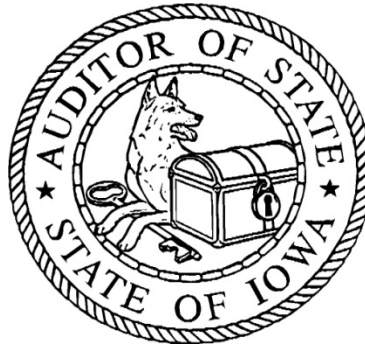


**SAMPLE COMMUNITY SCHOOL DISTRICT**

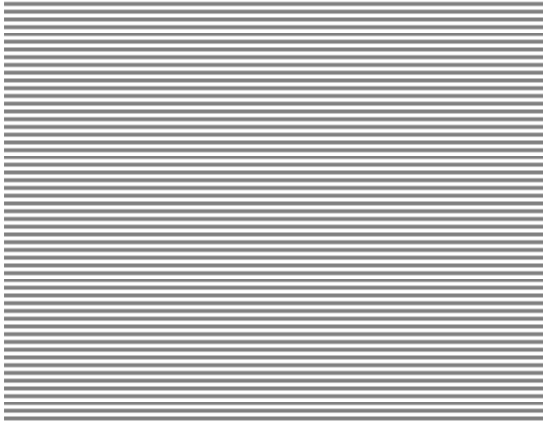
**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**







# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of governmental subdivisions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the basic financial statements, required and other supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the District feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Districts with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning single audit requirements should be directed to the District's cognizant or oversight agency which is generally:

Office of Inspector General  
United States Department of Education  
8930 Ward Parkway, Suite 2401  
Kansas City, MO 64114-3302  
(816) 268-0500

Iowa Department of Education  
School Finance Team  
Grimes Building  
400 East 14<sup>th</sup> Street  
Des Moines, IA 50319-0146  
(515) 281- 5295

In accordance with OMB Circular A-133, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/sac/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than one million dollars of securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

The findings on compliance, items IV-A-10 through IV-L-10, detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported. In accordance with Chapter 11.6(1)(a) of the Code of Iowa, the audit of the District is required to include an audit of certified enrollment, supplementary weighting and the District's Certified Annual Report. Any variances noted in the certified enrollment are required to be reported to the Department of Management, with a copy to the Iowa Department of Education.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the District for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the District and a copy should be sent to this office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in our office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.



DAVID A. VAUDT, CPA  
Auditor of State

**Office of Auditor of State**  
**Report Filing Requirements**

**Paper Copy Submission**

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this office upon release to the District within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, Iowa 50319-0001

**Electronic Submission**

The District or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office at:

[SubmitReports@auditor.state.ia.us](mailto:SubmitReports@auditor.state.ia.us)

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

An electronic (PDF format) copy of the audit report, including the management letter(s) if issued separately, should also be filed with the Iowa Department of Education. Each report should be submitted on a separate CD or by email attachment to [ED.Audit@iowa.gov](mailto:ED.Audit@iowa.gov). For more information, call (515) 281-5295.

**Filing Fee Submission**

The filing fee should be mailed separately to:

Office of Auditor of State  
PO Box 333  
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

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**Sample Community School District**  
**Outline of Major Changes**

- A. Revised the governmental fund financial statements and disclosures for implementation of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.
  - B. Revised the Iowa Public Employees Retirement System (IPERS) note disclosure (Note 8) for changes in the contribution rates effective July 1, 2010.
  - C. Revised the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for implementation of SAS No. 117.
  - D. Added additional information to the required statutory comment (IV-L-11) for compliance with the use of statewide sales, services and use tax revenue.
-

## **Additional Notes**

1. If the District has deposits in credit unions at June 30, 2011, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
2. District's are to submit the Certified Annual Report (CAR) to the Iowa Department of Education (DE) through an upload to the DE website. In order to properly certify the CAR to the DE, the District's CAR must be free of errors as determined by the DE's edit checks.

The DE does not accept amendments to the CAR. Material errors noted during the audit should be reviewed with the District and amended by the District through the "upward and downward auditor's adjustments" to the beginning balance on the subsequent period CAR.

District's must certify the fiscal 2011 CAR to the DE by September 15, 2011. If the District does not properly certify the CAR by the deadline, comment IV-J-11 in the Schedule of Findings and Questioned Costs should be modified as follows:

Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2011.

Recommendation – In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response –

Conclusion –

3. Confirmations from the Iowa Department of Education will be available electronically through the web. Also, all correspondence to auditors from the Iowa Department of Education will be done by e-mail. Please send e-mail addresses or updates to Janice.Evans@iowa.gov.
4. Chapter 11.6 (1)(a) requires the audit of a school district to include an audit of the certified enrollment and supplementary weighting. Procedures to test enrollment and supplementary weighting are included in the Community School District Compliance Guide.

The auditor is required to include comments on certified enrollment and supplementary weighting in the Schedule of Findings and Questioned Costs, regardless of whether there are any variances or not.

---

### **Additional Notes (continued)**

Variations in the certified enrollment and the supporting documentation are to be reported to the Department of Management at the time the audit report is issued, but no later than March 31. If the deadline for filing the audit report can not be met and the Auditor of State grants an extension for the filing of the audit report, the extension does not extend the deadline for filing adjustments to certified enrollment. Supporting documentation to be provided includes the student's name and student I.D. number rather than an aggregated line total. However, this identifying information should not be included in the audit report comments. The auditor should discuss any findings with the District prior to reporting the variations. A letter to the Department of Management is not necessary if no variations are noted. A copy of the letter to the Department of Management should be sent to the Iowa Department of Education.

Following is an example of reporting to the Department of Management.

**Additional Notes (continued)**

**SAMPLE LETTER TO THE DEPARTMENT OF MANAGEMENT  
ON CERTIFIED ENROLLMENT**

(Date)

Department of Management  
State Capitol Building, Room 13  
Des Moines, Iowa 50319

In connection with our audit of the \_\_\_\_\_ Community School District, we examined documentation by the District to support the enrollment certified to the Department of Education for October 2010. For supplementary weighting variances, documentation is attached. The following enrollment variances were noted:

<u>Student Name</u>	<u>Grade</u>	<u>Certified Number</u>	<u>Audited Number</u>	<u>Variance</u>	<u>Remarks</u>
-------------------------	--------------	-----------------------------	---------------------------	-----------------	----------------

Sincerely,

(CPA Signature)

cc: Susan McCurdy  
Iowa Department of Education  
Grimes State Office Building  
400 E. 14<sup>th</sup> Street  
Des Moines, IA 50319-0146

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### **Additional Notes (continued)**

5. Also attached are a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with our office.
6. The attached sample Corrective Action Plan refers the user to the District's response to the auditor's comment for the detailed corrective action planned. If the District's response to the auditor's comment does not include the details of its planned corrective action, this information should be included in the Corrective Action Plan itself.
7. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a "termination benefit" as defined by GASB Statement No. 47.

#### **Sample Note – Termination Benefits**

In September 2009, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2010. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal 60% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2011. The second and third payments will be paid July 1, 2011 and July 1, 2012, respectively.

At June 30, 2011, the District has obligations to eleven participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$85,642.

8. Categorical funding legislation – As a result of legislation (HF 2679) enacted by the 2008 Legislature, Iowa Code section 11.6 was amended to specifically require categorical funding be covered during the annual audit. Specifically, the following requirement was added:

“The examination of school offices shall include at a minimum a determination that the laws of the state are being followed, that categorical funding is not used to supplant other funding except as otherwise provided, that supplementary weighting is pursuant to an eligible sharing condition, and that postsecondary courses provided in accordance with section 257.11 and chapter 261E supplement, rather than supplant, school district courses.”

As a result, procedures to test categorical funding are included in the Community School District Compliance Guide.

The auditor is required to include a statutory comment on categorical funding in the Schedule of Findings and Question Costs, regardless of whether there are any instances of non-compliance or not.

---

**Additional Notes (continued)**

The following, in addition to item IV-K-11 included in the Schedule of Findings and Question Costs of this sample report, are examples of audit report comments which may be appropriate to report findings regarding categorical funding.

**No findings noted:**

Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

**Non-compliance noted:**

Categorical Funding – Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. The District charged \$1,625 for student transportation to the Gifted and Talented program. Student transportation is not an allowable cost of this program pursuant to Chapter 257 of the Code of Iowa and Iowa Department of Education administrative rules.

Recommendation – The District should contact the Iowa Department of Education regarding corrective action required. In the future, the District should not allocate student transportation costs to the Gifted and Talented program. The questioned costs of \$1,625 should be reported as restricted fund balance.

Response –

Conclusion –

9. The District’s General Fund balance should be restricted for unspent categorical funding. The Sample Community School District reports \$20,000 of fund balance restricted for categorical funding which is not considered significant. If the restricted fund balance for categorical funding is significant, the details should be displayed on the face of the financial statements or disclosed in the notes to the financial statements as illustrated in the following example.

**(XX) Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 21,300
Returning dropout and dropout prevention program	28,400
Teacher salary supplement	100,800
Home school assistance program	3,300
Educator quality, professional development	<u>2,700</u>
Total	<u>\$ 156,500</u>

**Additional Notes (continued)**

10. Statewide sales, services and use tax legislation – 2008 legislation (HF 2663) amended Iowa Code section 423F.5 to require reporting certain elements pertaining to statewide sales, services and use tax be included in the annual financial audit, including an accounting of the amount of moneys received and spent for infrastructure purposes pursuant to Chapters 423E or 423F of the Code of Iowa. The accounting should include both the statewide sales, services and use tax and the balance of the local option sales and services tax received prior to the enactment of the statewide tax, if any. The required reporting elements are included in item IV-L-11 in the Schedule of Findings and Questioned Costs of this sample report.
-

## Additional Notes (continued)

Sample Entity

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2011

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-11	Unsupported Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tom Claim, Sample Entity Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Department of Economic Development on October 3, 2011.
III-B-11	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX	November 2, 2011
III-C-11	Financial Reporting	As reported in our response to the auditor's comment, we have implemented an independent review process which requires review by the Sample Entity Program Director, effective immediately. In addition, beginning with the December, 2011 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented. Timely report filing will begin with the quarter ending December, 2011.

**Sample B****Additional Notes (continued)**

Sample Entity

Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2011

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
III-C-08 III-B-09 III-B-10	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part.
III-A-09 III-A-10	Segregation of Duties over Federal Revenues	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff.
III-C-09 III-C-10	Capital Assets	Corrective action taken.	
III-D-10	Financial Reporting	Partially corrected.	Review procedures have been implemented. Timely report filing will begin with the quarter ending December, 2011.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

Contact:

FOR RELEASE \_\_\_\_\_

Auditor of State David A. Vaudt today released an audit report on Sample Community School District in Anywhere, Iowa.

The District's revenues totaled \$\_\_\_\_\_ for the year ended June 30, 2011, a(n) \_\_\_ percent increase (decrease) from the prior year. Revenues included \$\_\_\_\_\_ in local tax, charges for service of \$\_\_\_\_\_, operating grants, contributions and restricted interest of \$\_\_\_\_\_, unrestricted interest of \$\_\_\_\_\_ and other general revenues of \$\_\_\_\_\_.

Expenses for District operations totaled \$\_\_\_\_\_, a(n) \_\_\_ percent increase (decrease) from the prior year. Expenses included \$\_\_\_\_\_ for \_\_\_ a \_\_\_, \$\_\_\_\_\_ for \_\_\_ b \_\_\_ and \$\_\_\_\_\_ for \_\_\_ c \_\_\_. (a, b, c – functions with the three highest expense totals.)

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

###



**SAMPLE COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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**Sample Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Denise Schmitz	President	2013
Tom Rivers	Vice President	2011
Debra Givens	Board Member	2011
David Riley	Board Member	2013
Douglas Stahley	Board Member	2013
<b>School Officials</b>		
Quentin Jones	Superintendent	2011
Maxine Thorn	District Secretary/Treasurer and Business Manager	Indefinite
Jack Lawful	Attorney	Indefinite

**Sample Community School District**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Board of Education of  
Sample Community School District:

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 Sample Community School District, Anywhere Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Sample Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2011 on our consideration of Sample Community School District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

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

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Sample 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,206,834 in fiscal year 2010 to \$13,131,390 in fiscal year 2011, while General Fund expenditures increased from \$12,057,156 in fiscal year 2010 to \$13,228,379 in fiscal year 2011. The District's General Fund balance decreased from \$365,242 at the end of fiscal year 2010 to \$109,541 at the end of fiscal year 2011, a 70% decrease.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in property tax and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2011. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$91,659 in fiscal year 2010 to \$79,486 in fiscal year 2011.

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

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

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

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

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

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

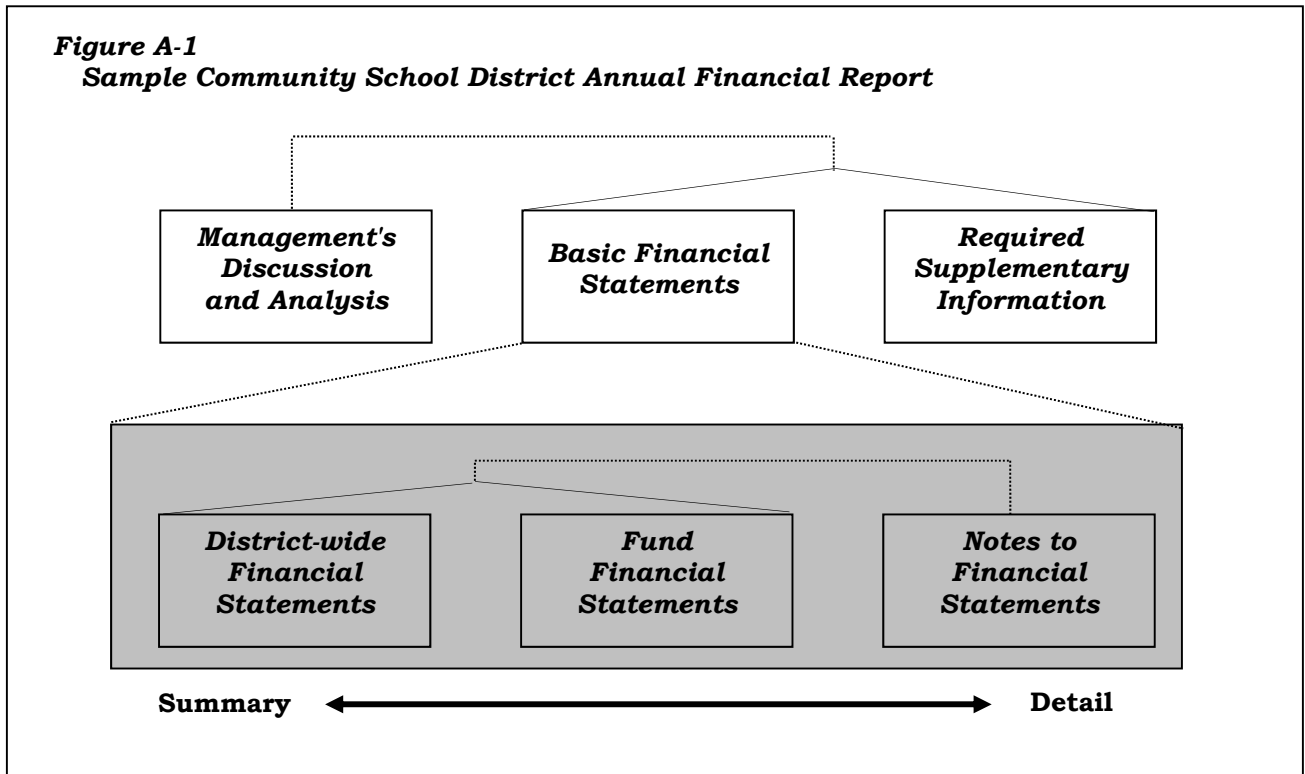


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are 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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets 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 Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring 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 assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 8,374	9,747	43	72	8,417	9,819	-14.3%
Capital assets	12,576	10,699	69	84	12,645	10,783	17.3%
Total assets	20,950	20,446	112	156	21,062	20,602	2.2%
Long-term liabilities	10,702	7,764	38	19	10,740	7,783	38.0%
Other liabilities	6,849	9,257	13	66	6,862	9,323	-26.4%
Total liabilities	17,551	17,021	51	85	17,602	17,106	2.9%
Net assets:							
Invested in capital assets, net of related debt	3,620	3,425	69	84	3,689	3,509	5.1%
Restricted	473	247	-	-	473	247	91.5%
Unrestricted	(694)	(247)	(8)	(13)	(702)	(260)	170.0%
Total net assets	\$ 3,399	3,425	61	71	3,460	3,496	-1.0%

The District's combined net assets decreased 1%, or approximately \$36,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$226,000, or 92%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and an increase in net assets restricted for the required bond reserve.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$442,000, or 170%. This reduction in unrestricted net assets was primarily a result of the District's net OPEB liability recorded in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 1,188	1,049	459	406	1,647	1,455	13.2%
Operating grants, contributions and restricted interest	1,432	1,340	229	215	1,661	1,555	6.8%
Capital grants, contributions and restricted interest	42	-	-	-	42	-	100.0%
<b>General revenues:</b>							
Property tax	4,084	3,725	-	-	4,084	3,725	9.6%
Statewide sales, services and use tax	101	-	-	-	101	-	100.0%
Unrestricted state grants	7,767	7,589	-	-	7,767	7,589	2.3%
Unrestricted investment earnings	262	270	2	2	264	272	-2.9%
Other	46	39	-	-	46	39	17.9%
<b>Total revenues</b>	<b>14,922</b>	<b>14,012</b>	<b>690</b>	<b>623</b>	<b>15,612</b>	<b>14,635</b>	<b>6.7%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	9,266	8,344	-	-	9,266	8,344	11.0%
Support services	4,537	4,207	-	-	4,537	4,207	7.8%
Non-instructional programs	53	51	700	629	753	680	10.7%
Other expenses	1,092	1,003	-	-	1,092	1,003	8.9%
<b>Total expenses</b>	<b>14,948</b>	<b>13,605</b>	<b>700</b>	<b>629</b>	<b>15,648</b>	<b>14,234</b>	<b>9.9%</b>
Increase (decrease) in net assets	(26)	407	(10)	(6)	(36)	401	-109.0%
Net assets beginning of year, as restated	3,425	3,018	71	77	3,496	3,095	13.0%
<b>Net assets end of year</b>	<b>\$ 3,399</b>	<b>3,425</b>	<b>61</b>	<b>71</b>	<b>3,460</b>	<b>3,496</b>	<b>-1.3%</b>

In fiscal year 2011, property tax and unrestricted state grants accounted for 79.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue.

The District's total revenues were approximately \$15.6 million, of which approximately \$14.9 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.7% increase in revenues and a 10% increase in expenses. Property tax increased approximately \$359,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$14,921,642 and expenses were \$14,947,837 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
			2010-2011			2010-2011
Instruction	\$ 9,266	8,344	11.0%	7,325	6,615	10.7%
Support services	4,537	4,207	7.8%	4,466	4,121	8.4%
Non-instructional programs	53	51	3.9%	40	39	2.6%
Other expenses	1,092	1,003	8.9%	455	441	3.2%
<b>Total</b>	<b>\$ 14,948</b>	<b>13,605</b>	<b>9.9%</b>	<b>12,286</b>	<b>11,216</b>	<b>9.5%</b>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,187,706.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,432,041.
- The net cost of governmental activities was financed with \$4,184,666 in property and other taxes and \$7,766,571 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2011 were \$690,615, representing a 10.9% increase over the prior year, while expenses totaled \$700,165, an 11.3% increase over 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.

During the year ended June 30, 2011, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund, which the District has obligated for replacement of obsolete kitchen equipment at two elementary buildings in the next fiscal year.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,585,827, well above last year's ending fund balances of \$529,188. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2011 is due to approximately \$1 million of unexpended general obligation bond proceeds received in fiscal year 2011.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$365,242 to \$109,541 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund balance increased from \$36,400 at the end of fiscal year 2010 to \$40,910 at the end of fiscal year 2011. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance increased due to the sale of \$3,200,000 of general obligation and revenue bonds during fiscal year 2011. The District ended fiscal year 2010 with a deficit of \$103,971 as a result of preliminary project costs. Fiscal year 2011 ended with a balance of \$1,163,606, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$70,746 at June 30, 2010 to \$61,196 at June 30, 2011, representing a decrease of approximately 13%. For fiscal year 2011, the District increased meal prices, resulting in an increase in revenues. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue. However, the District also reflected the related expenses for the initial year of the net OPEB liability, which caused an overall reduction of net assets.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Sample Community School District amended its budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity.

The District's total revenues were \$161,903 less than total budgeted revenues, a variance of less than 1%. Even though local tax revenue increased in fiscal year 2011, a reduction in state resources caused the total amount received to be less 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. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2011 than was planned.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested approximately \$12.6 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 17.3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation/amortization expense for the year was \$511,679.

The original cost of the District's capital assets was approximately \$16.4 million. Governmental funds account for approximately \$16.2 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,259,622 at June 30, 2011, compared to \$58,561 reported at June 30, 2010. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds and revenue bonds totaling \$3,200,000 in fiscal year 2011 for construction of a new elementary school.

**Figure A-6**  
**Capital Assets, net of Depreciation/Amortization**  
**(expressed in thousands)**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 611	600	-	-	611	600	1.8%
Construction in progress	2,260	59	-	-	2,260	59	3730.5%
Buildings	5,640	5,763	-	-	5,640	5,763	-2.1%
Improvements other than buildings	2,158	2,223	-	-	2,158	2,223	-2.9%
Furniture and equipment	1,859	2,000	70	84	1,929	2,084	-7.4%
Intangibles	48	54	-	-	48	54	-11.1%
Total	\$ 12,576	10,699	70	84	12,646	10,783	17.3%

### Long-Term Debt

At June 30, 2011, the District had \$9,940,000 in total long-term debt outstanding. This represents an increase of approximately 37% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16 million.

In May 2010, the District's voters authorized the issuance of \$2,200,000 of general obligation bonds to pay for construction of a new elementary building. Planning for the project started in fiscal year 2010 and the bonds were sold during fiscal year 2011. In December 2010, the District issued \$1,000,000 of Statewide Sales, Services and Use Tax revenue bonds for the project. The District had total outstanding bonded indebtedness at June 30, 2011 of \$9,560,000.

The District also had outstanding School Equipment Notes payable from the General Fund or the Special Revenue, Physical Plant and Equipment Levy Fund of \$380,000 at June 30, 2011.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total		Total
	District		Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 8,560	6,695	27.9%
Revenue bonds	1,000	-	100.0%
Notes payable	380	579	-34.4%
Total	\$ 9,940	7,274	36.7%

## **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 which could significantly affect its financial health in the future:

- Sample County has advised the District its total taxable valuation will increase 5% for property tax collected in fiscal year 2012 due to the addition of two new industrial sites and the recent completion of property revaluation assessments.
- The District expects a slight increase in enrollment due to a new housing development in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, three buses must be replaced during fiscal year 2012 at a cost of \$180,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Capital Projects Fund.
- Fiscal year 2012 will be the last year of a three-year contract with the Sample Education Teachers Association (SETA). The District will negotiate a new agreement during fiscal year 2012. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **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 Maxine Thorn, District Secretary/Treasurer and Business Manager, Sample Community School District, 77 Sunset Strip, Anywhere, Iowa, 50000-XXXX.

## **Basic Financial Statements**

Sample Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,983,717	31,798	3,015,515
Receivables:			
Property tax:			
Delinquent	73,556	-	73,556
Succeeding year	4,850,000	-	4,850,000
Accounts	13,949	184	14,133
Accrued interest	56,057	-	56,057
Due from other governments	396,007	-	396,007
Inventories	-	10,951	10,951
Capital assets, net of accumulated depreciation/amortization	12,576,443	69,673	12,646,116
<b>Total assets</b>	<b>20,949,729</b>	<b>112,606</b>	<b>21,062,335</b>
<b>Liabilities</b>			
Accounts payable	421,899	10,245	432,144
Salaries and benefits payable	1,435,373	3,144	1,438,517
Due to other governments	51,043	-	51,043
Accrued interest payable	89,897	-	89,897
Deferred revenue - succeeding year property tax	4,850,000	-	4,850,000
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	305,000	-	305,000
Revenue bonds	110,000	-	110,000
Notes	155,000	-	155,000
Compensated absences	8,148	-	8,148
Portion due after one year:			
General obligation bonds	8,255,000	-	8,255,000
Revenue bonds	890,000	-	890,000
Notes	225,000	-	225,000
Net OPEB liability	754,079	38,021	792,100
<b>Total liabilities</b>	<b>17,550,439</b>	<b>51,410</b>	<b>17,601,849</b>

Sample Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,620,104	69,673	3,689,777
Restricted for:			
Categorical funding	20,000	-	20,000
Management levy purposes	12,318	-	12,318
Physical plant and equipment	81,453	-	81,453
Student activities	259,470	-	259,470
Debt service	100,000	-	100,000
Unrestricted	(694,055)	(8,477)	(702,532)
<b>Total net assets</b>	<b>\$ 3,399,290</b>	<b>61,196</b>	<b>3,460,486</b>

See notes to financial statements.

Sample Community School District

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,677,472	448,988	618,244	-
Special instruction	2,277,577	187,876	167,295	-
Other instruction	1,311,145	489,975	28,409	-
	<u>9,266,194</u>	<u>1,126,839</u>	<u>813,948</u>	<u>-</u>
Support services:				
Student	448,506	-	9,129	-
Instructional staff	484,569	-	-	-
Administration	1,810,353	-	1,500	-
Operation and maintenance of plant	1,290,242	35,298	2,470	-
Transportation	502,943	12,085	10,393	-
	<u>4,536,613</u>	<u>47,383</u>	<u>23,492</u>	<u>-</u>
Non-instructional programs	53,314	13,484	-	-
Other expenditures:				
Facilities acquisition	3,112	-	-	42,072
Long-term debt interest	378,471	-	7,036	-
AEA flowthrough	587,565	-	587,565	-
Depreciation/amortization (unallocated)*	122,568	-	-	-
	<u>1,091,716</u>	<u>-</u>	<u>594,601</u>	<u>42,072</u>
Total governmental activities	<u>14,947,837</u>	<u>1,187,706</u>	<u>1,432,041</u>	<u>42,072</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	10,500	-	-	-
Non-instructional programs:				
Food service operations	689,665	459,403	228,957	-
Total business type activities	<u>700,165</u>	<u>459,403</u>	<u>228,957</u>	<u>-</u>
Total	<u>\$ 15,648,002</u>	<u>1,647,109</u>	<u>1,660,998</u>	<u>42,072</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

\* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(4,610,240)	-	(4,610,240)
(1,922,406)	-	(1,922,406)
(792,761)	-	(792,761)
(7,325,407)	-	(7,325,407)
(439,377)	-	(439,377)
(484,569)	-	(484,569)
(1,808,853)	-	(1,808,853)
(1,252,474)	-	(1,252,474)
(480,465)	-	(480,465)
(4,465,738)	-	(4,465,738)
(39,830)	-	(39,830)
38,960	-	38,960
(371,435)	-	(371,435)
-	-	-
(122,568)	-	(122,568)
(455,043)	-	(455,043)
(12,286,018)	-	(12,286,018)
-	(10,500)	(10,500)
-	(1,305)	(1,305)
-	(11,805)	(11,805)
(12,286,018)	(11,805)	(12,297,823)
\$ 3,236,511	-	3,236,511
659,656	-	659,656
187,288	-	187,288
101,211	-	101,211
7,766,571	-	7,766,571
262,350	2,255	264,605
46,236	-	46,236
12,259,823	2,255	12,262,078
(26,195)	(9,550)	(35,745)
3,425,485	70,746	3,496,231
\$ 3,399,290	61,196	3,460,486

**Exhibit C**

## Sample Community School District

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,171,813	33,733	1,505,509	272,662	2,983,717
Receivables:					
Property tax:					
Delinquent	53,781	13,190	3,579	3,006	73,556
Succeeding year	3,423,000	921,000	231,000	275,000	4,850,000
Accounts	12,518	-	-	1,431	13,949
Accrued interest	54,580	-	-	1,477	56,057
Due from other funds	12,313	-	-	-	12,313
Due from other governments	375,007	-	21,000	-	396,007
<b>Total assets</b>	<b>\$ 5,103,012</b>	<b>967,923</b>	<b>1,761,088</b>	<b>553,576</b>	<b>8,385,599</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 62,628	-	352,661	6,610	421,899
Salaries and benefits payable	1,435,195	-	-	178	1,435,373
Due to other governments	51,043	-	-	-	51,043
Due to other funds	-	-	12,313	-	12,313
Deferred revenue:					
Succeeding year property tax	3,423,000	921,000	231,000	275,000	4,850,000
Other	21,605	6,013	1,508	18	29,144
Total liabilities	4,993,471	927,013	597,482	281,806	6,799,772
Fund balances:					
Restricted for:					
Categorical funding	20,000	-	-	-	20,000
Debt service	-	40,910	100,000	-	140,910
Management levy purposes	-	-	-	12,300	12,300
Student activities	-	-	-	259,470	259,470
School infrastructure	-	-	1,043,661	-	1,043,661
Physical plant and equipment	-	-	19,945	-	19,945
Committed for future equipment purchases	10,000	-	-	-	10,000
Unassigned	79,541	-	-	-	79,541
Total fund balances	109,541	40,910	1,163,606	271,770	1,585,827
<b>Total liabilities and fund balances</b>	<b>\$ 5,103,012</b>	<b>967,923</b>	<b>1,761,088</b>	<b>553,576</b>	<b>8,385,599</b>

See notes to financial statements.

Sample Community School District

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

June 30, 2011

**Total fund balances of governmental funds (page 22)** \$ 1,585,827

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,576,443

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 29,144

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental (89,897)

Long-term liabilities, including bonds and notes payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (10,702,227)

**Net assets of governmental activities (page 19)** \$ 3,399,290

See notes to financial statements.

**Exhibit E**

Sample Community School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,957,083	661,263	292,066	274,606	4,185,018
Tuition	497,718	-	-	-	497,718
Other	456,375	7,036	50,311	502,890	1,016,612
Intermediate sources	20,837	-	-	-	20,837
State sources	8,805,749	1,424	411	597	8,808,181
Federal sources	393,628	-	-	-	393,628
Total revenues	13,131,390	669,723	342,788	778,093	14,921,994
Expenditures:					
Current:					
Instruction:					
Regular	5,365,383	-	-	54,679	5,420,062
Special	2,225,277	-	-	6,620	2,231,897
Other	811,828	-	-	460,991	1,272,819
	8,402,488	-	-	522,290	8,924,778
Support services:					
Student	437,088	-	-	-	437,088
Instructional staff	468,960	-	-	-	468,960
Administration	1,621,570	-	2,840	209,401	1,833,811
Operation and maintenance of plant	1,218,652	-	-	6,589	1,225,241
Transportation	438,742	-	-	-	438,742
	4,185,012	-	2,840	215,990	4,403,842
Non-instructional programs	53,314	-	-	-	53,314
Other expenditures:					
Facilities acquisition	-	-	2,204,173	-	2,204,173
Long-term debt:					
Principal	-	534,507	-	-	534,507
Interest and fiscal charges	-	357,176	-	-	357,176
AEA flowthrough	587,565	-	-	-	587,565
	587,565	891,683	2,204,173	-	3,683,421
Total expenditures	13,228,379	891,683	2,207,013	738,280	17,065,355
Excess (deficiency) of revenues over (under) expenditures	(96,989)	(221,960)	(1,864,225)	39,813	(2,143,361)
Other financing sources (uses):					
General obligation bonds issued	-	-	2,200,000	-	2,200,000
Revenue bonds issued	-	-	1,000,000	-	1,000,000
Operating transfers in	-	226,470	-	440	226,910
Operating transfers out	(158,712)	-	(68,198)	-	(226,910)
Total other financing sources (uses)	(158,712)	226,470	3,131,802	440	3,200,000
Net change in fund balances	(255,701)	4,510	1,267,577	40,253	1,056,639
Fund balances beginning of year, as restated	365,242	36,400	(103,971)	231,517	529,188
Fund balances end of year	\$ 109,541	40,910	1,163,606	271,770	1,585,827

See notes to financial statements.

Sample 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, 2011

**Net change in fund balances - total governmental funds (page 24)** \$ 1,056,639

**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/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,374,305	
Depreciation/amortization expense	(496,618)	1,877,687

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (352)

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

Issued	(3,200,000)	
Repaid	534,507	(2,665,493)

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. (21,295)

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:

Early retirement	86,819	
Compensated absences	2,131	
Other postemployment benefits	(362,331)	(273,381)

**Change in net assets of governmental activities (page 21)** \$ (26,195)

See notes to financial statements.

## Sample Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 31,798
Accounts receivable	184
Inventories	10,951
Capital assets, net of accumulated depreciation	69,673
<b>Total assets</b>	<u>112,606</u>
<b>Liabilities</b>	
Accounts payable	10,245
Salaries and benefits payable	3,144
Net OPEB liability	38,021
<b>Total liabilities</b>	<u>51,410</u>
<b>Net Assets</b>	
Invested in capital assets	69,673
Unrestricted	(8,477)
<b>Total net assets</b>	<u>\$ 61,196</u>

See notes to financial statements.

Sample Community School District

Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 459,403
Operating expenses:	
Support services:	
Operation and maintenance of plant	10,500
Non-instructional programs:	
Food service operations:	
Salaries	159,383
Benefits	69,621
Purchased services	73,758
Supplies	371,842
Depreciation	15,061
Total operating expenses	<u>700,165</u>
Operating loss	<u>(240,762)</u>
Non-operating revenues:	
State sources	7,989
Federal sources	220,968
Interest income	2,255
Total non-operating revenues	<u>231,212</u>
Decrease in net assets	(9,550)
Net assets beginning of year	<u>70,746</u>
Net assets end of year	<u>\$ 61,196</u>

See notes to financial statements.

**Exhibit I**

## Sample Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 462,317
Cash paid to employees for services	(159,876)
Cash paid to suppliers for goods or services	(530,738)
Net cash used by operating activities	<u>(228,297)</u>
Cash flows from non-capital financing activities:	
State grants received	7,989
Federal grants received	195,324
Net cash provided by non-capital financing activities	<u>203,313</u>
Cash flows from capital and related financing activities:	
Sale of capital assets	1,200
Acquisition of capital assets	(1,565)
Net cash used by capital and related financing activities	<u>(365)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,255</u>
Net decrease in cash and cash equivalents	(23,094)
Cash and cash equivalents beginning of year	<u>54,892</u>
Cash and cash equivalents end of year	<u>\$ 31,798</u>

Sample Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (240,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	28,500
Depreciation	15,061
Decrease in inventories	1,055
Decrease in accounts receivable	1,859
(Decrease) in accounts payable	(1,472)
(Decrease) in salaries and benefits payable	(512)
(Decrease) in due to other governments	(50,295)
Increase in other postemployment benefits	18,269
	<u>                    </u>
Net cash used by operating activities	<u>\$ (228,297)</u>

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

During the year ended June 30, 2011, the District received \$28,500 of federal commodities.

See notes to financial statements.

## Sample Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 36,109	44,343
Accrued interest receivable	167	-
Due from other governments	-	43,287
	<u>36,276</u>	<u>87,630</u>
<b>Total assets</b>	<u>36,276</u>	<u>87,630</u>
<b>Liabilities</b>		
Accounts payable	-	63
Due to other governments	-	87,567
	<u>-</u>	<u>87,630</u>
<b>Total liabilities</b>	<u>-</u>	<u>87,630</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 36,276</u>	<u>-</u>

See notes to financial statements.

Sample Community School District

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,250
Interest income	2,198
Total additions	<u>3,448</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>3,350</u>
Change in net assets	98
Net assets beginning of year	<u>36,178</u>
Net assets end of year	<u><u>\$ 36,276</u></u>

See notes to financial statements.

Sample Community School District

Notes to Financial Statements

June 30, 2011

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

Sample Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Anywhere, Iowa and the predominate agricultural territory in Sample 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, Sample 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

The Enterprise, 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 assets and changes in net assets. 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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-15

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – 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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

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

#### E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$908,824 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

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

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 12,313

The Capital Projects Fund is repaying the General Fund for property tax incorrectly recorded in the prior year. The balance is to be repaid by June 30, 2012.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Student Activity	General	\$ 440
Debt Service	General	158,272
	Capital Projects	<u>68,198</u>
Total		<u>\$ 226,910</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/10	6/23/11	\$ -	1,555,000	1,555,000	-
2010-11B	1/26/11	1/25/12	-	420,000	420,000	-
Total			\$ -	1,975,000	1,975,000	-

During the year ended June 30, 2011, the District paid \$31,363 of interest on the ISCAP warrants.

#### (6) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 600,250	10,800	-	611,050
Construction in progress	58,561	2,201,061	-	2,259,622
Total capital assets not being depreciated	658,811	2,211,861	-	2,870,672
Capital assets being depreciated/amortized:				
Buildings	8,316,184	-	-	8,316,184
Improvements other than buildings	2,322,793	-	-	2,322,793
Furniture and equipment	2,867,365	162,444	(336,623)	2,693,186
Intangible assets	60,000	-	-	60,000
Total capital assets being depreciated/amortized	13,566,342	162,444	(336,623)	13,392,163
Less accumulated depreciation/amortization for:				
Buildings	2,553,315	122,568	-	2,675,883
Improvements other than buildings	99,400	65,456	-	164,856
Furniture and equipment	867,682	302,594	(336,623)	833,653
Intangible assets	6,000	6,000	-	12,000
Total accumulated depreciation/amortization	3,526,397	496,618	(336,623)	3,686,392
Total capital assets being depreciated/amortized, net	10,039,945	(334,174)	-	9,705,771
Governmental activities capital assets, net	\$ 10,698,756	1,877,687	-	12,576,443
<b>Business type activities:</b>				
Furniture and equipment	\$ 197,176	1,565	(18,791)	179,950
Less accumulated depreciation	112,807	15,061	(17,591)	110,277
Business type activities capital assets, net	\$ 84,369	(13,496)	(1,200)	69,673

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 238,253
Special		13,473
Other		12,814
Support services:		
Instructional staff		3,049
Administration		1,577
Operation and maintenance of plant		54,004
Transportation		50,880
		374,050
Unallocated		122,568
		\$ 496,618
Business type activities:		
Food service operations		\$ 15,061

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,695,000	2,200,000	335,000	8,560,000	305,000
Revenue bonds	-	1,000,000	-	1,000,000	110,000
Notes payable	579,507	-	199,507	380,000	155,000
Early retirement	86,819	-	86,819	-	-
Compensated absences	10,279	45,413	47,544	8,148	8,148
Net OPEB liability	391,748	362,331	-	754,079	-
	\$ 7,763,353	3,607,744	668,870	10,702,227	578,148
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 19,752	18,269	-	38,021	-

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			Bond Issue of April 1, 2008 Series A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	4.70%	\$ 10,000	201,680	4.10%	\$ 30,000	94,655
2013	4.80	10,000	201,210	4.20	60,000	93,425
2014	4.90	15,000	200,730	4.25	305,000	90,905
2015	5.00	5,000	199,995	4.30	320,000	77,942
2016	5.10	5,000	199,745	4.35	335,000	64,183
2017-2021	5.15-5.35	795,000	975,165	4.40-4.55	1,110,000	101,565
2022-2026	5.40-5.50	2,335,000	548,430		-	-
2027-2031	5.50	550,000	30,250		-	-
		\$ 3,725,000	2,557,205		\$2,160,000	522,675

Year Ending June 30,	Bond Issue of April 1, 2008 Series B			Bond Issue of Oct 1, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.10%	\$ 245,000	19,705	4.375%	\$ 20,000	115,343	305,000	431,383	736,383
2013	4.20	230,000	9,660	4.375	55,000	93,643	355,000	397,938	752,938
2014		-	-	4.375	60,000	91,718	380,000	383,353	763,353
2015		-	-	4.375	70,000	89,618	395,000	367,555	762,555
2016		-	-	4.375	80,000	87,168	420,000	351,096	771,096
2017-2021		-	-	4.50	485,000	386,331	2,390,000	1,463,061	3,853,061
2022-2026		-	-	4.50-4.75	635,000	271,563	2,970,000	819,993	3,789,993
2027-2031		-	-	4.80-5.00	795,000	113,835	1,345,000	144,085	1,489,085
Total		\$ 475,000	29,365		\$ 2,200,000	1,249,219	8,560,000	4,358,464	12,918,464

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Dec 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	4.00%	\$ 110,000	53,200	163,200
2013	4.00	110,000	35,600	145,600
2014	4.00	115,000	31,200	146,200
2015	4.00	120,000	26,600	146,600
2016	4.00	125,000	21,800	146,800
2017-2019	4.00	420,000	34,000	454,000
Total		\$ 1,000,000	202,400	1,202,400

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,000,000 of bonds issued in December 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,202,400. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$101,211.

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

- a) \$100,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2011. The required reserve account was not established by the District and no transfers were made to the sinking account.

Notes

During the year ended June 30, 2009, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 5% to 5.75% per annum and are payable from the General Fund or the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2011 are as follows:

Year Ending June 30,	Note Issue of January 11, 2009				Note Issue of June 30, 2009		Total		
	Series 2009A		Series 2009B		Principal	Interest	Principal	Interest	Total
	Principal	Interest	Principal	Interest					
2012	\$ 55,000	3,875	15,000	375	85,000	14,950	155,000	19,200	174,200
2013	50,000	1,250	-	-	85,000	10,063	135,000	11,313	146,313
2014	-	-	-	-	90,000	5,175	90,000	5,175	95,175
Total	\$ 105,000	5,125	15,000	375	260,000	30,188	380,000	35,688	415,688

During the year ended June 30, 2011, the District made principal and interest payments totaling \$226,469 under the agreements.

**(8) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$468,264, \$453,627 and \$411,511, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 200 active and 12 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 benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 507,500
Interest on net OPEB obligation	20,575
Adjustment to annual required contribution	<u>(16,475)</u>
Annual OPEB cost	511,600
Contributions made	<u>(131,000)</u>
Increase in net OPEB obligation	380,600
Net OPEB obligation beginning of year	<u>411,500</u>
Net OPEB obligation end of year	<u>\$ 792,100</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$131,000 to the medical plan. Plan members eligible for benefits contributed \$124,500, or 49% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 307,400	20.6%	\$ 244,000
2010	507,500	18.9%	411,500
2011	511,600	25.6%	792,100

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$3.273 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.273 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,996,000 and the ratio of the UAAL to covered payroll was 36.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% 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 the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$823 per month for retirees less than age 65 and \$283 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

#### **(11) 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 \$587,565 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **(12) Construction Commitment**

The District has entered into a contract totaling \$3,192,384 for the construction of a new school and a remodeling project. As of June 30, 2011, costs of \$1,965,411 had been incurred against the contract. The balance of \$1,226,973 remaining at June 30, 2011 will be paid as work on the projects progress.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,439	(105,410)
Change in fund type classification per implementation of GASB Statement No. 54	(105,410)	105,410
Balances July 1, 2010, as restated	\$ (103,971)	-

**Sample Community School District**

**Required Supplementary Information**

Sample 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, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 5,699,348	461,658	6,161,006
Intermediate sources	20,837	-	20,837
State sources	8,708,181	7,989	8,716,170
Federal sources	493,628	220,968	714,596
Total revenues	14,921,994	690,615	15,612,609
Expenditures/Expenses:			
Instruction	8,924,778	-	8,924,778
Support services	4,403,842	10,500	4,414,342
Non-instructional programs	53,314	689,665	742,979
Other expenditures	3,683,421	-	3,683,421
Total expenditures/expenses	17,065,355	700,165	17,765,520
Deficiency of revenues under expenditures/expenses	(2,143,361)	(9,550)	(2,152,911)
Other financing sources, net	3,200,000	-	3,200,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,056,639	(9,550)	1,047,089
Balances beginning of year	529,188	70,746	599,934
Balances end of year	\$ 1,585,827	61,196	1,647,023

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
5,571,585	5,571,585	589,421
12,000	12,000	8,837
9,481,641	9,722,927	(1,006,757)
468,000	468,000	246,596
15,533,226	15,774,512	(161,903)
8,724,699	8,850,277	(74,501)
4,151,201	4,151,201	(263,141)
775,004	775,004	32,025
5,752,989	5,752,989	2,069,568
19,403,893	19,529,471	1,763,951
(3,870,667)	(3,754,959)	1,602,048
3,210,000	3,210,000	(10,000)
(660,667)	(544,959)	1,592,048
1,039,221	1,039,221	(439,287)
378,554	494,262	1,152,761

Sample Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$125,578.

During the year ended June 30, 2011, expenditures in the instruction and support services functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

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Sample Community School District

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 3,011	3,011	0.0%	\$ 8,599	35.0%
2010	Jul 1, 2008	-	3,011	3,011	0.0%	8,756	34.4%
2011	Jul 1, 2010	-	3,273	3,273	0.0%	8,996	36.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Sample Community School District**

**Other Supplementary Information**

**Schedule 1**

## Sample Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue</u>		
	<u>Manage-</u>	<u>Student</u>	
	<u>ment</u>	<u>Activity</u>	<u>Total</u>
	<u>Levy</u>		
<b>Assets</b>			
Cash and pooled investments	\$ 9,312	263,350	272,662
Receivables:			
Property tax:			
Delinquent	3,006	-	3,006
Succeeding year	275,000	-	275,000
Accounts	-	1,431	1,431
Accrued interest	-	1,477	1,477
<b>Total assets</b>	<b>\$ 287,318</b>	<b>266,258</b>	<b>553,576</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	6,610	6,610
Salaries and benefits payable	-	178	178
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	275,000	-	275,000
Other	18	-	18
Total liabilities	275,018	6,788	281,806
Fund Balances:			
Restricted for:			
Management levy purposes	12,300	-	12,300
Student activities	-	259,470	259,470
Total fund balances	12,300	259,470	271,770
<b>Total liabilities and fund balances</b>	<b>\$ 287,318</b>	<b>266,258</b>	<b>553,576</b>

See accompanying independent auditor's report.

## Sample Community School District

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

Year ended June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 274,606	-	274,606
Other	139	502,751	502,890
State sources	597	-	597
Total revenues	<u>275,342</u>	<u>502,751</u>	<u>778,093</u>
Expenditures:			
Current:			
Instruction:			
Regular	54,679	-	54,679
Special	6,620	-	6,620
Other	-	460,991	460,991
Support services:			
Administration	209,401	-	209,401
Operation and maintenance of plant	6,589	-	6,589
Other expenditures:			
Facilities acquisition	-	-	-
Total expenditures	<u>277,289</u>	<u>460,991</u>	<u>738,280</u>
Excess (deficiency) of revenues over (under) expenditures	(1,947)	41,760	39,813
Other financing sources:			
Operating transfers in	-	440	440
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,947)	41,760	39,813
Fund balances beginning of year, as restated	<u>14,247</u>	<u>217,270</u>	<u>231,517</u>
Fund balances end of year	<u>\$ 12,300</u>	<u>259,030</u>	<u>271,330</u>

See accompanying independent auditor's report.

**Schedule 3**

## Sample Community School District

Combining Balance Sheet  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,475,322	30,187	1,505,509
Receivables:			
Property tax:			
Delinquent	-	3,579	3,579
Succeeding year	-	231,000	231,000
Due from other governments	21,000	-	21,000
<b>Total assets</b>	<b>\$ 1,496,322</b>	<b>264,766</b>	<b>1,761,088</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 352,661	-	352,661
Due to other funds	-	12,313	12,313
Deferred revenue:			
Succeeding year property tax	-	231,000	231,000
Other	-	1,508	1,508
Total liabilities	352,661	244,821	597,482
Fund Balances:			
Restricted for:			
Debt service	100,000	-	100,000
School infrastructure	1,043,661	-	1,043,661
Physical plant and equipment	-	19,945	19,945
Total fund balances	1,143,661	19,945	1,163,606
<b>Total liabilities and fund balances</b>	<b>\$ 1,496,322</b>	<b>264,766</b>	<b>1,761,088</b>

See accompanying independent auditor's report.

Sample Community School District  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 101,211	190,855	292,066
Other	42,072	8,239	50,311
State sources	-	411	411
Total revenues	<u>143,283</u>	<u>199,505</u>	<u>342,788</u>
Expenditures:			
Support services:			
Administration	-	2,840	2,840
Other expenditures:			
Facilities acquisition	2,201,061	3,112	2,204,173
Total expenditures	<u>2,201,061</u>	<u>5,952</u>	<u>2,207,013</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,057,778)</u>	193,553	<u>(1,864,225)</u>
Other financing sources (uses):			
General obligation bonds issued	2,200,000	-	2,200,000
Revenue bonds issued	1,000,000	-	1,000,000
Operating transfers out	-	(68,198)	(68,198)
Total other financing sources (uses)	<u>3,200,000</u>	<u>(68,198)</u>	<u>3,131,802</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,142,222	125,355	1,267,577
Fund balances beginning of year, as restated	1,439	(105,410)	(103,971)
Fund balances end of year	<u>\$ 1,143,661</u>	<u>19,945</u>	<u>1,163,606</u>

See accompanying independent auditor's report.

**Schedule 5**

## Sample Community School District

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

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Middle School Athletics	\$ 18,735	29,081	14,855	-	32,961
High School Athletics	38,118	91,475	84,562	1,665	46,696
Debate	1,917	532	475	-	1,974
Mock Trial	1,000	-	310	310	1,000
Speech	1,000	36	618	582	1,000
Vocal Music-High School	5,936	33,544	31,013	2,118	10,585
Vocal Music-Middle School	1,222	11,913	12,846	-	289
Piano Fund Raiser	461	318	168	(461)	150
Instrumental Music-High School	6,573	1,192	2,839	1,994	6,920
Instrumental Music-Middle School	(723)	100	-	-	(623)
Cheerleaders-High School	503	14,599	9,843	-	5,259
Cheerleaders-Middle School	23	2,401	2,249	-	175
Volleyball	2,480	11,081	12,358	621	1,824
Soccer	2,501	4,908	4,815	(190)	2,404
Cross Country	699	1,108	1,514	407	700
Swimming	200	-	-	-	200
Basketball	5,000	10,679	6,256	(4,423)	5,000
Football	5,896	20,937	10,959	(11,387)	4,487
Baseball	5,562	45,013	47,904	4,111	6,782
Track	7,670	1,476	6,877	731	3,000
Tennis	1,799	4,053	5,008	1,041	1,885
Golf	3,001	4,418	5,100	681	3,000
Wrestling	3,000	2,785	2,445	(340)	3,000
Softball	3,501	7,197	7,519	1,572	4,751
German Club	515	1,219	1,162	-	572
Art Club	287	2,171	2,458	-	-
Drill Team	3,666	17,173	17,631	968	4,176
French Club	2,923	14,763	15,164	-	2,522
National Honor Society	1,619	365	328	-	1,656
Students Against Drunk Driving	398	661	308	-	751
Spanish Club	1,238	3,626	2,999	-	1,865
Student Council-Middle School	7,718	24,259	26,565	-	5,412
Student Council-High School	1,498	43,677	32,472	-	12,703

## Sample Community School District

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

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Class of 2010	(441)	441	-	-	-
Class of 2011	14,412	5,086	14,007	-	5,491
Class of 2012	-	12,977	10,970	-	2,007
Wrestling Club	4,372	6,280	6,082	-	4,570
Boys Basketball Club	2,842	3,161	4,166	-	1,837
Girls Basketball Club	2,221	4,405	5,116	-	1,510
Yearbook-High School	8,978	19,245	19,110	-	9,113
Yearbook-Middle School	1,400	3,330	3,039	-	1,691
Parking Sticker	421	-	-	35	456
Newspaper	172	2,386	3,096	-	(538)
Library Fines-Middle School	185	3,191	3,334	-	42
Library Fines-High School	3,675	9,495	6,981	-	6,189
Kids Business Education	7,344	6,016	6,226	-	7,134
Optional Activity Tickets	35,753	20,418	9,244	(35)	46,892
Total	\$ 217,270	503,191	460,991	-	259,470

See accompanying independent auditor's report.

**Sample Community School District**

## Sample Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 69,576	129,060	154,293	44,343
Due from other governments	-	43,287	-	43,287
<b>Total assets</b>	<b>\$ 69,576</b>	<b>172,347</b>	<b>154,293</b>	<b>87,630</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,730	63	2,730	63
Due to other governments	66,846	172,284	151,563	87,567
<b>Total liabilities</b>	<b>\$ 69,576</b>	<b>172,347</b>	<b>154,293</b>	<b>87,630</b>

See accompanying independent auditor's report.

Sample Community School District

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

For the Last Ten Years

	2011	2010	2009	2008
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,185,018	3,825,914	3,685,689	3,494,917
Tuition	497,718	462,519	374,558	293,528
Other	1,016,612	844,043	950,362	719,497
Intermediate sources	20,837	14,076	16,159	-
State sources	8,708,181	8,671,395	7,619,059	7,316,048
Federal sources	493,628	258,059	276,268	243,179
<b>Total</b>	<b>\$ 14,921,994</b>	<b>14,076,006</b>	<b>12,922,095</b>	<b>12,067,169</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 5,420,062	5,070,946	4,541,742	4,369,264
Special	2,231,897	1,940,968	1,718,270	1,815,988
Other	1,272,819	1,177,344	1,241,909	740,688
Support services:				
Student	437,088	436,300	415,964	530,085
Instructional staff	468,960	417,130	326,644	264,461
Administration	1,833,811	1,535,112	1,615,800	1,219,321
Operation and maintenance of plant	1,225,241	1,180,802	1,086,476	890,656
Transportation	438,742	417,745	633,678	417,088
Central support	-	-	-	3,320
Non-instructional programs	53,314	57,248	55,830	38,643
Other expenditures:				
Facilities acquisition	2,204,173	351,551	381,301	2,463,766
Long-term debt:				
Principal	534,507	565,000	455,694	299,783
Interest and other charges	357,176	362,467	385,988	504,576
AEA flowthrough	587,565	550,194	521,125	500,264
<b>Total</b>	<b>\$ 17,065,355</b>	<b>14,062,807</b>	<b>13,380,421</b>	<b>14,057,903</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,477,442	3,460,055	3,390,854	3,356,946	3,323,376	3,290,142
292,060	290,600	284,788	281,940	279,121	276,330
715,900	712,320	698,074	691,093	684,182	677,340
7,279,468	7,243,070	7,098,209	7,027,227	6,956,955	6,887,385
241,963	240,753	235,938	233,579	231,243	228,931
12,006,833	11,946,798	11,707,863	11,590,785	11,474,877	11,360,128
4,347,418	4,325,681	4,239,167	4,196,775	4,154,808	4,113,259
1,806,908	1,797,874	1,761,916	1,744,297	1,726,854	1,709,585
736,985	733,300	718,634	711,447	704,333	697,290
527,435	524,797	514,301	509,158	504,067	499,026
263,139	261,823	256,587	254,021	251,480	248,966
1,213,224	1,207,158	1,183,015	1,171,185	1,159,473	1,147,878
886,203	881,772	864,136	855,495	846,940	838,471
415,003	412,928	404,669	400,622	396,616	392,650
3,303	3,287	3,221	3,189	3,157	3,125
38,450	38,258	37,492	37,117	36,746	36,379
2,451,447	2,439,190	2,390,406	2,366,502	2,342,837	2,319,409
298,284	296,793	290,857	287,948	285,069	282,218
502,053	499,543	489,552	484,656	479,810	475,012
497,763	495,274	485,368	480,515	475,710	470,952
13,987,615	13,917,678	13,639,321	13,502,927	13,367,900	13,234,220

**Schedule 8**

Sample Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 10,308
National School Lunch Program	10.555	FY11	208,714 *
Special Milk Program for Children	10.556	FY11	4,802
			<u>223,824</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	120,225
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	20,000
			<u>140,225</u>
Career and Technical Education -- Basic Grants to States	84.048	FY11	11,366
Safe and Drug-Free Schools and Communities _ State Grants	84.186	FY11	6,967
State Grants for Innovative Programs	84.298	FY11	9,394
Improving Teacher Quality State Grants	84.367	FY11	65,385
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	30,000 **
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	113,000
Education Jobs Fund	84.410	FY11	10,035
Sample Area Education Agency:			
Special Education _ Grants to States	84.027	FY11	23,840 **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	10,000 **
Total			<u>\$ 644,036</u>

\* - Includes \$28,500 of non-cash awards.

\*\* - Total for CFDA Number 84.391 is \$40,000 and total for Special Education Cluster (IDEA) is \$63,840.

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

See accompanying independent auditor's report.



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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

To the Board of Education of  
Sample Community School District:

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 Sample Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2011. 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.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-11 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sample Community School District and other parties to whom Sample Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample 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.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

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

**Sample Community School District**



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

To the Board of Education of  
Sample Community School District:

### Compliance

We have audited Sample Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sample Community School District's major federal programs for the year ended June 30, 2011. Sample Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sample Community School District's management. Our responsibility is to express an opinion on Sample Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sample Community School District's compliance with those requirements.

In our opinion, Sample Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sample Community School District and other parties to whom Sample Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.556 – Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample Community School District did not qualify as a low-risk auditee.

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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.

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

Conclusion – Response accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

II-C-11 Disbursement Approval – For two of fifty disbursements tested, there was no evidence of Board approval. For ten disbursements, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District's policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**CFDA Number 10.556: Special Milk Program for Children**  
**Federal Award Year: 2011**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State**  
**Grants, Recovery Act**  
**Federal Award Year: 2011**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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.

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part IV: Other Findings Related To Required Statutory Reporting:**

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amounts in the instruction and support services functions. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2011 by approximately \$43,000.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11 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 ensure the coverage is adequate for current operations.

IV-F-11 Board Minutes – As previously noted, two disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional ten disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of the Board meeting as allowed by Chapter 279.30 of the Code of Iowa.

Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Sample Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – All disbursements should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure the Superintendent's approval of disbursements prior to Board meetings is adequately documented. Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – 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 were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Categorical Funding – Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. The District allocated \$10,500 to the District's Early Intervention Block Grant program for administrative costs. The administrative cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2A of the Code of Iowa and Iowa Department of Education administrative rules.

Recommendation – The District should contact the Iowa Department of Education regarding corrective action required. In the future, the District should not allocate administrative costs to the Early Intervention Block Grant program. The questioned costs of \$10,500 should be reported as reserved fund balance.

Response – As recommended, we will contact the Iowa Department of Education to determine the corrective action required. We will refrain from charging administrative costs to this program and have included the questioned costs in the reserved fund balance.

Conclusion – Response accepted.

- IV-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Sample Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR: **OR if variances are identified during the audit, replace the last sentence with:** For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	1,439
Revenues/transfers in:			
Sales tax revenues	\$	101,211	
Other local revenues		42,072	
School infrastructure supplemental amount		-	
Other state revenues		-	
Federal revenues		-	
Sale of long-term debt		3,200,000	
Transfers from other funds		-	
Other		-	3,343,283
			<u>3,344,722</u>
Expenditures/transfers out:			
School infrastructure construction	\$	2,172,551	
Land purchased		-	
Buildings purchased		-	
Equipment		12,125	
Other		16,385	
Transfers to other funds:			
Debt service fund		-	
Other transfers		-	2,201,061
			<u>2,201,061</u>
Ending balance			<u>\$ 1,143,661</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa: **OR if the District did not reduce any levies, delete the first sentence and table and include the following sentence:** For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Sample Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2011

	Rate of Levy	
	Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ -	\$ -
Physical plant and equipment levy (PPEL)	0.10029	28,510
Public educational and recreational levy (PERL)	-	-

*(Note: The displayed captions identify the total range of information which could be reported. As usual, items without dollar values should be deleted.)*

IV-M-11 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2011.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

IV-N-11 Revenue Bonds – The District has not established the reserve account required by the revenue bond resolution. In addition, the required monthly transfers from the revenue account to the sinking account were not made by the District.

Recommendation – The District should establish the reserve account in the amount required and make the monthly transfers to the sinking account as required by the bond resolution.

Response – We will establish a reserve account and begin making transfers to a sinking account.

Conclusion – Response accepted.

IV-O-11 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s educational program. The Parking Sticker, Library Fines (High School and Middle School) and Piano Fund Raiser accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Sample Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

Recommendation – The District should review and reclassify these accounts to the appropriate fund.

Response – We have reviewed the activity in the accounts and will reclassify the accounts to the General Fund.

Conclusion – Response accepted.

Sample Community School District

Staff

This audit was performed by:

Susie Q. Reviewer, CPA, Director  
Terrance Tickmark, CPA, Senior Auditor  
Margo Setter, CPA, Staff Auditor  
Sadie Belle, CPA, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State