

AGWSR COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 AGWSR Community School District at June 30, 2009, 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 November 6, 2009, on our consideration of AGWSR 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 and Budgetary Comparison Information on pages 4 through 13 and 37 through 38 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 AGWSR 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 five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

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

November 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 Financial Highlights

- General Fund revenues decreased from \$7,253,984 in fiscal 2008 to \$7,202,335 in fiscal 2009, while General Fund expenditures increased from \$6,853,041 in fiscal 2008 to \$7,084,059 in fiscal 2009. The District's General Fund balance increased from \$1,348,359 in fiscal 2008 to \$1,470,548 in fiscal 2009, a 9% increase.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance increased is because the support service expenditures diminished to a greater extent than the increases incurred in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of AGWSR 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 AGWSR 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 AGWSR Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
AGWSR GASB 34 Community School District Annual Financial Report

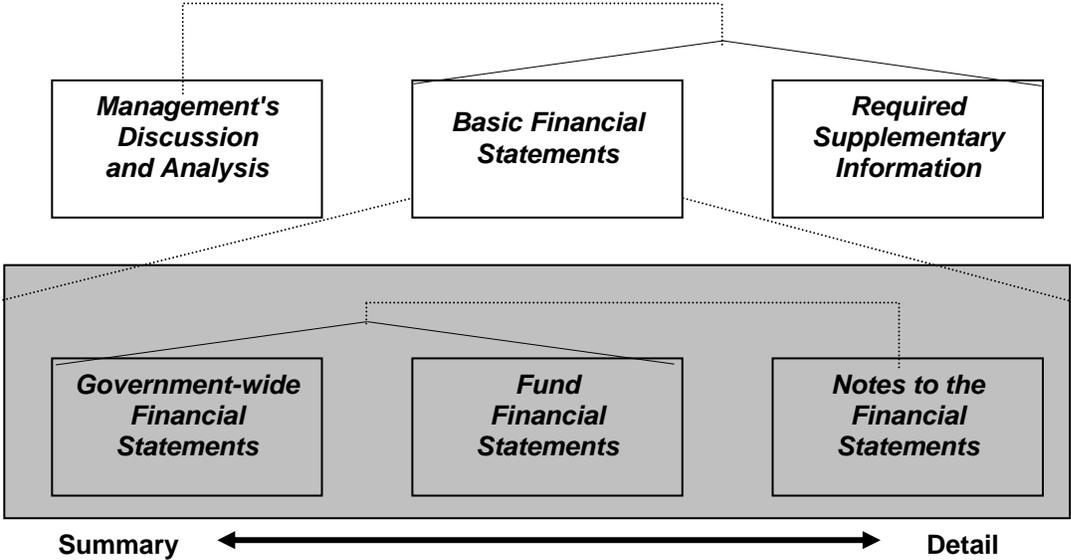


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,966,880	7,597,819	(15,660)	(3,821)	7,951,220	7,593,998	4.7%
Capital assets	4,035,621	3,782,573	124,047	142,246	4,159,668	3,924,819	6.0%
Total assets	12,002,501	11,380,392	108,387	138,425	12,110,888	11,518,817	5.1%
Long-term liabilities	921,507	1,079,121			921,507	1,079,121	(14.6%)
Other liabilities	4,124,272	4,085,149	7,149	6,707	4,131,421	4,091,856	1.0%
Total liabilities	5,045,779	5,164,270	7,149	6,707	5,052,928	5,170,977	(2.3%)
Net Assets:							
Invested in capital assets, net of related debt	3,502,286	3,115,905	124,047	142,246	3,626,333	3,258,151	11.3%
Restricted	1,811,875	1,531,440			1,811,875	1,531,440	18.3%
Unrestricted	1,642,561	1,568,777	(22,809)	(10,528)	1,619,752	1,558,249	3.9%
TOTAL NET ASSETS	6,956,722	6,216,122	101,238	131,718	7,057,960	6,347,840	11.2%

The District's combined total net assets increased by 11%, or approximately \$710,120 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$280,435 or 18.3% over the prior year.

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 – increased approximately \$61,503, or 3.9%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	614,150	601,674	358,661	334,108	972,811	935,782	4.0%
Operating grants & contributions	968,719	850,390	147,822	134,428	1,116,541	984,818	13.4%
Capital grants & contributions	9,632				9,632		
General Revenues:							
Property taxes	3,906,704	3,969,568			3,906,704	3,969,568	1.6%
Income Surtax	521,946	507,410			521,946	507,410	2.9%
Local option sales tax	436,480	411,173			436,480	411,173	6.2%
Unrestricted state grants	2,423,868	2,486,018			2,423,868	2,486,018	(2.5%)
Unrestricted investment earnings	43,441	49,216	176	176	43,617	49,392	(11.7%)
Other revenue	27,039	47,314			27,039	47,314	(42.9%)
Total Revenues	8,951,979	8,922,763	506,659	468,712	9,458,638	9,391,475	.7%
Expenses:							
Instruction	5,483,024	4,960,215			5,483,024	4,960,215	10.5%
Support services	2,200,251	2,148,733			2,200,251	2,148,733	2.4%
Non-instructional programs			537,139	522,353	537,139	522,353	2.8%
Other expenditures	528,104	426,402			528,104	426,402	23.9%
Total expenses	8,211,379	7,535,350	537,139	522,353	8,748,518	8,057,703	8.6%
Change in net assets before transfers	740,600	1,387,413	(30,480)	(53,641)	710,120	1,333,772	(46.8%)
Transfers		(41,766)		41,766			
CHANGE IN NET ASSETS	740,600	1,345,647	(30,480)	(11,875)	710,120	1,333,772	(46.8%)
Net assets beginning of year	6,216,122	4,870,475	131,718	143,593	6,347,840	5,014,068	26.6
Net assets end of year	6,956,722	6,216,122	101,238	131,718	7,057,960	6,347,840	11.2%

In fiscal year 2009 property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

As shown in figure A-4, the District as a whole experienced a .7% increase in revenues and a 10.4% increase in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,951,979 and expenses were \$8,211,379. 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.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
	\$	\$	\$	\$	\$	\$
Instruction	5,483,024	4,960,215	522,809	4,167,200	3,768,121	399,079
Support Services Non-instructional Programs	2,200,251	2,148,733	51,518	2,193,504	2,142,401	51,103
Other Expenses	528,104	426,402	101,702	258,174	172,764	85,410
TOTAL	8,211,379	7,535,350	676,029	6,618,878	6,083,286	535,592

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$614,150. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$968,719.
- The net cost of governmental activities was financed with \$4,865,130 in property and local other taxes and \$2,423,868 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$506,659 and expenses were \$537,139. 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, 2009, the District increased day care charges. This increase resulted in increased revenue to the enterprise (day care).

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,397,155, well above last year's ending fund balances of \$3,060,571. The primary reason for the increase in combined fund balances in fiscal 2009 is due to fiscal constraint concerning expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$1,348,359 to \$1,470,548, due in part to an increase in our tax asking by utilizing the maximum cash reserve levy.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from a balance of \$127,134 to a balance of \$242,702 in fiscal 2009. While revenues remained approximately the same, the District reduced spending from the PEEL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund balance decreased from \$912,011 to \$861,406 due to the high costs of purchases of equipment and construction projects.
- The Management Fund is used to pay the districts insurance premiums for property, vehicle and liability insurance and to pay for the district's early retirement plan. The balance in this fund increased by \$145,765 as the district continues to build up reserves in anticipating future increased needs from this fund.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$135,197 at June 30, 2008 to \$127,016 at June 30, 2009, For fiscal 2009, the district saw a slight decline in revenues and an increase in expenditures. The district is absorbing this loss with the existing carry over balance.

The Daycare fund ending net assets deficit grew significantly in 2008-09 from (\$3,479) to (\$25,788). This was largely due to no transfer of funds to assist this fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, AGWSR Community School District did not amend its annual budget. However, it should be noted that expenditures in the "Other expenditures function" exceeded the budgeted amount, and an amendment should have been completed.

The District's receipts were \$198,744 lower than budget, a 2% variance. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were 10% less than budgeted. Total expenditures were less than the 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. The District then manages or controls spending through its line-item budget. The District's total certified budget was not exceeded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4.16 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) This represents a net increase of 6.0% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

At June 30, the district had incurred approximately \$116,000 of expenditures for boiler replacement at the Wellsburg facility and \$29,000 for a roof project. It will cost approximately \$86,000 to complete the projects.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	52,000	52,000			52,000	52,000	0
Construction in progress	145,124	84,022			145,124	84,022	72.7
Buildings	2,840,795	2,768,387			2,840,795	2,768,387	2.6%
Improvements	404,057	349,875			404,057	349,875	15.5%
Equipment & furniture	593,645	528,289	124,047	142,246	717,692	670,535	7.0%
TOTAL	4,035,621	3,782,573	124,047	142,246	4,159,668	3,924,819	6.0%

Long-Term Debt

At June 30, 2009 the District had \$921,507 in general obligation and other long-term debt outstanding. This represents an decrease of approximately 14.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The district has offered an early retirement plan, which encompasses a three-year payout. Seven former employees are participating in the plan, which has allowed for staff downsizing and restructuring throughout the district.

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

	Total School District		Percentage Change 2008-2009
	2008	2009	
	\$	\$	
Capital loan notes	666,668	533,335	(20%)
Early retirement	412,453	388,172	(5.9%)
	<u>1,079,121</u>	<u>921,507</u>	<u>(14.6)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The school district enrollment continues to decline, with a decrease of over 40 students from the previous year. This trend has a significant negative impact on the district's revenues.

Immediate and future across the board cuts at the state level continue to impact revenues in a negative direction. We incurred a 1.5% across the board cut in 2008-09 and a 10% cut in 2009-10. This will cause the district's cash reserves to diminish by over \$350,000. As a response the district will be looking to cut \$300,000+ dollars from general fund expenditures.

A continued phase out of the state budget guarantee is also having a significant and increasingly negative impact on the district's revenues.

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 Marilyn Brocka, District Secretary/Treasurer and Business Manager, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	3,294,191	20,053	3,314,244
Receivables:			
Property tax:			
Delinquent	103,599	-	103,599
Succeeding year	3,810,628	-	3,810,628
Accounts	7,609	5,768	13,377
Accrued interest	761	-	761
Due from other governments	698,639	3,503	702,142
Interfund balances	51,453	(51,453)	-
Inventories	-	6,469	6,469
Capital assets, net of accumulated depreciation	4,035,621	124,047	4,159,668
Total assets	12,002,501	108,387	12,110,888
Liabilities			
Accounts payable	250,711	3,716	254,427
Accrued interest payable	2,933	-	2,933
Deferred revenue:			
Succeeding year property tax	3,810,628	-	3,810,628
Other	60,000	3,433	63,433
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Termination benefits	177,620	-	177,620
Portion due after one year:			
Capital loan notes payable	400,002	-	400,002
Termination benefits	210,552	-	210,552
Total liabilities	5,045,779	7,149	5,052,928
Net assets			
Invested in capital assets, net of related debt	3,502,286	124,047	3,626,333
Restricted for:			
Categorical funding	49,247	-	49,247
Management levy	341,609	-	341,609
Physical plant and equipment levy	466,895	-	466,895
Other special revenue purposes	92,718	-	92,718
Sales tax capital projects	861,406	-	861,406
Unrestricted	1,642,561	(22,809)	1,619,752
Total net assets	6,956,722	101,238	7,057,960

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grant Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	3,320,815	266,001	512,658	-
Special	1,084,424	53,175	82,902	-
Other	1,077,785	294,974	106,114	-
	<u>5,483,024</u>	<u>614,150</u>	<u>701,674</u>	<u>-</u>
Support services:				
Student	48,586	-	-	-
Instructional staff	279,818	-	-	-
Administration	758,371	-	-	-
Operation and maintenance of plant	605,524	-	-	-
Transportation	507,952	-	6,747	-
	<u>2,200,251</u>	<u>-</u>	<u>6,747</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	99,089	-	-	9,632
Long-term debt interest	21,266	-	-	-
AEA flowthrough	260,298	-	260,298	-
Depreciation (unallocated)*	147,451	-	-	-
	<u>528,104</u>	<u>-</u>	<u>260,298</u>	<u>9,632</u>
Total governmental activities	<u>8,211,379</u>	<u>614,150</u>	<u>968,719</u>	<u>9,632</u>
Business type activities:				
Non-instructional programs:				
Food service operations	259,006	135,127	115,522	-
Daycare	278,133	223,534	32,300	-
Total business-type activities	<u>537,139</u>	<u>358,661</u>	<u>147,822</u>	<u>-</u>
Total	<u>8,748,518</u>	<u>972,811</u>	<u>1,116,541</u>	<u>9,632</u>

General Revenues:

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Statewide sales and services 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 that is included in the direct expenses of the various programs.

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,542,156)	-	(2,542,156)
(948,347)	-	(948,347)
<u>(676,697)</u>	-	<u>(676,697)</u>
<u>(4,167,200)</u>	-	<u>(4,167,200)</u>
(48,586)	-	(48,586)
(279,818)	-	(279,818)
(758,371)	-	(758,371)
(605,524)	-	(605,524)
<u>(501,205)</u>	-	<u>(501,205)</u>
<u>(2,193,504)</u>	-	<u>(2,193,504)</u>
(89,457)	-	(89,457)
(21,266)	-	(21,266)
-	-	-
<u>(147,451)</u>	-	<u>(147,451)</u>
<u>(258,174)</u>	-	<u>(258,174)</u>
<u>(6,618,878)</u>	-	<u>(6,618,878)</u>
-	(8,357)	(8,357)
-	(22,299)	(22,299)
-	(30,656)	(30,656)
<u>(6,618,878)</u>	<u>(30,656)</u>	<u>(6,649,534)</u>
3,761,901	-	3,761,901
144,803	-	144,803
521,946	-	521,946
436,480	-	436,480
2,423,868	-	2,423,868
43,441	176	43,617
<u>27,039</u>	-	<u>27,039</u>
<u>7,359,478</u>	<u>176</u>	<u>7,359,654</u>
740,600	(30,480)	710,120
<u>6,216,122</u>	<u>131,718</u>	<u>6,347,840</u>
<u>6,956,722</u>	<u>101,238</u>	<u>7,057,960</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,401,070	853,634	714,311	325,176	3,294,191
Receivables:					
Property tax:					
Delinquent	84,512	-	15,470	3,617	103,599
Succeeding year	3,105,273	-	580,000	125,355	3,810,628
Accounts	7,609	-	-	-	7,609
Accrued interest	-	-	-	761	761
Interfund receivable	51,453	-	-	9,632	61,085
Due from other governments	376,742	97,704	-	224,193	698,639
Total assets	5,026,659	951,338	1,309,781	688,734	7,976,512
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	157,013	89,932	-	3,766	250,711
Interfund payable	9,632	-	-	-	9,632
Deferred revenue:					
Succeeding year property tax	3,105,273	-	580,000	125,355	3,810,628
Other	284,193	-	-	224,193	508,386
Total liabilities	3,556,111	89,932	580,000	353,314	4,579,357
Fund balances:					
Reserved for:					
Categorical funding	49,247	-	-	-	49,247
Unreserved reported in:					
General Fund	1,421,301	-	-	-	1,421,301
Capital Projects Fund	-	861,406	-	-	861,406
Special Revenue Funds	-	-	729,781	335,420	1,065,201
Total fund balances	1,470,548	861,406	729,781	335,420	3,397,155
Total liabilities and fund balances	5,026,659	951,338	1,309,781	688,734	7,976,512

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	3,397,155
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,035,621
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	448,386
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.	(2,933)
Long-term liabilities, including capital loan notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(921,507)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,956,722</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,454,296	436,480	572,268	409,466	4,872,510
Tuition	237,111	-	-	-	237,111
Other	118,341	8,022	16,029	310,846	453,238
State sources	3,169,761	-	-	-	3,169,761
Federal sources	222,826	-	-	-	222,826
Total revenues	<u>7,202,335</u>	<u>444,502</u>	<u>588,297</u>	<u>720,312</u>	<u>8,955,446</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,079,665	4,771	249,303	-	3,333,739
Special	1,084,424	-	-	-	1,084,424
Other	778,647	-	-	292,667	1,071,314
	<u>4,942,736</u>	<u>4,771</u>	<u>249,303</u>	<u>292,667</u>	<u>5,489,477</u>
Support services:					
Student	48,586	-	-	-	48,586
Instructional staff	247,682	36,181	-	-	283,863
Administration	658,625	8,937	92,814	-	760,376
Operation and maintenance of plant	520,078	-	87,051	989	608,118
Transportation	406,054	77,196	13,364	85,878	582,492
	<u>1,881,025</u>	<u>122,314</u>	<u>193,229</u>	<u>86,867</u>	<u>2,283,435</u>
Other expenditures:					
Facilities acquisition	-	368,022	-	66,210	434,232
Long-term debt:					
Principal	-	-	-	133,333	133,333
Interest and fiscal charges	-	-	-	22,000	22,000
AEA flowthrough	260,298	-	-	-	260,298
	<u>260,298</u>	<u>368,022</u>	<u>-</u>	<u>221,543</u>	<u>849,863</u>
Total expenditures	<u>7,084,059</u>	<u>495,107</u>	<u>442,532</u>	<u>601,077</u>	<u>8,622,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118,276</u>	<u>(50,605)</u>	<u>145,765</u>	<u>119,235</u>	<u>332,671</u>
Other financing sources (uses):					
Sales of equipment and real property	3,913	-	-	-	3,913
Operating transfers in	-	-	-	155,333	155,333
Operating transfers out	-	-	-	(155,333)	(155,333)
Total other financing sources (uses)	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,913</u>
Net change in fund balances	122,189	(50,605)	145,765	119,235	336,584
Fund balances beginning of year	<u>1,348,359</u>	<u>912,011</u>	<u>584,016</u>	<u>216,185</u>	<u>3,060,571</u>
Fund balances end of year	<u>1,470,548</u>	<u>861,406</u>	<u>729,781</u>	<u>335,420</u>	<u>3,397,155</u>

See notes to financial statements.

AGWSR 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, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		336,584
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	519,622	
Depreciation expense	<u>(266,574)</u>	253,048
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(7,380)
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.		133,333
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.		734
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>24,281</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>740,600</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	20,053
Accounts receivable	5,768
Due from other governments	3,503
Inventories	6,469
Capital assets, net of accumulated depreciation	<u>124,047</u>
Total assets	<u>159,840</u>
Liabilities	
Accounts payable	3,716
Interfund payables	51,453
Deferred revenue	<u>3,433</u>
Total liabilities	<u>58,602</u>
Net assets	
Invested in capital assets	124,047
Unrestricted	<u>(22,809)</u>
Total net assets	<u><u>101,238</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>358,661</u>
Operating expenses:	
Non-instructional programs:	
Salaries	285,519
Benefits	46,015
Purchased services	15,537
Supplies	171,869
Depreciation	<u>18,199</u>
Total operating expenses	<u>537,139</u>
Operating gain (loss)	<u>(178,478)</u>
Non-operating revenues:	
State sources	3,097
Federal sources	127,290
Donations	17,435
Interest income	<u>176</u>
Total non-operating revenues	<u>147,998</u>
Net income	(30,480)
Net assets beginning of year	<u>131,718</u>
Net assets end of year	<u><u>101,238</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	134,963
Cash received from daycare services	228,574
Cash payments to employees for services	(331,534)
Cash payments to suppliers for goods or services	(164,413)
Net cash used by operating activities	<u>(132,410)</u>
Cash flows from non-capital financing activities:	
Loans from other funds	17,367
Donations	17,435
State grants received	3,097
Federal grants received	102,030
Net cash provided by non-capital financing activities	<u>139,929</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>176</u>
Net increase (decrease) in cash and cash equivalents	7,695
Cash and cash equivalents at beginning of year	<u>12,358</u>
Cash and cash equivalents at end of year	<u><u>20,053</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(178,478)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	23,432
Depreciation	18,199
Decrease (increase) in inventories	(897)
Decrease (increase) in accounts receivable	4,892
(Decrease) increase in accounts payable	458
(Decrease) increase in deferred revenue	(16)
Net cash used by operating activities	<u><u>(132,410)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$23,482 of federal commodities.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	<u>27,982</u>	<u>2,740</u>
Liabilities		
Other payables	<u>-</u>	<u>2,740</u>
Net Assets		
Reserved for scholarships	<u><u>27,982</u></u>	<u><u>-</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Interest	1,021
Deductions:	
Support services:	
Scholarships awarded	<u>918</u>
Change in net assets	103
Net assets beginning of year	<u>27,879</u>
Net assets end of year	<u><u>27,982</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2009

1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net 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 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 two 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.

The District reports the following major governmental funds:

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

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by 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.

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.

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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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	-
Buildings	2,000
Improvements other than buildings	2,000
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</u>
Buildings	20-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 years

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted 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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	3,901

The investments are valued at an amortized cost 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. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor Enterprise Funds	51,453
Nonmajor Physical Plant and Equipment Levy Fund	General Fund	9,632

The General Fund loaned money to the Daycare Fund during the year for cash flow purposes. The payable from the General Fund to the Physical Plant and Equipment Levy Fund represents donations that were misclassified and will be transferred.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	155,333

The transfer from the Physical Plant and Equipment Levy Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	52,000	-	-	52,000
Construction in progress	84,022	145,124	84,022	145,124
Total capital assets not being depr.	<u>136,022</u>	<u>145,124</u>	<u>84,022</u>	<u>197,124</u>
Capital assets being depreciated:				
Buildings	6,212,893	175,530	-	6,388,423
Improvements other than buildings	848,656	98,511	-	947,167
Furniture and equipment	1,907,775	184,479	78,500	2,013,754
Total capital assets being deprec.	<u>8,969,324</u>	<u>458,520</u>	<u>78,500</u>	<u>9,349,344</u>

Less accumulated depreciation for:				
Buildings	3,444,506	103,122	-	3,547,628
Improvements other than buildings	498,781	44,329	-	543,110
Furniture and equipment	1,379,486	119,123	78,500	1,420,109
Total accumulated depreciation	<u>5,322,773</u>	<u>266,574</u>	<u>78,500</u>	<u>5,510,847</u>
Total capital assets being depreciated, net	<u>3,646,551</u>	<u>191,946</u>	<u>-</u>	<u>3,838,497</u>
Governmental activities capital assets, net	<u>3,782,573</u>	<u>337,070</u>	<u>84,022</u>	<u>4,035,621</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	262,529	-	-	262,529
Less accumulated depreciation	<u>120,283</u>	<u>18,199</u>	<u>-</u>	<u>138,482</u>
Business type activities capital assets, net	<u>142,246</u>	<u>(18,199)</u>	<u>-</u>	<u>124,047</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	20,284
Other	11,671
Support services:	
Administration services	1,570
Operation and maintenance of plant services	3,796
Transportation	<u>81,802</u>
	119,123
Unallocated depreciation	<u>147,451</u>
Total depreciation expense – governmental activities	<u>266,574</u>
Business type activities:	
Food service operations	16,622
Daycare operations	<u>1,577</u>
Total depreciation expense – business type activities	<u>18,199</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital loan notes	666,668	-	133,333	533,335	133,333
Termination benefits	412,453	315,824	340,105	388,172	177,620
Total	1,079,121	315,824	473,438	921,507	310,953

Termination Benefits

The District offered a one year voluntary early retirement plan to employees during fiscal year 2009. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The District offered a similar plan to employees in fiscal years 2006 and 2007.

Early retirement benefits are equal to 150% of the employee's regular contractual salary in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2009, the District has obligations to seven participants with a total liability of \$388,172. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$340,105.

Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.30	133,333	17,600	150,933
2011	3.30	133,333	13,200	146,533
2012	3.30	133,333	8,800	142,133
2013	3.30	133,336	4,400	137,736
		<u>533,335</u>	<u>44,000</u>	<u>577,335</u>

During the year the District paid \$155,333 of principal and interest on the notes.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$275,951, \$254,018, and \$235,967 respectively, equal to the required contributions for each year.

8. 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$260,298 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Deficit Net Assets

The Enterprise Daycare Fund has a deficit unrestricted net asset balance of \$45,490 at June 30, 2009.

11. Construction Commitments

The District has entered into contracts totaling \$208,317 for playground equipment and boiler replacement. As of June 30, 2009 costs of \$101,684 have been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR 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, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,562,859	376,272	5,939,131	6,069,425	6,069,425	(130,294)
State sources	3,169,761	3,097	3,172,858	3,269,674	3,269,674	(96,816)
Federal sources	222,826	127,290	350,116	321,750	321,750	28,366
Total revenues	<u>8,955,446</u>	<u>506,659</u>	<u>9,462,105</u>	<u>9,660,849</u>	<u>9,660,849</u>	<u>(198,744)</u>
Expenditures/Expenses:						
Instruction	5,489,477	-	5,489,477	5,831,860	5,831,860	342,383
Support services	2,283,435	-	2,283,435	2,728,460	2,728,460	445,025
Non-instructional programs	-	537,139	537,139	733,857	733,857	196,718
Other expenditures	849,896	-	849,896	832,038	832,038	(17,858)
Total expenditures/expenses	<u>8,622,808</u>	<u>537,139</u>	<u>9,159,947</u>	<u>10,126,215</u>	<u>10,126,215</u>	<u>966,268</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	332,638	(30,480)	302,158	(465,366)	(465,366)	767,524
Other financing sources (uses) net	<u>3,913</u>	<u>-</u>	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>3,913</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	336,551	(30,480)	306,071	(465,366)	(465,366)	771,437
Balance beginning of year	<u>3,060,571</u>	<u>131,718</u>	<u>3,192,289</u>	<u>2,594,544</u>	<u>2,594,544</u>	<u>597,745</u>
Balance end of year	<u><u>3,397,122</u></u>	<u><u>101,238</u></u>	<u><u>3,498,360</u></u>	<u><u>2,129,178</u></u>	<u><u>2,129,178</u></u>	<u><u>1,369,182</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared 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. The District did not amend its budget during the year.

During the year ended June 30, 2009 expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	<u>Special Revenue Funds</u>		
	Student Activity Fund	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	96,484	228,692	325,176
Receivables:			
Property tax:			
Delinquent	-	3,617	3,617
Succeeding year	-	125,355	125,355
Accrued interest	-	761	761
Interfund receivable	-	9,632	9,632
Due from other governments	-	224,193	224,193
	<u>96,484</u>	<u>592,250</u>	<u>688,734</u>
Total assets	<u>96,484</u>	<u>592,250</u>	<u>688,734</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	3,766	-	3,766
Deferred revenue:			
Succeeding year property tax	-	125,355	125,355
Other	-	224,193	224,193
Total liabilities	<u>3,766</u>	<u>349,548</u>	<u>353,314</u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	<u>92,718</u>	<u>242,702</u>	<u>335,420</u>
Total liabilities and fund balances	<u>96,484</u>	<u>592,250</u>	<u>688,734</u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Student Activity Fund</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues:				
Local sources:				
Local tax	-	409,466	-	409,466
Other	296,334	14,512	-	310,846
Total revenues	<u>296,334</u>	<u>423,978</u>	<u>-</u>	<u>720,312</u>
Expenditures:				
Current:				
Instruction:				
Other	292,667	-	-	292,667
Support services:				
Operation and maintenance of plant	-	989	-	989
Transportation	-	85,878	-	85,878
Other expenditures:				
Facilities acquisition	-	66,210	-	66,210
Long-term debt:				
Principal	-	-	133,333	133,333
Interest and fiscal charges	-	-	22,000	22,000
Total expenditures	<u>292,667</u>	<u>153,077</u>	<u>155,333</u>	<u>601,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,667</u>	<u>270,901</u>	<u>(155,333)</u>	<u>119,235</u>
Other financing sources (uses):				
Operating transfers in	-	-	155,333	155,333
Operating transfers out	-	(155,333)	-	(155,333)
Total other financing sources (uses)	<u>-</u>	<u>(155,333)</u>	<u>155,333</u>	<u>-</u>
Net change in fund balances	3,667	115,568	-	119,235
Fund balances beginning of year	<u>89,051</u>	<u>127,134</u>	<u>-</u>	<u>216,185</u>
Fund balances end of year	<u><u>92,718</u></u>	<u><u>242,702</u></u>	<u><u>-</u></u>	<u><u>335,420</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	20,053	-	20,053
Accounts receivable	286	5,482	5,768
Due from other governments	-	3,503	3,503
Inventories	6,469	-	6,469
Capital assets, net of accumulated of accumulated depreciation	104,335	19,712	124,047
Total assets	<u>131,143</u>	<u>28,697</u>	<u>159,840</u>
Liabilities			
Accounts payable	694	3,022	3,716
Interfund payables	-	51,453	51,453
Deferred revenue	3,433	-	3,433
Total liabilities	<u>4,127</u>	<u>54,475</u>	<u>58,602</u>
Net assets			
Invested in capital assets	104,335	19,712	124,047
Unrestricted	22,681	(45,490)	(22,809)
Total net assets	<u>127,016</u>	<u>(25,778)</u>	<u>101,238</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>135,127</u>	<u>223,534</u>	<u>358,661</u>
Operating expenses:			
Non-instructional programs:			
Salaries	93,278	192,241	285,519
Benefits	13,297	32,718	46,015
Purchased services	20	15,517	15,537
Supplies	135,789	36,080	171,869
Depreciation	16,622	1,577	18,199
	<u>259,006</u>	<u>278,133</u>	<u>537,139</u>
Operating gain (loss)	<u>(123,879)</u>	<u>(54,599)</u>	<u>(178,478)</u>
Non-operating revenues:			
State sources	3,097	-	3,097
Federal sources	112,425	14,865	127,290
Donations	-	17,435	17,435
Interest income	176	-	176
Total non-operating revenues	<u>115,698</u>	<u>32,300</u>	<u>147,998</u>
Change in net assets	(8,181)	(22,299)	(30,480)
Net assets beginning of year	<u>135,197</u>	<u>(3,479)</u>	<u>131,718</u>
Net assets end of year	<u><u>127,016</u></u>	<u><u>(25,778)</u></u>	<u><u>101,238</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	134,963	-	134,963
Cash received from daycare services	-	228,574	228,574
Cash payments to employees for services	(106,575)	(224,959)	(331,534)
Cash payments to suppliers for goods or services	(113,169)	(51,244)	(164,413)
Net cash used by operating activities	<u>(84,781)</u>	<u>(47,629)</u>	<u>(132,410)</u>
Cash flows from non-capital financing activities:			
Interfund loan proceeds (repayments)	-	17,367	17,367
Donations	-	17,435	17,435
State grants received	3,097	-	3,097
Federal grants received	89,203	12,827	102,030
Net cash provided by non-capital financing activities	<u>92,300</u>	<u>47,629</u>	<u>139,929</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>176</u>	<u>-</u>	<u>176</u>
Net increase (decrease) in cash and cash equivalents	7,695	-	7,695
Cash and cash equivalents at beginning of year	<u>12,358</u>	<u>-</u>	<u>12,358</u>
Cash and cash equivalents at end of year	<u><u>20,053</u></u>	<u><u>-</u></u>	<u><u>20,053</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(123,879)	(54,599)	(178,478)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	23,432	-	23,432
Depreciation	16,622	1,577	18,199
Decrease (increase) in inventories	(897)	-	(897)
Decrease (increase) in accounts receivable	(148)	5,040	4,892
(Decrease) increase in accounts payable	105	353	458
(Decrease) increase in deferred revenue	(16)	-	(16)
Net cash used by operating activities	<u>(84,781)</u>	<u>(47,629)</u>	<u>(132,410)</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Football	13,890	13,993	13,959	13,924
Volleyball	3,069	15,804	14,169	4,704
Boys basketball	5,543	14,392	13,412	6,523
Girls basketball	16,153	20,098	18,257	17,994
Wrestling	437	4,250	4,673	14
Boys track	(1,849)	4,865	3,459	(443)
Girls track	-	2,426	2,426	-
Boys golf	-	337	337	-
Girls golf	-	1,319	1,319	-
Baseball	1,850	2,002	4,473	(621)
Softball	1,563	5,821	7,604	(220)
Tennis	(416)	665	249	-
Flag football	453	100	-	553
MS baseball	-	25	-	25
Weightlifting	328	-	111	217
Youth basketball	422	1,260	1,223	459
Volleyball camp	-	1,010	359	651
Youth football	5,105	575	1,573	4,107
Cross country	1,242	1,343	1,694	891
After prom	3,338	10,250	12,186	1,402
Art club	90	25	-	115
Music booster donations	19,844	19,377	23,536	15,685
Cheerleaders	-	1,840	1,020	820
Drama	652	913	814	751
Drill Team	-	561	265	296
Elementary music fundraiser	-	195	39	156
FFA	8,659	32,624	38,287	2,996
FCCLA	(288)	991	574	129
National Honor Society	48	154	339	(137)
Foreign language club	348	578	601	325
Mat club	150	-	-	150
Student council	1,860	9,555	11,615	(200)
Cougar impact	285	20,451	14,496	6,240
MS student council	7	-	-	7
MS drama	191	164	231	124
Booster club	9,903	65,574	56,846	18,631
Fall musical	(48)	46	-	(2)
Torch	(12,278)	12,192	13,880	(13,966)
Material for resale	(314)	174	183	(323)

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Nurse	695	950	656	989
PTA	6,691	12,585	10,758	8,518
Athletics	675	4,450	4,763	362
Class of 2007	34	-	34	-
Class of 2008	12	-	12	-
Class of 2009	654	271	925	-
Class of 2010	53	12,129	11,310	872
	<u>89,051</u>	<u>296,334</u>	<u>292,667</u>	<u>92,718</u>
Total	<u>89,051</u>	<u>296,334</u>	<u>292,667</u>	<u>92,718</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

	Elementary Employee Vending \$	HS Employee Vending \$	Middle School Vending \$	Total \$
Balance beginning of year	2,033	721	43	2,797
Additions:				
Miscellaneous	526	1,154	-	1,680
Deductions:				
Miscellaneous	648	1,089	-	1,737
Balance end of year	<u>1,911</u>	<u>786</u>	<u>43</u>	<u>2,740</u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623	3,298,949
Tuition	237,111	252,150	232,604	343,758	215,062	219,653
Other	453,238	423,310	464,362	568,551	497,507	442,158
State sources	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878	3,145,204
Federal sources	222,826	192,547	209,234	250,051	354,977	262,743
Total revenues	<u>8,955,446</u>	<u>8,842,143</u>	<u>8,883,915</u>	<u>8,765,096</u>	<u>8,364,047</u>	<u>7,368,707</u>
Expenditures:						
Instruction:						
Regular	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177	3,236,274
Special	1,084,424	1,014,283	1,026,015	1,008,315	985,460	1,333,434
Other	1,071,314	1,054,820	918,241	1,106,578	1,029,519	616,771
Support services:						
Student	48,586	58,624	87,292	106,019	137,762	120,982
Instructional staff	283,863	352,093	460,685	288,477	179,666	135,529
Administration	760,376	697,426	758,660	764,416	721,870	631,133
Operation and maintenance	608,118	622,784	601,767	564,602	530,142	480,841
Transportation	582,492	474,441	540,451	531,060	433,654	346,131
Non-instructional programs	-	-	22,699	4,829	21,978	20,287
Other expenditures:						
Facilities acquisition	434,232	441,775	262,830	89,747	1,285,886	668,407
Long-term debt:						
Principal	133,333	133,333	133,333	133,333	133,333	-
Interest and other charges	22,000	26,546	30,800	35,200	38,280	-
AEA flowthrough	260,298	253,638	251,670	246,678	244,405	250,842
Total expenditures	<u>8,622,775</u>	<u>8,292,453</u>	<u>8,294,233</u>	<u>8,196,882</u>	<u>9,091,132</u>	<u>7,840,631</u>

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

To the Board of Education of
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 6, 2009. 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 AGWSR 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 our opinion on the effectiveness of AGWSR Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AGWSR 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 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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 AGWSR Community 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 Sample AGWSR Community School District's financial statements that is more than inconsequential will not be prevented or detected by AGWSR Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies 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 AGWSR 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, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B, 09-I-C and 09-I-D are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

AGWSR Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit AGWSR 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 AGWSR Community School District and other parties to whom AGWSR Community School District may report. 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 AGWSR Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

November 6, 2009

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response accepted.

09-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

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

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

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

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

Conclusion: Response accepted.

09-I-D Financial Reporting: During the audit, we identified a material construction payable not recorded in the District's financial records. An adjustment was subsequently made by the District to properly include the payable in the financial statements.

Recommendation: The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

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

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted 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.

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

Conclusion: Response accepted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Darren Janssen, board member, employee at local bank	School banking	

Recommendation: The District should be aware of potential conflicts when making decisions about school banking and should consult their attorney before proceeding with any banking decisions.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

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

09-II-G Certified Enrollment: The calculation for supplemental weighting reported to the Iowa Department of Education on Line 12 of the Certified Enrollment Certification Form for October 2008, included open enrollment in students. Supplemental weighting should only include resident students.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

District Response: We will contact these departments.

Conclusion: Response accepted.

09-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, except the District's depository resolution did not specify a maximum amount that may be kept on deposit at each bank as required by Chapter 12C.2 of the Code of Iowa

Recommendation: The District's depository resolution should be amended to include a maximum deposit amount for each bank.

District Response: We will revise our depository resolution.

Conclusion: Response accepted.

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

09-II-K Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		436,480
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	103,073	
Buildings and building improvements	215,743	
Equipment	117,664	436,480
		<hr/>
Ending balance		<hr/> <hr/> -

09-II-L Deficit Balances: The District has a deficit unrestricted net assets balance in the Enterprise, Daycare Fund of \$45,490 at June 30, 2009. The Student Activity Fund Torch Account (yearbook) had a \$13,966 deficit and several other Student Activity Fund accounts also had deficit account balances at year-end.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

District Response: We will continue to investigate methods to eliminate the deficits.

Conclusion: Response accepted.

09-II-M Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the Daycare Fund shares a checking account with the General and Management Funds. The Daycare Fund runs a cash deficit in the pooled bank account. The Daycare Fund cash deficit is an interfund loan.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loan to the Daycare Fund.

District Response: We will investigate a permanent transfer to the Daycare Fund so that it will have cash for operations.

Conclusion: Response accepted.

09-II-N Old outstanding checks: We noted that the District's bank reconciliations included approximately \$2,800 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

09-II-O Construction Contract Change Orders: We noted that the Board of Directors did not approve a change order.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.