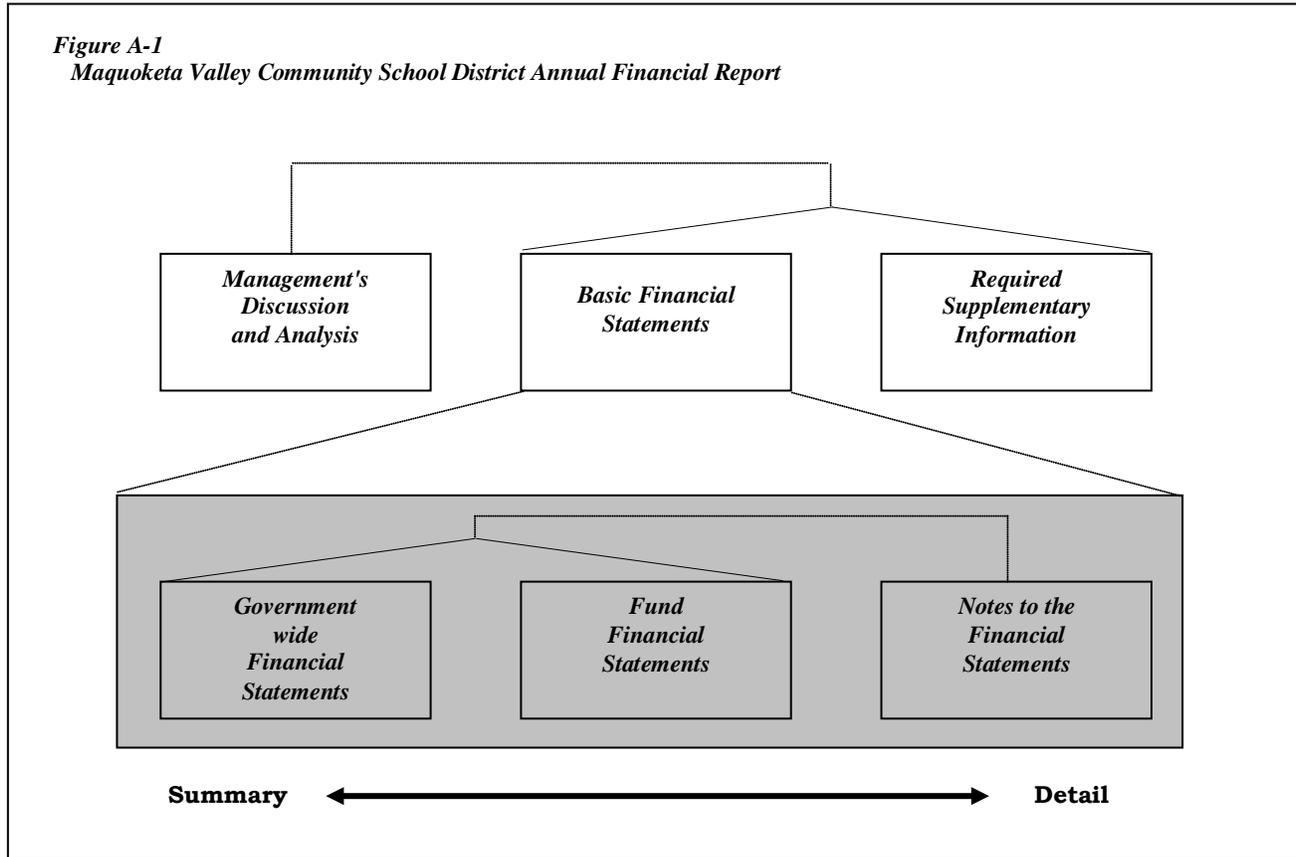


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund, utilized to account for outside donations for scholarships for individual students.

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

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

Reconciliations between the government-wide financial statements and the 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.

Figure A-3 Condensed Statement of Net Position							
	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	\$ 9,370,790	8,530,963	146,430	121,099	9,517,220	8,652,062	10.00%
Capital assets	8,131,684	8,302,242	20,576	24,429	8,152,260	8,326,671	-2.09%
Total assets	<u>17,502,474</u>	<u>16,833,205</u>	<u>167,006</u>	<u>145,528</u>	<u>17,669,480</u>	<u>16,978,733</u>	<u>4.07%</u>
Long-term liabilities	2,195,000	2,695,000	-	-	2,195,000	2,695,000	-18.55%
Other liabilities	269,079	309,493	8,065	6,590	277,144	316,083	-12.32%
Total liabilities	<u>2,464,079</u>	<u>3,004,493</u>	<u>8,065</u>	<u>6,590</u>	<u>2,472,144</u>	<u>3,011,083</u>	<u>-17.90%</u>
Deferred inflows of resources	<u>4,228,304</u>	<u>3,951,819</u>	<u>-</u>	<u>-</u>	<u>4,228,304</u>	<u>3,951,819</u>	<u>7.00%</u>
Net Position:							
Invested in capital assets, net of related debt	5,936,684	5,607,242	20,576	24,429	5,957,260	5,631,671	5.78%
Restricted	4,065,497	3,312,060	-	-	4,065,497	3,312,060	22.75%
Unrestricted	807,910	957,591	138,365	114,509	946,275	1,072,100	-11.74%
Total net position	<u>\$ 10,810,091</u>	<u>9,876,893</u>	<u>158,941</u>	<u>138,938</u>	<u>10,969,032</u>	<u>10,015,831</u>	<u>9.52%</u>

The District's combined net position increased by 9.52% or \$953,201 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 22.75% or \$753,437 over the prior year. The increase is due in part to the increase in the Capital Projects Fund and Management Levy Fund balances.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by 11.74% or \$125,825 from the prior year. The decrease is due in part to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 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	\$ 653,365	579,355	247,527	223,577	900,892	802,932	12.20%
Operating grants, contributions and restricted interest	701,296	574,942	199,966	201,592	901,262	776,534	16.06%
Capital grants, contributions and restricted interest	43,475	-	-	-	43,475	-	100.00%
General revenues:							
Property tax	3,958,239	3,904,984	-	-	3,958,239	3,904,984	1.36%
Statewide sales, services and use tax	631,186	609,418	-	-	631,186	609,418	3.57%
Unrestricted state grants	3,427,282	3,375,953	-	-	3,427,282	3,375,953	1.52%
Unrestricted investment earnings	68,584	39,394	393	593	68,977	39,987	72.50%
Other general revenue	57,132	115,841	-	234	57,132	116,075	-50.78%
Total revenues	9,540,559	9,199,887	447,886	425,996	9,988,445	9,625,883	3.77%
Program expenses:							
Instructional	5,711,125	5,677,791	-	-	5,711,125	5,677,791	0.59%
Support services	2,247,587	2,396,923	15,704	24,145	2,263,291	2,421,068	-6.52%
Non-instructional programs	-	-	412,179	414,733	412,179	414,733	-0.62%
Other expenses	648,649	649,594	-	-	648,649	649,594	-0.15%
Total expenses	8,607,361	8,724,308	427,883	438,878	9,035,244	9,163,186	-1.40%
Change in net position	933,198	475,579	20,003	(12,882)	953,201	462,697	106.01%
Net position beginning of year	9,876,893	9,401,314	138,938	151,820	10,015,831	9,553,134	4.84%
Net position end of year	\$ 10,810,091	9,876,893	158,941	138,938	10,969,032	10,015,831	9.52%

In fiscal year 2014, property tax, statewide sales, services and use tax, and unrestricted state grants accounted for 84.03% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.91% of the revenue from business type activities.

The District's total revenues were \$9,988,445, of which \$9,540,559 was for governmental activities and \$447,886 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.77% in revenues and a 1.40% decrease in expenses. Operating grants, contributions and restricted interest increased \$124,728, while support services expenditures decreased \$157,777 to contribute to the changes from the prior year.

Governmental Activities

Revenues for governmental activities were \$9,540,559 and expenses were \$8,607,361.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,711,125	5,677,791	0.59%	4,658,764	4,813,882	-3.22%
Support services	2,247,587	2,396,923	-6.23%	2,195,809	2,389,594	-8.11%
Other expenses	648,649	649,594	-0.15%	354,652	366,535	-3.24%
Totals	\$ 8,607,361	8,724,308	-1.34%	7,209,225	7,570,011	-4.77%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$653,365.
- Federal and state governments along with local sources subsidized certain programs with operating grants and contributions totaling \$701,296.
- The net cost of governmental activities was financed with \$3,958,239 in property tax, \$631,186 in statewide sales, services and use tax, \$3,427,282 in unrestricted state grants, \$68,584 in unrestricted investment earnings and \$57,132 in other general revenue.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$447,886, representing a 5.14% increase over the prior year, while expenses totaled \$427,883, a 2.50% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$4,872,997, above last year's ending fund balances of \$4,248,044. The primary reasons for the increase in combined fund balances can be attributed to the improvement in the Capital Projects Fund and the Management Levy Fund balances.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The General Fund balance decreased from \$1,257,334 at June 30, 2013 to \$1,088,756 at June 30, 2014, representing a decrease of 13.41%.
- The Capital Projects Fund balance increased from \$1,493,562 at June 30, 2013 to \$1,933,637 at June 30, 2014, a 29.46% increase. Increased sales tax and federal grant revenues combined with reduced expenditures compared to the prior year led to the improvement in fund balance.
- The Management Levy Fund increased from \$1,130,164 at June 30, 2013 to \$1,468,619 at June 30, 2014. An increase in property tax revenue helped offset the increase in expenditures compared to the prior year.
- The Debt Service Fund balance increased slightly from \$287,979 at June 30, 2013 to \$293,264 at June 30, 2014.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$138,938 at June 30, 2013 to \$158,941 at June 30, 2014, representing an increase of 14.40%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$264,129 more than budgeted revenues, a variance of 2.72%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$8,152,260, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) There is more detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$406,829.

The original cost of the District's capital assets was \$14,393,117. Governmental funds account for \$14,129,166, with the remainder of \$263,951 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$376,783 at June 30, 2014, compared to \$411,903 reported at June 30, 2013. The decrease in machinery and equipment is due to annual depreciation expense.

	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	\$ 99,421	99,421	-	-	99,421	99,421	0.00%
Buildings	7,254,944	7,381,644	-	-	7,254,944	7,381,644	-1.72%
Land improvements	421,112	433,703	-	-	421,112	433,703	-2.90%
Machinery and equipment	356,207	387,474	20,576	24,429	376,783	411,903	-8.53%
Total	\$ 8,131,684	8,302,242	20,576	24,429	8,152,260	8,326,671	-2.09%

Long-Term Debt

At June 30, 2014, the District had \$2,195,000 in long-term debt outstanding consisting of general obligation bonds payable. This represents a decrease of 18.55% from last year's balance of \$2,695,000. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 3 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 2,195,000	2,695,000	-18.55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Maquoketa Valley Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,765,559	121,248	4,886,807
Receivables:			
Property tax:			
Delinquent	60,356	-	60,356
Succeeding year	4,228,304	-	4,228,304
Accounts	8,449	8,488	16,937
Due from other governments	303,684	38	303,722
Inventories	-	16,656	16,656
Net OPEB asset	4,438	-	4,438
Capital assets, net of accumulated depreciation	8,131,684	20,576	8,152,260
Total assets	17,502,474	167,006	17,669,480
Liabilities			
Accounts payable	251,911	-	251,911
Salaries and benefits payable	13,140	-	13,140
Accrued interest payable	4,028	-	4,028
Unearned revenue	-	8,065	8,065
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	515,000	-	515,000
Portion due after one year:			
General obligation bonds payable	1,680,000	-	1,680,000
Total liabilities	2,464,079	8,065	2,472,144
Deferred Inflows of Resources			
Unavailable property tax revenues	4,228,304	-	4,228,304
Net Position			
Net investment in capital assets	5,936,684	20,576	5,957,260
Restricted for:			
Categorical funding	285,284	-	285,284
Management levy purposes	1,468,619	-	1,468,619
School infrastructure	1,761,603	-	1,761,603
Physical plant and equipment	172,034	-	172,034
Student activities	88,721	-	88,721
Debt service	289,236	-	289,236
Unrestricted	807,910	138,365	946,275
Total net position	\$ 10,810,091	158,941	10,969,032

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Contributions	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Service	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,798,444	264,945	42,465	-	(3,491,034)	-	(3,491,034)
Special	852,806	58,712	119,125	-	(674,969)	-	(674,969)
Other	1,059,875	329,708	237,406	-	(492,761)	-	(492,761)
	5,711,125	653,365	398,996	-	(4,658,764)	-	(4,658,764)
Support services:							
Student	223,672	-	236	-	(223,436)	-	(223,436)
Instructional staff	212,422	-	-	-	(212,422)	-	(212,422)
Administration	792,605	-	-	-	(792,605)	-	(792,605)
Operation and maintenance of plant	658,671	-	-	43,475	(615,196)	-	(615,196)
Transportation	360,217	-	8,067	-	(352,150)	-	(352,150)
	2,247,587	-	8,303	43,475	(2,195,809)	-	(2,195,809)
Long-term debt interest	55,230	-	-	-	(55,230)	-	(55,230)
Other Expenditures:							
AEA flowthrough	293,997	-	293,997	-	-	-	-
Depreciation(unallocated)*	299,422	-	-	-	(299,422)	-	(299,422)
	593,419	-	293,997	-	(299,422)	-	(299,422)
Total governmental activities	8,607,361	653,365	701,296	43,475	(7,209,225)	-	(7,209,225)
Business type activities:							
Support services:							
Administration	10,197	-	-	-	-	(10,197)	(10,197)
Operation and maintenance of plant	5,507	-	-	-	-	(5,507)	(5,507)
	15,704	-	-	-	-	(15,704)	(15,704)
Non-instructional programs:							
Food service operations	412,179	247,527	199,966	-	-	35,314	35,314
Total business type activities	427,883	247,527	199,966	-	-	19,610	19,610
Total	\$ 9,035,244	900,892	901,262	43,475	(7,209,225)	19,610	(7,189,615)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,315,274	-	3,315,274
Debt service					556,758	-	556,758
Capital outlay					86,207	-	86,207
Statewide sales, services and use tax					631,186	-	631,186
Unrestricted state grants					3,427,282	-	3,427,282
Unrestricted investment earnings					68,584	393	68,977
Other					57,132	-	57,132
Total general revenues					8,142,423	393	8,142,816
Change in net position					933,198	20,003	953,201
Net position beginning of year					9,876,893	138,938	10,015,831
Net position end of year					\$ 10,810,091	158,941	10,969,032

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 1,208,257	1,459,571	1,719,909	284,455	93,367	4,765,559
Receivables:						
Property tax:						
Delinquent	41,135	9,048	1,364	8,809	-	60,356
Succeeding year	3,222,943	350,000	92,002	563,359	-	4,228,304
Accounts	524	-	4,498	-	3,427	8,449
Due from other governments	89,042	-	214,187	-	455	303,684
Total assets	\$ 4,561,901	1,818,619	2,031,960	856,623	97,249	9,366,352
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 237,062	-	6,321	-	8,528	251,911
Salaries and benefits payable	13,140	-	-	-	-	13,140
Total liabilities	250,202	-	6,321	-	8,528	265,051
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	3,222,943	350,000	92,002	563,359	-	4,228,304
Fund balances:						
Restricted for:						
Categorical funding	285,284	-	-	-	-	285,284
Management levy purposes	-	1,468,619	-	-	-	1,468,619
School infrastructure	-	-	1,761,603	-	-	1,761,603
Physical plant and equipment	-	-	172,034	-	-	172,034
Student activities	-	-	-	-	88,721	88,721
Debt service	-	-	-	293,264	-	293,264
Unassigned	803,472	-	-	-	-	803,472
Total fund balances	1,088,756	1,468,619	1,933,637	293,264	88,721	4,872,997
Total liabilities, deferred inflows of resources and fund balances	\$ 4,561,901	1,818,619	2,031,960	856,623	97,249	9,366,352

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 4,872,997
<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 in the governmental funds.	8,131,684
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(4,028)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	4,438
Long-term liabilities including general obligation bonds payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(2,195,000)</u>
Net position of governmental activities(page 18)	<u><u>\$ 10,810,091</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,714,299	600,975	86,207	556,758	-	3,958,239
Tuition	287,159	-	-	-	-	287,159
Other	119,042	22,969	46,706	4,385	363,454	556,556
State sources	3,852,437	-	631,186	-	-	4,483,623
Federal sources	235,377	-	19,605	-	-	254,982
Total revenues	7,208,314	623,944	783,704	561,143	363,454	9,540,559
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,440,722	220,606	78,132	-	-	3,739,460
Special	845,172	-	-	-	-	845,172
Other	689,877	-	-	-	353,738	1,043,615
	4,975,771	220,606	78,132	-	353,738	5,628,247
Support services:						
Student	221,426	-	-	-	-	221,426
Instructional staff	210,356	-	-	-	-	210,356
Administration	768,392	-	30,761	-	-	799,153
Operation and maintenance of plant	607,337	59,358	-	-	-	666,695
Transportation	299,613	5,525	30,700	-	-	335,838
	2,107,124	64,883	61,461	-	-	2,233,468
Capital outlay	-	-	208,534	-	-	208,534
Long-term debt:						
Principal	-	-	-	500,000	-	500,000
Interest and fiscal charges	-	-	-	55,858	-	55,858
	-	-	-	555,858	-	555,858
Other expenditures:						
AEA flowthrough	293,997	-	-	-	-	293,997
Total expenditures	7,376,892	285,489	348,127	555,858	353,738	8,920,104
Excess(deficiency) of revenues over(under) expenditures	(168,578)	338,455	435,577	5,285	9,716	620,455
Other financing sources:						
Insurance proceeds	-	-	4,498	-	-	4,498
Change in fund balances	(168,578)	338,455	440,075	5,285	9,716	624,953
Fund balances beginning of year	1,257,334	1,130,164	1,493,562	287,979	79,005	4,248,044
Fund balances end of year	\$ 1,088,756	1,468,619	1,933,637	293,264	88,721	4,872,997

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 624,953

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 exceeded capital outlay expenditures in the current year as follows:

Capital outlay	\$ 232,418	
Depreciation expense	(402,976)	(170,558)

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. 500,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 628

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:

Other postemployment benefits	(21,825)	(21,825)

Change in net position of governmental activities(page 19) \$ 933,198

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 121,248
Accounts receivable	8,488
Due from other governments	38
Inventories	16,656
	146,430
Noncurrent assets:	
Capital assets, net of accumulated depreciation	20,576
Total assets	167,006
Liabilities	
Unearned revenue	8,065
Net Position	
Net investment in capital assets	20,576
Unrestricted	138,365
Total net position	\$ 158,941

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 247,527
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	8,442
Benefits	1,400
Other	355
	10,197
Operation and maintenance of plant:	
Services	5,073
Supplies	434
	5,507
Total support services	15,704
Non-instructional programs:	
Food service operations:	
Salaries	178,911
Benefits	29,865
Services	261
Supplies	198,627
Other	662
Depreciation	3,853
Total non-instructional programs	412,179
TOTAL OPERATING EXPENSES	427,883
OPERATING LOSS	(180,356)
NON-OPERATING REVENUES:	
State sources	3,888
Federal sources	196,078
Interest income	393
TOTAL NON-OPERATING REVENUES	200,359
Change in net position	20,003
Net position beginning of year	138,938
Net position end of year	\$ 158,941

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 240,744
Cash payments to employees for services	(218,618)
Cash payments to suppliers for goods or services	(179,524)
Net cash used in operating activities	(157,398)
Cash flows from non-capital financing activities:	
State grants received	3,850
Federal grants received	169,082
Net cash provided by non-capital financing activities	172,932
Cash flows from investing activities:	
Interest on investments	393
Net increase in cash and cash equivalents	15,927
Cash and cash equivalents beginning of year	105,321
Cash and cash equivalents end of year	\$ 121,248
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (180,356)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	26,996
Depreciation	3,853
Increase in inventories	(878)
Increase in accounts receivable	(8,488)
Decrease in accounts payable	(230)
Increase in unearned revenue	1,705
Net cash used in operating activities	\$ (157,398)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$26,996 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 5,028
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 5,028</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY 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:	
Interest income	<u>\$ 35</u>
Deductions:	<u>-</u>
Change in net position	35
Net position beginning of year	<u>4,993</u>
Net position end of year	<u><u>\$ 5,028</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's 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.

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflow 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

Deferred 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax 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.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 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. As of the year ended June 30, 2014, the District had no investments.

(3) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,695,000	-	500,000	2,195,000	515,000

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 5, 2012			
	Interest Rates	Principal	Interest	Total
2015	1.65%	\$ 515,000	48,357	563,356
2016	2.15	535,000	39,860	574,860
2017	2.40	560,000	28,358	588,356
2018	2.55	585,000	14,917	599,916
		\$ 2,195,000	131,492	2,326,488

(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	\$ 99,421	-	-	99,421
Total capital assets not being depreciated	99,421	-	-	99,421
Capital assets being depreciated:				
Buildings	10,956,023	117,708	-	11,073,731
Land improvements	1,159,232	42,423	-	1,201,655
Machinery and equipment	1,682,072	72,287	-	1,754,359
Total capital assets being depreciated	13,797,327	232,418	-	14,029,745
Less accumulated depreciation for:				
Buildings	3,574,379	244,408	-	3,818,787
Land improvements	725,529	55,014	-	780,543
Machinery and equipment	1,294,598	103,554	-	1,398,152
Total accumulated depreciation	5,594,506	402,976	-	5,997,482
Total capital assets being depreciated, net	8,202,821	(170,558)	-	8,032,263
Governmental activities capital assets, net	\$ 8,302,242	(170,558)	-	8,131,684
Business type activities:				
Machinery and equipment	\$ 263,951	-	-	263,951
Less accumulated depreciation	239,522	3,853	-	243,375
Business type activities capital assets, net	\$ 24,429	(3,853)	-	20,576

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,492
Other	13,936
Support services:	
Administration	7,524
Operation and maintenance of plant	5,683
Transportation	52,919
	103,554
Unallocated depreciation	299,422
Total governmental activities depreciation expense	\$ 402,976
Business type activities:	
Food service operations	\$ 3,853

(5) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 76 active and 18 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	124,000
Interest on net OPEB obligation		(1,182)
Adjustment to annual required contribution		1,007
Annual OPEB cost		<u>123,825</u>
Contributions made		<u>(102,000)</u>
Increase in net OPEB obligation		21,825
Net OPEB obligation - beginning of year		<u>(26,263)</u>
Net OPEB obligation - end of year	\$	<u><u>(4,438)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$102,000 to the medical plan. Plan members eligible for benefits contributed \$107,000 or 51.20% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 147,806	115.69%	\$ (51,263)
2013	124,263	79.67	(26,263)
2014	123,825	82.37	(4,438)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,330,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,330,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,605,019, and the ratio of the UAAL to the covered payroll was 36.9%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(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 \$394,143, \$402,469 and \$364,973, respectively, equal to the required contributions for each year.

(7) Risk Management

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

(8) 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 \$293,997 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.

(9) Categorical Funding

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

Program	Amount
Limited english proficient	\$ 10,997
Home school assistance program	20,322
Gifted and talented programs	1,295
Four-year-old preschool state aid	110,575
Beginning teacher mentoring and induction program	1,398
Teacher salary supplement	102,253
Market factor	4,024
Succesful progression for early readers	1,000
Professional development for model core curriculum	15,133
Professional development	11,865
Market factor incentives	1,549
Teacher leadership grants	4,873
Total	<u>\$ 285,284</u>

(10) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	293,264	803,472
Invested in capital assets, net of accumulated depreciation	8,131,684	-	-
General obligation bond capitalized indebtedness	(2,195,000)	-	-
Accrued interest payable	-	(4,028)	-
Net OPEB asset	-	-	4,438
Net position (Exhibit A)	<u>\$ 5,936,684</u>	<u>289,236</u>	<u>807,910</u>

(11) 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 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure 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.

Maquoketa Valley Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 4,801,954	247,920	5,049,874	5,590,671	5,590,671	(540,797)
State sources	4,483,623	3,888	4,487,511	3,706,145	3,706,145	781,366
Federal sources	254,982	196,078	451,060	427,500	427,500	23,560
Total revenues	9,540,559	447,886	9,988,445	9,724,316	9,724,316	264,129
Expenditures/expenses:						
Instruction	5,628,247	-	5,628,247	6,765,000	6,765,000	1,136,753
Support services	2,233,468	15,704	2,249,172	3,926,500	3,926,500	1,677,328
Non-instructional programs	-	412,179	412,179	577,394	577,394	165,215
Other expenditures	1,058,389	-	1,058,389	1,477,702	1,477,702	419,313
Total expenditures/expenses	8,920,104	427,883	9,347,987	12,746,596	12,746,596	3,398,609
Excess(Deficiency) of revenues over(under) expenditures/expenses	620,455	20,003	640,458	(3,022,280)	(3,022,280)	3,662,738
Other financing sources, net	4,498	-	4,498	-	-	4,498
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	624,953	20,003	644,956	(3,022,280)	(3,022,280)	3,667,236
Balances beginning of year	4,248,044	138,938	4,386,982	4,472,325	4,472,325	(85,343)
Balances end of year	\$ 4,872,997	158,941	5,031,938	1,450,045	1,450,045	3,581,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,576,000	1,576,000	0.0%	\$ 3,594,000	43.9%
2011	July 1, 2009	-	1,576,000	1,576,000	0.0	3,437,768	45.8
2012	July 1, 2009	-	1,576,000	1,576,000	0.0	3,647,300	43.2
2013	July 1, 2012	-	1,330,000	1,330,000	0.0	3,753,403	35.4
2014	July 1, 2012	-	1,330,000	1,330,000	0.0	3,605,019	36.9

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,547,416	172,493	1,719,909
Receivables:			
Property taxes:			
Delinquent	-	1,364	1,364
Succeeding year	-	92,002	92,002
Accounts	-	4,498	4,498
Due from other governments	214,187	-	214,187
Total assets	\$ 1,761,603	270,357	2,031,960
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	6,321	6,321
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	92,002	92,002
Fund balances:			
Restricted for:			
School infrastructure	1,761,603	-	1,761,603
Physical plant and equipment	-	172,034	172,034
Total fund balances	1,761,603	172,034	1,933,637
Total liabilities, deferred inflows of resources and fund balances	\$ 1,761,603	270,357	2,031,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	86,207	86,207
Other	34,413	12,293	46,706
State sources	631,186	-	631,186
Federal sources	-	19,605	19,605
Total revenues	<u>665,599</u>	<u>118,105</u>	<u>783,704</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	78,132	-	78,132
Support services:			
Administration	25	30,736	30,761
Transportation	30,700	-	30,700
Capital outlay	124,193	84,341	208,534
Total expenditures	<u>233,050</u>	<u>115,077</u>	<u>348,127</u>
Excess of revenues over expenditures	432,549	3,028	435,577
Other financing sources:			
Insurance proceeds	-	4,498	4,498
Change in fund balances	432,549	7,526	440,075
Fund balances beginning of year	<u>1,329,054</u>	<u>164,508</u>	<u>1,493,562</u>
Fund balances end of year	<u>\$ 1,761,603</u>	<u>172,034</u>	<u>1,933,637</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama & Speech	\$ 94	24,736	21,673	-	3,157
Fall Musical	3,121	2,720	1,742	-	4,099
Vocal	4,136	4,837	4,953	-	4,020
Instrumental Music	3,239	1,257	1,077	-	3,419
Middle School Baseball	874	-	-	-	874
Middle School Softball	301	-	-	-	301
Middle School Athletics	-	7,672	9,559	1,887	-
State Tournaments	1,157	961	1,398	-	720
Iron Man/Weight Room	2,746	288	717	-	2,317
Cross Country	236	413	1,074	425	-
Golf	-	2,707	1,110	(1,581)	16
Boys Basketball	4,061	4,493	6,371	-	2,183
Football	4,839	18,515	18,721	-	4,633
Baseball	3,646	11,936	12,383	-	3,199
Boys Track	1,181	592	1,397	-	376
Wrestling	1,313	15,750	14,079	-	2,984
Girls Basketball	-	17,920	15,215	(1,351)	1,354
Volleyball	1,983	4,817	3,797	-	3,003
Softball	3,071	14,827	14,060	-	3,838
Girls Track	-	2,264	1,867	(397)	-
Post Prom	3,105	23,127	20,566	-	5,666
Spanish	6,799	10,418	12,371	-	4,846
FFA	9,423	62,053	66,869	-	4,607
Student Council	596	1,466	1,131	-	931
Academic Excellence	1,303	1,514	511	-	2,306
National Honor Society	-	1,283	1,029	(254)	-
Cheerleaders	578	1,992	3,569	999	-
Drill Team	435	7,724	4,735	-	3,424
Yearbook	70	7,274	5,428	(1,916)	-
Earlville Elem.	55	37	385	6,278	5,985
Johnston Elem.	2,005	77	261	2,423	4,244
Delhi Elem.	2,627	482	2,784	-	325
Sixth Grade Activites	-	1,922	1,743	-	179
Music Trip	2,501	26,381	30,685	1,803	-
Band Uniforms	2,864	21	-	-	2,885
Art	253	2	-	-	255
Class of 2013	410	2	-	-	412
Class of 2014	898	111	763	-	246
Class of 2015	397	4,384	4,041	-	740
Class of 2016	196	92	52	-	236
Class of 2017	-	1,420	1,298	-	122
Assemblies	847	3	-	-	850
Activities Middle School	494	3,608	3,390	-	712
Student Services	7,151	69,851	60,574	(8,316)	8,112
Wildcat Gold Classic	-	1,505	360	-	1,145
Total	\$ 79,005	363,454	353,738	-	88,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Assets				
Cash and pooled investments	\$ 854	904	3,270	5,028
Liabilities				
	-	-	-	-
Net Position				
Restricted for scholarships	\$ 854	904	3,270	5,028

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 9	9	17	35
Deductions:	-	-	-	-
Change in net position	9	9	17	35
Net position beginning of year	845	895	3,253	4,993
Net position end of year	\$ 854	904	3,270	5,028

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis										
	Years Ended June 30,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:											
Local sources:											
Local tax	\$ 3,958,239	4,514,402	4,754,238	4,406,581	4,217,805	4,007,151	3,981,260	3,969,223	3,693,609	3,648,364	3,419,986
Tuition	287,159	208,895	247,454	258,807	270,749	321,814	269,187	232,443	197,019	170,199	191,156
Other	556,556	540,035	482,481	497,629	417,261	536,147	484,058	461,615	637,045	391,206	365,966
State sources	4,483,623	3,671,381	3,659,412	3,585,032	3,274,344	3,930,023	3,902,425	3,584,731	3,593,272	3,580,337	3,292,486
Federal sources	254,982	265,174	333,308	486,069	737,820	242,349	234,154	231,111	230,398	231,511	235,414
Total	\$ 9,540,559	9,199,887	9,476,893	9,234,118	8,917,979	9,037,484	8,871,084	8,479,123	8,351,343	8,021,617	7,505,008
Expenditures:											
Instruction:											
Regular	\$ 3,739,460	3,633,660	3,763,797	3,835,764	3,456,318	3,663,357	3,541,548	3,130,332	3,086,546	3,046,995	3,338,473
Special	845,172	879,745	856,569	797,867	734,860	853,478	780,096	718,045	707,322	572,247	770,323
Other	1,043,615	1,151,124	980,690	1,074,473	949,362	939,971	822,844	714,254	687,782	888,338	722,273
Support services:											
Student	221,426	218,288	211,457	247,798	234,748	276,827	256,352	451,747	223,028	203,075	201,290
Instructional staff	210,356	323,505	310,006	273,375	315,590	233,395	245,720	254,587	241,523	185,982	171,906
Administration	799,153	826,335	796,401	730,979	822,622	858,287	808,280	766,278	793,089	754,983	731,626
Operation and maintenance of plant	666,695	604,773	627,141	659,593	734,530	797,508	714,956	716,412	715,716	742,104	670,199
Transportation	335,838	448,793	356,327	419,750	316,588	388,329	394,619	447,872	329,547	375,104	340,644
Capital outlay	208,534	242,816	137,086	75,113	52,920	122,600	87,761	77,046	20,615	76,052	84,883
Long-term debt:											
Principal	500,000	480,000	3,640,000	450,000	435,000	420,000	410,000	250,000	350,000	335,000	320,000
Interest	55,858	76,355	139,830	156,030	170,770	185,050	198,590	362,789	282,665	298,643	313,422
Other expenditures:											
AEA flowthrough	293,997	283,059	283,325	320,862	321,665	298,068	294,633	279,049	272,957	273,089	273,552
Total	\$ 8,920,104	9,168,453	12,102,629	9,041,604	8,544,973	9,036,870	8,555,399	8,168,411	7,710,790	7,751,612	7,938,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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 Valley Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District as of and for the year ended June 30, 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 24, 2015

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 through I-D-14 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Valley Community School District's Responses to Findings

Maquoketa Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Maquoketa Valley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - Due to budget constraints and limited staff to perform accounting functions, segregation of duties becomes difficult to improve but the district will continue to review procedures to improve internal controls, such as meeting with our audit committee on a regular basis.

Conclusion – Response accepted

I-B-14 Purchase Orders - We noted during our audit the District currently utilizes a purchase order system in the purchasing process, however, we noted instances of purchase orders that were completed after the goods or services had been ordered in the Student Activity Fund.

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

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

Response - The will remind staff to review purchase order procedures as set forth in the Board policies

Conclusion - Response accepted.

- I-C-14 Employees Reimbursements - We noted during our audit that employees were receiving reimbursements for purchases including amounts for sales tax. When individuals make purchases and are subsequently reimbursed, it can circumvent the District's purchase order system, subject the District to sales tax and potentially allows for an employee to personally benefit from their employment with the District.

Recommendation - The District should review procedures and make every effort to order goods and services directly from vendors upon completion of an approved purchase order.

Response - The district will not reimburse employees for sales tax when making purchases and requesting reimbursement.

Conclusion - Response accepted

- I-D-14 Supporting Documentation - We noted instances of checks being written to vendors without a cancelled invoice or statement to be used as supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The district will make sure all check stubs and vendor invoices are filed correctly. The cancelled check to vendor may also be found in bank statements

Conclusion - Response accepted

OTHER MATTERS

- I-E-12 Board Policies - We noted during our audit some of the policies in the District's board policy book appear to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a timely manner.

Response – Board Policy series will be reviewed and documented in a timely manner.

Conclusion – Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted in the certified budget.

II-B-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.

II-C-14 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Zietlow, Board Member	Track Starter	\$624
Randy Maur, Bus Driver Owns Marla's Screen Prints	Shirt printing	\$20,065
Doug Dabroski, Board Member	Athletic official	\$530

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

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Members Doug Dabroski and John Zietlow do not appear to represent a conflict of interest.

II-D-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.

II-E-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-F-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-G-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-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.

II-I-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.

II-J-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-K-14 Statewide Sales, Services and Use Tax - We noted during our audit that the District paid

\$1,123.50 for parking lot maintenance from the Capital Projects: Statewide Sales, Services and Use Tax Fund. These expenditures do not appear to be in compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa.

Recommendation - The District should refrain from coding maintenance expenditures to the Capital Projects: Statewide Sales, Services and Use Tax Fund. We are requesting a corrective transfer in the amount of \$1,123.50 from the General Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Response - Maintenance expenditures will not be coded to Capital Projects in the Future. The Adjustment given will be made.

Conclusion - Response accepted

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		\$ 1,329,054
Revenues:		
Sales tax revenues	\$ 631,186	
Other local sources	34,413	665,599
		<u>1,994,653</u>
Expenditures:		
School infrastructure construction	124,193	
Equipment	108,832	
Other	25	233,050
		<u>1,761,603</u>
Ending balance		<u>\$ 1,761,603</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 and 423F of the Code of Iowa.

II-L-14 Checks Outstanding - We noted during our audit that the District had checks included in the District's bank reconciliations that have been outstanding for over a year.

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

Response -The district requested assistance in the process. All funds except payroll were clear of outstanding checks over a year; the district will review bank reconciliation and properly handle outstanding checks.

Conclusion - Response accepted

II-M-14 Student Activity Fund- In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative code 281-12.6(1), the purpose of the Student Activity Fund is to account for the financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: During our Audit we noted that the District had an Assembly account and Band uniform account these accounts do not appear to be appropriate for the student activity account. We also noted an Academic Excellence account in the student activity fund to be used to recognized top students in the classes. This account does not appear to be appropriate in the student activity fund.

Recommendation - The Band Uniform balance account should be put in the Instrumental account and the Assembly account should be moved to the General Fund or disbursed between all the individual activity accounts upon decision of the Board.

Response - The district will review activity fund accounts and update accounts that are not activity funds in accordance with Iowa Code.

Conclusion - Response accepted

II-N-14 Check Signatures - We noted instances in the School Nutrition Fund of checks clearing the bank without the signature of either the Board President or Board Secretary.

Recommendation - Chapter 291.8 of the Code of Iowa requires the Board Secretary to sign all checks. Pursuant to Chapter 291.1 of the Iowa Code, the Board President must sign all checks or may designate an individual to sign warrants on his/her behalf. Individuals designated to sign warrants on behalf of the Board President should be approved by the District and documented in the Board minutes annually. The District should review procedures in place and make necessary adjustments to ensure the proper signatures are on all checks to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - Checks will be reviewed prior to submitting to vendors to ensure proper signatures are on all checks.

Conclusion - Response accepted.