

**TITONKA  
CONSOLIDATED SCHOOL DISTRICT**

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

JUNE 30, 2008

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TITONKA CONSOLIDATED SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September, 2007 Election)</b>		
Allison Anderson	President	2009
Gloria Bartelt	Vice President	2009
Daryl Chapin		2008
Leroy Hoffman		2008
Lori Miller		2007

**(After September, 2007 Election)**

Allison Anderson	President	2009
Gloria Bartelt	Vice President	2009
Daryl Chapin		2008
Leroy Hoffman		2008
Laura Phelps		2011

**School Officials**

Ronald Sadler	Superintendent
Mary Beth Wubben	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

To the Board of Education of  
Titonka Consolidated 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 Titonka Consolidated School District, Titonka, Iowa, as of and for the year ended June 30, 2008, 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 Titonka Consolidated School District at June 30, 2008, 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 March 25, 2009 on our consideration of Titonka Consolidated 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 and budgetary comparison information on pages 4 through 12 and 32 through 33 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.

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Titonka Consolidated 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 two years ended June 30, 2007 and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2009

# TITONKA CONSOLIDATED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Titonka Consolidated 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,823,727 in fiscal year 2007 to \$1,797,263 in fiscal year 2008, while General Fund expenditures decreased from \$1,859,649 in fiscal year 2007 to \$1,794,858 in fiscal year 2008.
- The increase in General Fund revenues was primarily attributable to a decrease in tuition revenues. The decrease in expenditures was approximately 3%. Cuts in administrative and personnel costs accounted for the decrease. The General Fund balance decreased by 21% primarily due to 1% allowable growth being inadequate to fund current programs.
- The District sold \$915,000 of revenue bonds as part of the new building program.

### 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 Titonka Consolidated 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 Titonka Consolidated 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 Titonka Consolidated 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.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**

*Titonka Consolidated School District Annual Financial Report*

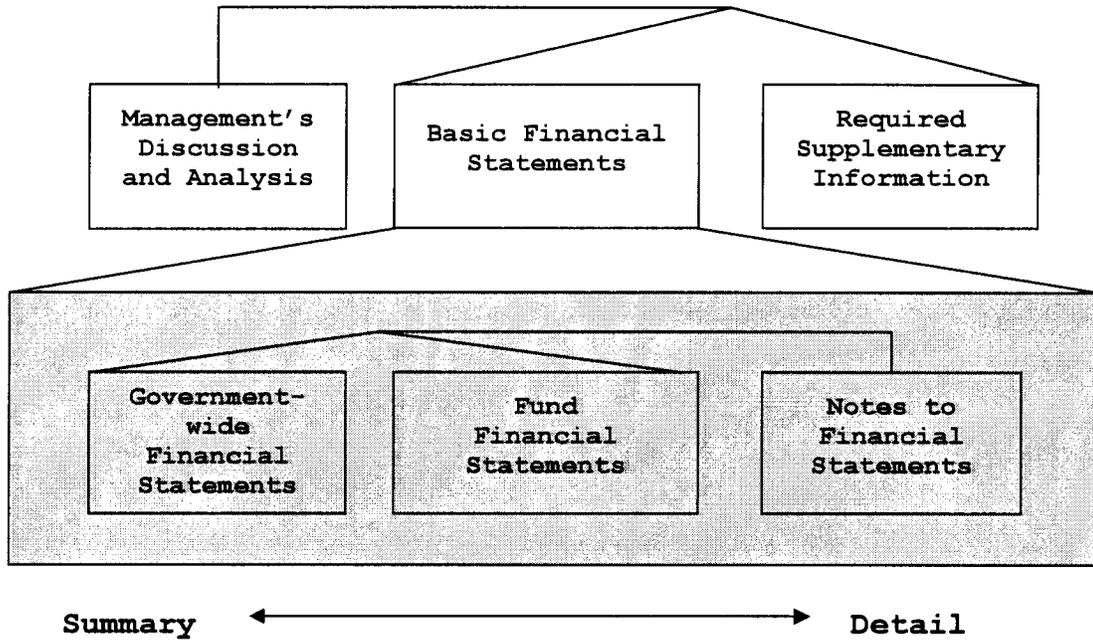


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
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>
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
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
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

## 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 that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and 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 Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 2,629	3,402	10	10	2,639	3,412	-29.29%
Capital assets	2,707	502	-	-	2,707	502	81.46%
<b>Total assets</b>	<u>5,336</u>	<u>3,904</u>	<u>10</u>	<u>10</u>	<u>5,346</u>	<u>3,914</u>	<u>26.79%</u>
Current liabilities	1,336	1,074	-	-	1,336	1,074	19.61%
Non-current liabilities	2,950	2,100	-	-	2,950	2,100	0.00%
<b>Total liabilities</b>	<u>4,286</u>	<u>3,174</u>	<u>-</u>	<u>-</u>	<u>4,286</u>	<u>3,174</u>	<u>25.94%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	672	329	-	-	672	329	51.04%
Restricted	211	234	-	-	211	234	-10.90%
Unrestricted	167	167	10	10	177	177	0.00%
<b>Total net assets</b>	<u>\$ 1,050</u>	<u>730</u>	<u>10</u>	<u>10</u>	<u>1,060</u>	<u>740</u>	<u>30.19%</u>

Combined net assets increased by 30% over the prior year. The District spent over \$2.5 million on building costs resulting in a 51% increase capital assets, net of debt. Unrestricted assets held steady as the General Fund experienced only a slight decrease of less than \$10,000.

Changes in net assets - figure A-4 shows the changes in net assets for the years ended June 30, 2008 and 2007.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service and sales	\$ 46	112	40	38	86	150	-42.67%
Operating grants, contributions and restricted interest	353	330	44	34	397	364	9.07%
Capital grants, contributions and restricted interest	356	-	-	-	356	-	100.00%
<b>General revenues:</b>							
Property tax	988	786	-	-	988	786	25.70%
Income surtax	57	54	-	-	57	54	5.56%
Local option sales tax	104	126	-	-	104	126	-17.46%
Unrestricted state grants	678	686	-	-	678	686	-1.17%
Unrestricted investment earnings	6	15	-	-	6	15	-60.00%
Other	23	41	-	-	23	41	-43.90%
<b>Total revenues</b>	<u>2,611</u>	<u>2,150</u>	<u>84</u>	<u>72</u>	<u>2,695</u>	<u>2,222</u>	<u>21.29%</u>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	1,253	1,311	-	-	1,253	1,311	-4.42%
Support Services	571	650	-	-	571	650	-12.15%
Non-instructional programs	21	8	76	76	97	84	15.48%
Other expenses	446	239	-	-	446	239	86.61%
<b>Total expenses</b>	<u>2,291</u>	<u>2,208</u>	<u>76</u>	<u>76</u>	<u>2,367</u>	<u>2,284</u>	<u>3.63%</u>
<b>Change in net assets</b>	<u>\$ 320</u>	<u>(58)</u>	<u>8</u>	<u>(4)</u>	<u>328</u>	<u>(62)</u>	<u>529.00%</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 77% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$2,255,050 and expenses were \$2,290,748.

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, 2008 compared to the year ended June 30, 2007.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,253	1,311	-4.42%	975	972	0.31%
Support Services	571	650	-12.15%	571	641	-10.92%
Non-instructional programs	21	8	162.50%	21	8	162.50%
Other expenses	446	239	86.61%	(31)	145	-121.38%
<b>Totals</b>	<u>\$ 2,291</u>	<u>2,208</u>	<u>3.76%</u>	<u>1,536</u>	<u>1,766</u>	<u>-13.02%</u>

- The cost financed by users of the District's programs was \$45,751.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$212,764.
- The net cost of governmental activities was financed with \$987,597 in property tax, \$677,805 in state foundation aid, and \$6,381 in interest income.

**Business-Type Activities**

Revenues of the District's business type activities were \$83,868 and expenses were \$76,012. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. The revenues include a \$13,000 cash injection from the General Fund.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,256,916 a forty-five percent decrease under last year's ending fund balances of \$2,292,746. The decrease was primarily the result of the building project using cash received in prior years from issuance of debt.

**Governmental Fund Highlights**

- The District's General Fund balance decreased due to inadequate allowable growth. Expenses decreased due to reductions in administrative costs and personnel.
- The District continues to collect the school Infrastructure Local Option Sales Tax. The money is being used for infrastructure projects.
- The District issued \$915,000 in revenue bonds for the construction of an addition to the existing building. The project is to be completed in fiscal year 2009.

**Proprietary Fund Highlights**

The School Nutrition Fund balance increased due to a \$13,000 cash injection from the General Fund.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

**Legal Budgetary Highlights**

The District's receipts were \$407,000 greater than budgeted receipts. The most significant variance resulted from the District receiving a construction grant of over \$350,000.

Total expenditures were greater than budgeted, due to the building project. 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. The budget was not exceeded in any area except the other expenditures function where the building costs were recorded.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2008, the District had invested over \$2.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$76,217.

The original cost of the District's capital assets was \$4,168,759. Governmental funds account for \$4,099,847, with the remainder of \$68,912 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6  
Condensed Statement of Net Assets  
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2007-08
Land	\$ 2	2	-	-	2	2	0.00%
Buildings	225	231	-	-	225	231	-2.60%
Improvements other than buildings	22	24	-	-	22	24	-8.33%
Construction in progress	2,227	173	-	-	2,227	173	100.00%
Furniture and equipment	231	72	-	-	231	72	220.83%
<b>Totals</b>	<b>\$ 2,707</b>	<b>502</b>	<b>-</b>	<b>-</b>	<b>2,707</b>	<b>502</b>	<b>439.24%</b>

### **Long-Term Debt**

The District issued \$915,000 of revenue bonds in July 2007. The bonds will be repaid over the next 15 years with proceeds of the one cent sales tax. General obligation bonds of \$2,035,000 will be repaid over the next 19 years with proceeds of a voter approved property tax levy.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District has experienced declining enrollment the past several years. This trend has caused the District to tap into existing reserves.
- Construction of the new building is slated to be completed in fiscal year 2009.
- The District is looking for ways to expand sharing opportunities in order to improve educational programs as well as save money.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 Keith Buckridge, Superintendent, Titonka Consolidated School District, 543 Dieckman St, PO Box 287, Titonka, IA 50480-0287.

## **Basic Financial Statements**

## TITONKA CONSOLIDATED SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,505,580	2,595	1,508,175
Receivables:			
Property tax:			
Current year	20,122	-	20,122
Succeeding year	1,018,807	-	1,018,807
Income surtax	51,002	-	51,002
Receivables:			
Due from other governments	33,130	2,264	35,394
Other receivables	1,061	81	1,142
Inventories	-	3,696	3,696
Capital assets, net of accumulated depreciation	<u>2,706,616</u>	<u>-</u>	<u>2,706,616</u>
<b>Total assets</b>	<u>5,336,318</u>	<u>8,636</u>	<u>5,344,954</u>
<b>Liabilities</b>			
Accounts payable	303,728	-	303,728
Unearned revenues	-	649	649
Accrued interest payable	13,921	-	13,921
Deferred revenue:			
Succeeding year property tax	1,018,807	-	1,018,807
Long term liabilities:			
Portion due within one year:			
Revenue bonds	25,000	-	25,000
General obligation bonds	70,000	-	70,000
Portion due after one year:			
Revenue bonds	890,000	-	890,000
General obligation bonds	<u>1,965,000</u>	<u>-</u>	<u>1,965,000</u>
<b>Total liabilities</b>	<u>4,286,456</u>	<u>649</u>	<u>4,287,105</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	671,616	-	671,616
Restricted for:			
Management levy	23,997		
Physical plant and equipment levy	187,079		187,079
Capital projects	294		294
Unrestricted	<u>166,876</u>	<u>7,987</u>	<u>174,863</u>
<b>Total net assets</b>	<u>\$ 1,049,862</u>	<u>7,987</u>	<u>1,033,852</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Activities	Total
Expenses						
\$ 1,252,874	45,751	231,411	-	(975,712)	-	(975,712)
Support services:						
Student services	6,488	-	-	(6,488)	-	(6,488)
Instructional staff services	36,169	-	-	(36,169)	-	(36,169)
Administration services	233,244	-	-	(233,244)	-	(233,244)
Operation and maintenance of plant services	220,947	152	-	(220,795)	-	(220,795)
Transportation services	74,098	-	-	(74,098)	-	(74,098)
	570,946	152	-	(570,794)	-	(570,794)
Non-instructional programs	21,174	-	-	(21,174)	-	(21,174)
Other expenditures:						
Facilities acquisition and construction	214,157	52,100	355,633	193,576	-	193,576
Interest and services on debt	86,092	28	-	(86,064)	-	(86,064)
AEA flowthrough	69,288	69,288	-	-	-	-
Depreciation (unallocated) *	76,217	-	-	(76,217)	-	(76,217)
	445,754	121,416	355,633	31,295	-	31,295
Total governmental activities	2,290,748	352,979	355,633	(1,536,385)	-	(1,536,385)

Functions/Programs:

Governmental activities:

Instruction:

Support services:

Student services

Instructional staff services

Administration services

Operation and maintenance

of plant services

Transportation services

Non-instructional programs

Other expenditures:

Facilities acquisition

and construction

Interest and services on debt

AEA flowthrough

Depreciation (unallocated) \*

Total governmental activities

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs	76,012	44,222	-	7,856
Total	\$ 2,366,760	397,201	(1,536,385)	(1,528,529)
<b>General Revenues:</b>				
Property tax levied for:				
General purposes			\$ 701,726	-
Management Fund			85,147	-
Capital outlay			40,601	-
Public Education and Recreation Levy			8,169	-
Debt service			151,954	-
Income surtax			56,729	-
School Infrastructure Local Option Sales Tax			104,456	-
Unrestricted state grants			677,805	-
Unrestricted investment earnings			6,381	-
Other			23,352	-
Total general revenues			1,856,320	-
Change in net assets			319,935	7,856
Net assets beginning of year			729,927	131
Net assets end of year			\$ 1,049,862	7,987

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

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Assets</b>						
Cash and pooled investments	\$ 105,450	183,618	1,187,148	-	28,230	1,504,446
Receivables:						
Property tax:						
Current year	14,302	828	-	3,090	1,902	20,122
Succeeding year	745,668	62,697	-	154,026	56,416	1,018,807
Income surtax	51,002	-	-	-	-	51,002
Interfund receivable	2,000	2,633	-	-	-	4,633
Due from other governments	15,855	-	17,275	-	-	33,130
Other receivables	946	-	-	-	-	946
<b>Total assets</b>	<u>\$ 935,223</u>	<u>249,776</u>	<u>1,204,423</u>	<u>157,116</u>	<u>86,548</u>	<u>2,633,086</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 14,433	-	289,129	-	166	303,728
Interfund payable	-	-	-	2,633	-	2,633
Deferred revenue:						
Succeeding year property tax	745,668	62,697	-	154,026	56,416	1,018,807
Succeeding year income surtax	51,002	-	-	-	-	51,002
Total liabilities	<u>811,103</u>	<u>62,697</u>	<u>289,129</u>	<u>156,659</u>	<u>56,582</u>	<u>1,376,170</u>
Fund balances:						
Reserved for:						
Capital projects	-	-	915,294	-	-	915,294
Unreserved	124,120	187,079	-	457	29,966	341,622
Total fund balances	<u>124,120</u>	<u>187,079</u>	<u>915,294</u>	<u>457</u>	<u>29,966</u>	<u>1,256,916</u>
<b>Total liabilities and fund balance</b>	<u>\$ 935,223</u>	<u>249,776</u>	<u>1,204,423</u>	<u>157,116</u>	<u>86,548</u>	<u>2,633,086</u>

See notes to financial statements.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

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

June 30, 2008

<b>Total fund balances of governmental funds (Exhibit C)</b>		\$ 1,256,916
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>		
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		51,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,706,616
An internal service fund is used by the District's management to charge the costs of the flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with the governmental activities.		(751)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(13,921)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		
Revenue bonds	\$ (915,000)	
General obligation bonds	<u>(2,035,000)</u>	<u>(2,950,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>		<u>\$ 1,049,862</u>

See notes to financial statements.

**TITONKA CONSOLIDATED SCHOOL DISTRICT**

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

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 757,425	40,601	104,456	151,954	93,316	1,147,752
Tuition	45,751	-	-	-	-	45,751
Other	34,230	-	52,100	-	13,500	99,830
State sources	902,425	93	-	28	59	902,605
Federal sources	57,432	-	355,633	-	-	413,065
Total revenues	<u>1,797,263</u>	<u>40,694</u>	<u>512,189</u>	<u>151,982</u>	<u>106,875</u>	<u>2,609,003</u>
<b>Expenditures:</b>						
Instruction	<u>1,241,321</u>	-	-	-	<u>11,210</u>	<u>1,252,531</u>
Support services:						
Student services	6,488	-	-	-	-	6,488
Instructional staff services	36,169	-	-	-	-	36,169
Administration services	201,486	31,344	-	-	414	233,244
Operation and maintenance of plant services	166,008	-	-	-	54,939	220,947
Transportation services	<u>74,098</u>	-	-	-	-	<u>74,098</u>
	<u>484,249</u>	<u>31,344</u>	-	-	<u>55,353</u>	<u>570,946</u>
Non-instructional programs	-	-	-	-	<u>8,174</u>	<u>8,174</u>

TITONKA CONSOLIDATED SCHOOL DISTRICT

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

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Other expenditures:						
Facilities acquisition and construction	\$ -	-	2,495,019	-	-	2,495,019
Debt service:						
Principal	-	-	-	65,000	-	65,000
Interest	-	-	-	86,125	-	86,125
Services	-	-	-	400	-	400
AEA flowthrough	69,288	-	-	-	-	69,288
	<u>69,288</u>	<u>-</u>	<u>2,495,019</u>	<u>151,525</u>	<u>-</u>	<u>2,715,832</u>
Total expenditures	<u>1,794,858</u>	<u>31,344</u>	<u>2,495,019</u>	<u>151,525</u>	<u>74,737</u>	<u>4,547,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,405</u>	<u>9,350</u>	<u>(1,982,830)</u>	<u>457</u>	<u>32,138</u>	<u>(1,938,480)</u>
Other financing sources (uses):						
Sale of equipment	650	-	-	-	-	650
Proceeds of sale of revenue bonds	-	-	915,000	-	-	915,000
Operating transfers (out)	(13,000)	-	-	-	-	(13,000)
	<u>(12,350)</u>	<u>-</u>	<u>915,000</u>	<u>-</u>	<u>-</u>	<u>902,650</u>
Net change in fund balance	(9,945)	9,350	(1,067,830)	457	32,138	(1,035,830)
Fund balances beginning of year	<u>134,065</u>	<u>177,729</u>	<u>1,983,124</u>	<u>-</u>	<u>(2,172)</u>	<u>2,292,746</u>
Fund balances end of year	<u>\$ 124,120</u>	<u>187,079</u>	<u>915,294</u>	<u>457</u>	<u>29,966</u>	<u>1,256,916</u>

See notes to financial statements.

**TITONKA CONSOLIDATED 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, 2008

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (1,035,830)

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

Income surtaxes not collected until more than 60 days after the District's fiscal year ends are not considered "available" in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. 1,030

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (343)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,280,862	
Depreciation expense	<u>(76,217)</u>	2,204,645

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 debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(915,000)	
Repayments	<u>65,000</u>	(850,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 433

**Change in net assets of governmental activities (Exhibit B)** \$ 319,935

## TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 2,595	1,134
Due from other governments	2,264	-
Other receivables	81	115
Inventories	3,696	-
Capital assets, net of accumulated depreciation	-	-
<b>Total assets</b>	<u>8,636</u>	<u>1,249</u>
<b>Liabilities</b>		
Interfund payable	-	2,000
Unearned revenue	649	-
	<u>649</u>	<u>2,000</u>
<b>Net assets</b>		
Unrestricted	<u>7,987</u>	<u>(751)</u>
<b>Total net assets</b>	<u>\$ 7,987</u>	<u>(751)</u>

See notes to financial statements.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 39,646	10,245
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	28,642	-
Benefits	10,997	10,588
Services	369	-
Supplies	36,004	-
Total operating expenses	76,012	10,588
Operating (loss)	(36,366)	(343)
Non-operating revenues:		
Local sources	15	-
Capital contribution from General Fund	13,000	-
State sources	784	-
Federal sources	30,423	-
	44,222	-
Change in net assets	7,856	(343)
Net assets beginning of year	131	(408)
Net assets end of year	\$ 7,987	(751)

See notes to financial statements.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of services	\$ 40,025	10,130
Cash payments to employees for services	(39,639)	(10,588)
Cash payments to suppliers for goods or services	(40,184)	-
Net cash provided by (used in) operating activities	<u>(39,798)</u>	<u>(458)</u>
Cash flows from non-capital financing activities:		
State grants received	784	-
Federal grants received	21,863	-
Net cash provided by non-capital financing activities	<u>22,647</u>	<u>-</u>
Cash flows from capital financing activities:		
Transfer from General Fund	13,000	1,000
	<u>13,000</u>	<u>1,000</u>
Cash flows from investing activities:		
Interest on investments	15	-
	<u>15</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(4,136)	542
Cash and cash equivalents beginning of year	<u>6,731</u>	<u>592</u>
Cash and cash equivalents end of year	<u>\$ 2,595</u>	<u>1,134</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>		
Operating (loss)	\$ (36,366)	(343)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Commodities used	6,296	-
(Increase) in other receivables	(81)	(115)
(Increase) in inventory	(544)	-
(Decrease) in accounts payable	(9,563)	-
Increased in unearned revenues	649	-
(Decrease) in deferred revenue	(189)	-
	<u>\$ (39,798)</u>	<u>(458)</u>

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

During the year ended June 30, 2008, the District received federal commodities valued at \$6,296.

# TITONKA CONSOLIDATED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### (1) Summary of Significant Accounting Policies

Titonka Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is involved in a two-way sharing agreement with the Woden-Crystal Lake Community School District. The geographic area served includes the City of Titonka, Iowa, and agricultural area in Kossuth, Winnebago and Hancock Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, Titonka Consolidated 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. Titonka Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth 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 three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable 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 two preceding categories. Unrestricted net assets often have constraints on resources that are 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for funds raised by the one-cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Internal Service and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as the District's flex spending plan.

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

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

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

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

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

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

The proprietary funds 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 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 are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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, 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.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Deferred revenue on the Statement of Net 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 accumulated 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 only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

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

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 imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the other expenditures function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,210	-	-	2,210
Capital assets being depreciated:				
Buildings	662,834	-	-	662,834
Improvements other than buildings	183,244	-	-	183,244
Furniture and Equipment	797,492	227,485	-	1,024,977
Construction in progress	173,205	2,053,377	-	2,226,582
Total capital assets being depreciated	<u>1,816,775</u>	<u>2,280,862</u>	-	<u>4,097,637</u>
Less accumulated depreciation for:				
Buildings	431,732	6,402	-	438,134
Improvements other than buildings	159,704	1,682	-	161,386
Furniture and Equipment	725,578	68,133	-	793,711
Total accumulated depreciation	<u>1,317,014</u>	<u>76,217</u>	-	<u>1,393,231</u>
Total capital assets being depreciated, net	<u>499,761</u>	<u>2,204,645</u>	-	<u>2,704,406</u>
Governmental activities, capital assets, net	<u>\$ 501,971</u>	<u>2,204,645</u>	-	<u>2,706,616</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 68,912	-	-	68,912
Less accumulated depreciation	<u>68,912</u>	-	-	<u>68,912</u>
Business type activities capital assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

\$ 76,217

Business Type activities:

Food service operations

\$ -

**(4) 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$63,573, \$57,958, and \$59,959 respectively, equal to the required contributions for each year.

**(5) 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 \$69,288 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Risk Management**

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

**(7) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	<u>\$2,000</u>

The interfund loan receivable/payable was the result of deficit cash balance in a joint bank account.

**(8) Commitments**

The voters of the District approved a bond issue to be used for the demolition of part of the existing facility and construction of a new facility. General obligation bonds totaling \$2,100,000 were issued in May, 2007. Revenue bonds of \$915,000 were issued in May 2008.

As of June 30, 2008:

Contracts issued	\$2,958,184
Completed	7,030,609
Paid	1,774,788
Payable	155,797
Retainage	100,023
To be completed	927,575

**(9) Financial Condition**

The Internal Service Fund had a deficit fund balance of \$751 at June 30, 2008.

(10) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$2,100,000	-	2,100,000
Additions	-	915,000	915,000
Reductions	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Balance end of year	<u>\$2,035,000</u>	<u>915,000</u>	<u>2,950,000</u>

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.00%	\$ 83,525	70,000	153,525
2010	4.00	80,725	70,000	150,725
2011	4.00	77,925	75,000	152,925
2012	4.00	74,925	80,000	154,925
2013	4.00	71,725	85,000	156,725
2014	4.00	68,325	90,000	158,325
2015	4.00	64,725	90,000	154,725
2016	4.00	61,125	95,000	156,125
2017	4.00	57,325	100,000	157,325
2018	4.00	53,325	105,000	158,325
2019	4.00	49,125	110,000	159,125
2020	4.05	44,725	115,000	159,725
2021	4.10	40,068	120,000	160,068
2022	4.125	35,148	125,000	160,148
2023	4.15	29,992	130,000	159,992
2024	4.20	24,598	135,000	159,598
2025	4.25	18,928	140,000	158,928
2026	4.30	12,978	145,000	157,978
2027	4.35	<u>6,742</u>	<u>155,000</u>	<u>161,742</u>
Total		<u>\$955,954</u>	<u>2,035,000</u>	<u>2,990,954</u>

Revenue Obligation Bonds

Details of the District's June 30, 2008 revenue bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.00 %	\$ 22,865	25,000	47,865
2010	3.10-3.20	37,877	50,000	87,877
2011	3.30-3.40	36,275	50,000	86,275
2012	3.50-3.60	34,575	50,000	84,575
2013	3.70-3.80	32,775	55,000	87,775
2014	3.90-4.00	30,685	55,000	85,685
2015	4.10-4.20	28,380	60,000	88,380
2016	4.25-4.30	25,870	60,000	85,870
2017	4.35-4.40	23,290	65,000	88,290
2018	4.45-4.50	20,430	65,000	85,430
2019	4.55-4.60	17,391	70,000	87,391
2020	4.65-4.70	14,171	70,000	84,171
2021	4.75-4.80	10,881	75,000	85,881
2022	4.85-4.90	7,161	80,000	87,161
2023	4.95-5.00	<u>3,240</u>	<u>85,000</u>	<u>88,240</u>
Total		<u>\$345,866</u>	<u>915,000</u>	<u>1,260,866</u>

The bonds will be repaid from proceeds of the one cent sales tax.

**(12) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
School Nutrition	General Fund	<u>\$13,000</u>

The transfers were done to allow the School Nutrition Fund to maintain a positive balance.

**Required Supplementary Information**

**TITONKA CONSOLIDATED SCHOOL DISTRICT**

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types		Proprietary Fund Types		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
<b>Revenues:</b>								
Local sources	\$ 1,293,333		39,661		1,332,994	1,209,831	1,209,831	123,163
State sources	902,605		784		903,389	922,750	922,750	(19,361)
Federal sources	413,065		30,423		443,488	140,000	140,000	303,488
Total revenues	<u>2,609,003</u>		<u>70,868</u>		<u>2,679,871</u>	<u>2,272,581</u>	<u>2,272,581</u>	<u>407,290</u>
<b>Expenditures:</b>								
Instruction	1,252,531		-		1,252,531	1,529,919	1,529,919	277,388
Support services	570,946		-		570,946	672,623	672,623	101,677
Non-instructional programs	8,174		76,012		84,186	109,822	109,822	25,636
Other expenditures	2,715,832		-		2,715,832	656,994	656,994	(2,058,838)
Total expenditures	<u>4,547,483</u>		<u>76,012</u>		<u>4,623,495</u>	<u>2,969,358</u>	<u>2,969,358</u>	<u>(1,654,137)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,938,480)		(5,144)		(1,943,624)	(696,777)	(696,777)	(1,246,847)
Other financing sources (uses)	<u>902,650</u>		<u>-</u>		<u>902,650</u>	<u>-</u>	<u>-</u>	<u>902,650</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,035,830)		(5,144)		(1,040,974)	(696,777)	(696,777)	(344,197)
Balance beginning of year	<u>2,292,746</u>		<u>131</u>		<u>2,292,877</u>	<u>586,344</u>	<u>586,344</u>	<u>1,706,533</u>
Balance end of year	<u>\$ 1,256,916</u>		<u>(5,013)</u>		<u>1,251,903</u>	<u>(110,433)</u>	<u>(110,433)</u>	<u>1,362,336</u>

See accompanying independent auditor's report.

**TITONKA CONSOLIDATED SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

**Other Supplementary Information**

## TITONKA CONSOLIDATED SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Public Education and Recreation Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 22,261	5,969	-	28,230
Property tax receivable:				
Current year	1,736	-	166	1,902
Succeeding year	<u>48,000</u>	<u>-</u>	<u>8,416</u>	<u>56,416</u>
<b>Total assets</b>	<u>\$ 71,997</u>	<u>5,969</u>	<u>8,582</u>	<u>86,548</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ -	-	166	166
Interfund payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	<u>48,000</u>	<u>-</u>	<u>8,416</u>	<u>56,416</u>
	<u>48,000</u>	<u>-</u>	<u>8,582</u>	<u>56,582</u>
Fund balance:				
Unreserved fund balance	<u>23,997</u>	<u>5,969</u>	<u>-</u>	<u>29,966</u>
	<u>23,997</u>	<u>5,969</u>	<u>-</u>	<u>29,966</u>
<b>Total liabilities and fund balance</b>	<u>\$ 71,997</u>	<u>5,969</u>	<u>8,582</u>	<u>86,548</u>

See accompanying independent auditor's report.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Public Education and Recreation Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 85,147	-	8,169	93,316
Other	-	13,500	-	13,500
State sources:	<u>54</u>	<u>-</u>	<u>5</u>	<u>59</u>
Total revenues	<u>85,201</u>	<u>13,500</u>	<u>8,174</u>	<u>106,875</u>
Expenditures:				
Instruction:				
Co-curricular instruction	-	11,210	-	11,210
Support services:				
Administration services	414	-	-	414
Plant operation and maintenance	54,939	-	-	54,939
Noninstructional programs	<u>-</u>	<u>-</u>	<u>8,174</u>	<u>8,174</u>
Total expenditures	<u>55,353</u>	<u>11,210</u>	<u>8,174</u>	<u>74,737</u>
Excess (deficiency) of revenues over (under) expenditures	29,848	2,290	-	32,138
Fund balances beginning of year	<u>(5,851)</u>	<u>3,679</u>	<u>-</u>	<u>(2,172)</u>
Fund balances end of year	<u>\$ 23,997</u>	<u>5,969</u>	<u>-</u>	<u>29,966</u>

See accompanying independent auditor's report.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

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

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Musical and play	\$ 173	45	-	218
Pride club	64	-	-	64
Jazz band	279	-	-	279
Co-ed athletics	1,105	10,766	8,361	3,510
Annual	731	2,484	2,527	688
Washington DC trip	113	-	113	-
Class of 2010	487	151	209	429
Class of 2011	364	-	-	364
Class of 2012	144	39	-	183
National Honor Society	185	-	-	185
Interest	-	15	-	15
Student council	34	-	-	34
Totals	<u>\$ 3,679</u>	<u>13,500</u>	<u>11,210</u>	<u>5,969</u>

See accompanying independent auditor's report.

## TITONKA CONSOLIDATED SCHOOL DISTRICT

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

	Years ended June 30,				
	2007	2006	2006	2005	2004
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,147,752	961,999	934,105	898,355	838,394
Tuition	45,751	112,448	77,236	86,438	86,531
Other	99,830	109,814	116,408	86,501	90,341
Intermediate sources	-	-	-	-	2,500
State sources	902,605	887,745	838,503	924,158	784,946
Federal sources	413,065	67,239	99,234	108,863	75,465
	<u>\$ 2,609,003</u>	<u>2,139,245</u>	<u>2,065,486</u>	<u>2,104,315</u>	<u>1,878,177</u>
<b>Expenditures:</b>					
Instruction	\$ 1,252,531	1,309,070	1,309,201	1,281,916	1,255,007
Support services:					
Student services	6,488	14,134	33,714	16,655	15,145
Instructional staff services	36,169	33,380	70,122	66,735	61,316
Administration services	233,244	315,629	227,945	227,334	246,392
Operation and maintenance of plant services	220,947	220,969	264,006	210,603	184,663
Transportation services	74,098	65,766	79,367	66,937	75,820
Noninstructional programs	8,174	8,388	13,175	7,731	9,233
Other expenditures:					
Facilities acquisition	2,495,019	502,255	-	42,954	-
AEA flowthrough	69,288	68,493	66,244	66,884	65,032
	<u>\$ 4,395,958</u>	<u>2,538,084</u>	<u>2,063,774</u>	<u>1,987,749</u>	<u>1,912,608</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

**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**

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To the Board of Education of  
Titonka Consolidated 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 Titonka Consolidated School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. 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 Titonka Consolidated 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 our opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Titonka Consolidated 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Titonka Consolidated School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Titonka Consolidated School District's financial statements that is more than inconsequential will not be prevented or detected by Titonka Consolidated School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Titonka Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-I-A, is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Titonka Consolidated School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Titonka Consolidated 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 Titonka Consolidated School District and other parties to whom Titonka Consolidated School District may report, including federal awarding agencies and pass-through entities. This report 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 Titonka Consolidated 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.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2009

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

08-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-IV-B Certified Budget - Expenditures for the year ending June 30, 2008, exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

08-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

**Part II: Other Findings Related to Required Statutory Reporting:**

**(continued):**

08-II-D 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.

08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

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

08-II-G Board Minutes - We noted no items requiring Board approval which had not been approved by the Board.

08-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

08-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

08-II-K Deficit Balance -The Internal Service Fund had a deficit fund balance of \$751 at June 30, 2008.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The deficit will be covered by property tax revenues or transfers during the next year.

Conclusion - Response accepted.