

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Andrew Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 election)		
Charles Schwager	President	2008
Kevin Kilburg	Vice President	2010
Allan W. Till	Board Member	2010
M. Joell Deppe	Board Member	2008
Charlie Peters	Board Member	2009
Board of Education (After September 2008 election)		
Charles Schwager	President	2011
Kevin Kilburg	Vice President	2011 *
Allan W. Till	Board Member	2011 *
Kathy Kilburg	Board Member	2011
Charlie Peters	Board Member	2009
School Officials		
Kent Hammer	Superintendent	2009
Ruth Hingtgen	District Secretary/ Treasurer	2009
Lane and Waterman	Attorney	2009

* Board Term extended per the District's transition for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Andrew 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 Andrew Community School District, Andrew Iowa, 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. 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 that 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, business type activities, each major fund, and the aggregate remaining fund information of the Andrew Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 9, 2010 on our consideration of the Andrew 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 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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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 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 Andrew 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 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 5 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew 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 \$\$3,157,884 in fiscal 2008 to \$3,115,356 in fiscal 2009, and General Fund expenditures decreased from \$3,121,432 in fiscal 2008 to \$3,023,380 in fiscal 2009. This resulted in an increase in the District's General Fund balance of \$26,209 in fiscal 2008 to a balance of \$118,185 in fiscal 2009, a 350.93% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax and state grant revenue in fiscal 2009. The decrease in expenditures was due primarily to an decrease in the instruction, support services and other expenditures functional areas expenditures.

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 Andrew 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 Andrew 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 Andrew Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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
Andrew Community School District Annual Financial Report

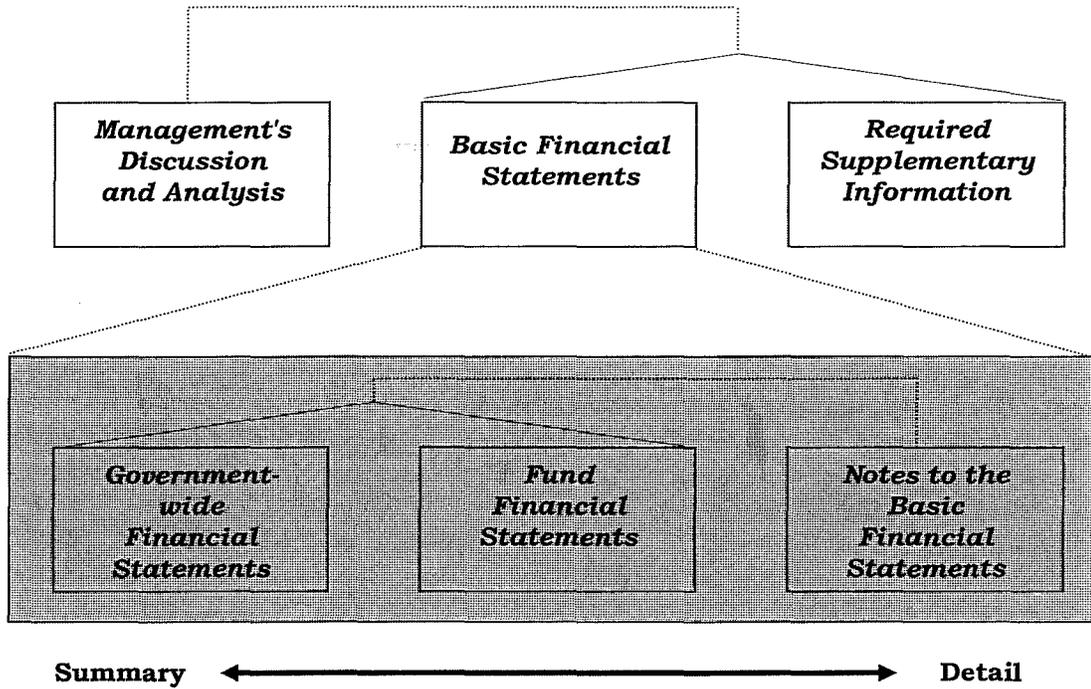


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 two 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,082,142	2,800,247	14,312	3,259	3,096,454	2,803,506	10.45%
Capital assets	855,063	835,362	45,987	52,360	901,050	887,722	1.50%
Total assets	3,937,205	3,635,609	60,299	55,619	3,997,504	3,691,228	8.30%
Long-term liabilities	40,000	60,000	0	0	40,000	60,000	-33.33%
Other liabilities	2,186,438	2,026,574	619	1,861	2,187,057	2,028,435	7.82%
Total liabilities	2,226,438	2,026,574	619	1,861	2,227,057	2,028,435	9.79%
Net assets:							
Invested in capital assets, net of related debt	815,063	775,362	45,987	52,360	861,050	827,722	4.03%
Restricted	411,641	360,439	0	0	411,641	360,439	14.21%
Unrestricted	484,063	413,234	13,693	1,398	497,756	414,632	20.05%
Total net assets	\$ 1,710,767	1,549,035	59,680	53,758	1,770,447	1,602,793	10.46%

The District's combined net assets increased by 10.46%, or \$167,654, over the prior year. The largest portion of the District's net assets is the invested in capital assets 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 \$51,202, or 14.21% over the prior year. The increase was primarily a result of an increase in the Special Revenue, Property Plant and Equipment Levy Fund balance.

Unrestricted net assets are 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 \$83,124, or 20.05%. This increase in unrestricted net assets was due primarily to the increase in the General Fund net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 297,415	348,698	65,889	63,601	363,304	412,299	-11.88%
Operating grants and contributions and restricted interest	474,187	408,234	60,224	56,458	534,411	464,692	15.00%
Capital grants and contributions and restricted interest	5,900	8,075	0	0	5,900	8,075	-26.93%
General revenues:							
Local tax	973,570	938,546	0	0	973,570	938,546	3.73%
Income surtax	144,456	133,490	0	0	144,456	133,490	8.21%
Statewide sales and services tax	181,128	190,252	0	0	181,128	190,252	-4.80%
Unrestricted state grants	1,372,613	1,461,504	0	0	1,372,613	1,461,504	-6.08%
Unrestricted investment earnings	23,694	48,515	36	56	23,730	48,571	-51.14%
Other general revenues	27,004	20,924	222	0	27,226	20,924	30.12%
Transfers	0	(8,437)	0	8,437	0	0	0.00%
Total revenues and transfers	3,499,967	3,549,801	126,371	128,552	3,626,338	3,678,353	-1.41%
Program expenses:							
Governmental activities:							
Instructional	2,266,391	2,250,375	0	0	2,266,391	2,250,375	0.71%
Support services	913,941	900,224	0	0	913,941	900,224	1.52%
Non-instructional programs	2,316	2,233	120,449	128,287	122,765	130,520	-5.94%
Other expenses	155,587	170,854	0	0	155,587	170,854	-8.94%
Total expenses	3,338,235	3,323,686	120,449	128,287	3,458,684	3,451,973	0.19%
Change in net assets	161,732	226,115	5,922	265	167,654	226,380	25.94%
Beginning net assets	1,549,035	1,322,920	53,758	53,493	1,602,793	1,376,413	16.45%
Ending net assets	\$ 1,710,767	1,549,035	59,680	53,758	1,770,447	1,602,793	10.46%

In fiscal 2009, local tax, income surtax, statewide sales and services tax and unrestricted state grants account for 76.34% of the revenues from governmental activities while charges for services and operating grants and contributions account for 99.80% of the revenues in the business type activities.

The District's total revenues and transfers were \$3,626,338 of which \$3,499,967 was for governmental activities and \$126,371 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.41% decrease in revenues and a 0.19% increase in expenses. Federal sources increased by \$27,164 to fund expenditures. The increase in expenses was related to increases in the instructional, support services, and non-instructional program expenditures.

Governmental Activities

Revenues for governmental activities were \$3,499,967 and expenses were \$3,338,235.

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 and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 2,266,391	2,250,375	0.71%	1,615,782	1,613,729	0.13%
Support services	913,941	900,224	1.52%	910,198	895,882	1.60%
Non-instructional programs	2,316	2,233	3.72%	2,316	2,233	3.72%
Other expenses	155,587	170,854	-8.94%	32,377	46,835	-30.87%
Totals	\$ 3,338,235	3,323,686	0.44%	2,560,673	2,558,679	0.08%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$297,415.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$480,087.
- The net cost of governmental activities was financed with \$973,570 in local tax, \$144,546 in income surtax, \$181,128 in statewide sales and services tax, \$1,372,613 in unrestricted state grants, \$23,694 in unrestricted investment earnings and \$27,004, in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$126,371 and expenses were \$120,449. 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, investment income and other miscellaneous revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$514,734, above last year's ending fund balances of a \$378,543. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the General Fund and the Capital Projects fund balance.

Governmental Fund Highlights

- The District's General Fund increased from a balance of \$26,209 at June 30, 2008 to a balance of \$118,185 at June 30, 2009. The increase is due primarily to an increase in federal revenues and a decrease in the instruction and support services functional areas. The federal source of revenue was the only source that actually increased and that was by \$27,164 or 27.05%. Instruction expenditures decreased by \$30,039 or 1.39% and the

support services expenditures decreased by \$69,319 or 8.21%. The other expenditure function area increased by \$1,306 or 1.13%, primarily due to the increase in the AEA flow through.

- The Special Revenue, Management Levy fund balance increased from \$70,775 at June 30, 2008 to \$74,878 at June 30, 2009. The increase was due to the increase in revenues, which increased in local revenue by \$9,504 or 25.44% and expenditures increased by \$4,781 or 12.58%.
- The Special Revenue, Physical Plant and Equipment Levy fund balance decreased from \$85,853 at June 30, 2008 to \$56,097 at June 30, 2009. Local revenue sources decreased by \$17,363 or 27.18% and expenditures increased \$64,782 or 561.71%. The increase in expenditures was primarily due to the increase in student transportation.
- The Capital Projects Fund balance increased from \$150,675 at June 30, 2008 to \$221,420 at June 30, 2009. This increase was primarily due in part to a decrease in facilities acquisition expenditures of \$218,835 or 69.22%, even though local revenue decreased by \$13,582 or 6.74% during the fiscal year.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$53,758 at June 30, 2008 to \$59,680 at June 30, 2009, representing an increase of \$5,922 or 11.02%. Revenues, net of transfers increased by \$6,256 or 5.21% with the largest increase primarily in the operating grants, contributions and restricted interest revenue sources. Expenditures decreased by \$7,838 or 6.11% with the largest decrease being primarily in salaries and benefits.

BUDGETARY HIGHLIGHTS

The District's receipts were \$218,400 less than budgeted receipts, a variance of 5.70%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$901,050, 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 amount represents a net increase of 1.50% over last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$105,215.

The original cost of the District's capital assets was \$3,363,808. Governmental funds account for \$3,270,893 with the remainder of \$92,915 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's buildings totaled \$105,073 at June 30, 2008, compared to a zero balance reported at June 30, 2009. This decrease resulted from the completion of various improvement projects during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 7,201	7,201	0	0	7,201	7,201	0.00%
Construction in Progress	0	105,073	0	0	0	105,073	-100.00%
Buildings	590,679	479,584	0	0	590,679	479,584	23.16%
Land improvements	49,378	48,014	0	0	49,378	48,014	2.84%
Machinery and equipment	207,805	195,490	45,987	52,360	253,792	247,850	2.40%
Total	\$ 855,063	835,362	45,987	52,360	901,050	887,722	1.50%

Long Term Debt

At June 30, 2009, the District had a real estate contract payable of \$40,000. This represents an decrease of 33.33% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Real estate contract	\$ 40,000	60,000	-33.33%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- A projected 20% decrease in enrollment over the next five years will mean a decrease or stagnant revenue stream from the state. The District is currently developing a long range plan to address this situation.

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 Ruth Hingtgen, District Treasurer, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 764,073	0	764,073
Other	1,094,014	14,109	1,108,123
Receivables			
Property tax:			
Delinquent	19,192	0	19,192
Succeeding year	969,174	0	969,174
Income surtax	132,873	0	132,873
Accounts	87,880	0	87,880
Interfund	2,144	(2,144)	0
Accrued ISCAP interest	2,700	0	2,700
Due from other governments	10,092	0	10,092
Inventories	0	2,347	2,347
Capital assets, net of accumulated depreciation	855,063	45,987	901,050
TOTAL ASSETS	3,937,205	60,299	3,997,504
LIABILITIES			
Accounts payable	405,714	0	405,714
ISCAP warrants payable	753,000	0	753,000
ISCAP accrued interest payable	3,870	0	3,870
ISCAP unamortized premium	12,194	0	12,194
Deferred revenue:			
Succeeding year property tax	969,174	0	969,174
Other	13,239	0	13,239
Unearned revenue	0	619	619
Incurred but not reported claims	29,247	0	29,247
Long-term liabilities:			
Portion due within one year:			
Capital loan payable	20,000	0	20,000
Portion due after one year:			
Capital loan payable	20,000	0	20,000
TOTAL LIABILITIES	2,226,438	619	2,227,057
NET ASSETS			
Invested in capital assets, net of related debt	815,063	45,987	861,050
Restricted for:			
Categorical funding	15,092	0	15,092
Capital projects	221,420	0	221,420
Management levy	74,878	0	74,878
Physical plant and equipment levy	56,097	0	56,097
Other special revenue purposes	44,154	0	44,154
Unrestricted	484,063	13,693	497,756
TOTAL NET ASSETS	\$ 1,710,767	59,680	1,770,447

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,431,671	190,392	330,287	0	(910,992)	0	(910,992)
Special	512,952	8,680	17,345	0	(486,927)	0	(486,927)
Other	321,768	96,590	7,315	0	(217,863)	0	(217,863)
	<u>2,266,391</u>	<u>295,662</u>	<u>354,947</u>	<u>0</u>	<u>(1,615,782)</u>	<u>0</u>	<u>(1,615,782)</u>
Support services:							
Student	62,423	0	0	0	(62,423)	0	(62,423)
Instructional staff	86,381	0	0	0	(86,381)	0	(86,381)
Administration	301,101	0	0	0	(301,101)	0	(301,101)
Operation and maintenance of plant	229,937	0	0	0	(229,937)	0	(229,937)
Transportation	234,099	1,753	1,990	0	(230,356)	0	(230,356)
	<u>913,941</u>	<u>1,753</u>	<u>1,990</u>	<u>0</u>	<u>(910,198)</u>	<u>0</u>	<u>(910,198)</u>
Non-instructional programs:							
Food service operations	2,316	0	0	0	(2,316)		(2,316)
Other expenditures:							
Facilities acquisitions	0	0	0	5,900	5,900	0	5,900
AEA flowthrough	117,250	0	117,250	0	0	0	0
Depreciation (unallocated)*	38,337	0	0	0	(38,337)	0	(38,337)
	<u>155,587</u>	<u>0</u>	<u>117,250</u>	<u>5,900</u>	<u>(32,437)</u>	<u>0</u>	<u>(32,437)</u>
Total governmental activities	3,338,235	297,415	474,187	5,900	(2,560,733)	0	(2,560,733)
Business Type activities:							
Non-instructional programs:							
Nutrition services	120,449	65,889	60,224	0	0	5,664	5,664
Total business type activities	<u>120,449</u>	<u>65,889</u>	<u>60,224</u>	<u>0</u>	<u>0</u>	<u>5,664</u>	<u>5,664</u>
Total	\$ 3,458,684	363,304	534,411	5,900	(2,560,733)	5,664	(2,555,069)
General revenues:							
Local tax for:							
General purposes				\$ 927,127	0		927,127
Capital outlay				46,443	0		46,443
Income surtax				144,456	0		144,456
Statewide sales and services				181,128	0		181,128
Unrestricted state grants				1,372,613	0		1,372,613
Unrestricted investment earnings				23,694	36		23,730
Other general revenue				27,004	222		27,226
Total general revenues				<u>2,722,465</u>	<u>258</u>		<u>2,722,723</u>
Changes in net assets				161,732	5,922		167,654
Net assets beginning of year				1,549,035	53,758		1,602,793
Net assets end of year				\$ 1,710,767	59,680		1,770,447

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 764,073	0	764,073
Other	454,506	362,164	816,670
Receivables:			
Property tax:			
Delinquent	17,472	1,720	19,192
Succeeding year	860,612	108,562	969,174
Income surtax	132,873	0	132,873
Interfund	2,144	0	2,144
Accounts	54,630	33,250	87,880
Accrued ISCAP interest	2,700	0	2,700
Due from other governments	10,092	0	10,092
TOTAL ASSETS	\$ 2,299,102	505,696	2,804,798
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 405,129	585	405,714
ISCAP warrants payable	753,000	0	753,000
ISCAP accrued interest payable	3,870	0	3,870
ISCAP unamortized premium	12,194	0	12,194
Deferred revenue:			
Succeeding year property tax	860,612	108,562	969,174
Income surtax	132,873	0	132,873
Other	13,239	0	13,239
Total liabilities	<u>2,180,917</u>	<u>109,147</u>	<u>2,290,064</u>
Fund balances:			
Reserved for:			
Categorical funding	15,092	0	15,092
Unreserved	103,093	396,549	499,642
Total fund balances	<u>118,185</u>	<u>396,549</u>	<u>514,734</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,299,102	505,696	2,804,798

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW 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 (page 15)	\$	514,734
 <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.		855,063
The income surtax accounts receivable, is not yet available to finance expenditures of the current fiscal period.		132,873
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		248,097
Long-term liabilities, including a real estate contract payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(40,000)</u>
Net assets of governmental activities (page 13)	\$	<u><u>1,710,767</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,015,227	268,353	1,283,580
Tuition	192,479	0	192,479
Other	68,221	100,628	168,849
State sources	1,711,861	56	1,711,917
Federal sources	127,568	0	127,568
Total revenues	<u>3,115,356</u>	<u>369,037</u>	<u>3,484,393</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,383,611	6,140	1,389,751
Special	512,417	0	512,417
Other	234,841	88,411	323,252
	<u>2,130,869</u>	<u>94,551</u>	<u>2,225,420</u>
Support services:			
Student	62,272	151	62,423
Instructional staff	85,532	168	85,700
Administration	296,919	2,927	299,846
Operation and maintenance of plant	145,850	22,374	168,224
Transportation	184,688	77,636	262,324
	<u>775,261</u>	<u>103,256</u>	<u>878,517</u>
Non-instructional programs:			
Food service operations	0	2,316	2,316
Other expenditures:			
Facilities acquisitions	0	104,699	104,699
Long-term debt:			
Principal	0	20,000	20,000
AEA flowthrough	117,250	0	117,250
	<u>117,250</u>	<u>124,699</u>	<u>241,949</u>
Total expenditures	<u>3,023,380</u>	<u>324,822</u>	<u>3,348,202</u>
Excess of revenues over expenditures before other financing source(uses)	91,976	44,215	136,191
Other financing sources(uses):			
Transfers in	0	20,000	20,000
Transfers out	0	(20,000)	(20,000)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	91,976	44,215	136,191
Fund balance beginning of year	26,209	352,334	378,543
Fund balance end of year	<u>\$ 118,185</u>	<u>396,549</u>	<u>514,734</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 136,191

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 118,543	
Depreciation expense	<u>(98,842)</u>	19,701

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 15,574

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (29,734)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 20,000

Changes in net assets of governmental activities (page 14) \$ 161,732

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 14,109	277,344
Inventories	2,347	0
Capital assets, net of accumulated depreciation	45,987	0
Total assets	62,443	277,344
Liabilities		
Interfund payable	2,144	0
Unearned revenue	619	0
Incurred but not reported claims	0	29,247
Total liabilities	2,763	29,247
Net Assets		
Invested in capital assets	45,987	0
Unrestricted	13,693	248,097
Total net assets	\$ 59,680	248,097

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 65,889	354,623
Miscellaneous revenue	222	0
Total operating revenues	<u>66,111</u>	<u>354,623</u>
Operating expenses:		
Support services:		
Administrative services	0	384,357
Non-instructional programs:		
Food service operations:		
Salaries	38,735	0
Benefits	17,094	0
Services	467	0
Supplies	57,780	0
Depreciation	6,373	0
	<u>120,449</u>	<u>0</u>
Total operating expenses	<u>120,449</u>	<u>384,357</u>
Operating loss	<u>(54,338)</u>	<u>(29,734)</u>
Non-operating revenues:		
State sources	1,554	0
Federal sources	58,670	0
Interest income	36	0
Total non-operating revenues	<u>60,260</u>	<u>0</u>
Change in net assets	5,922	(29,734)
Net assets beginning of year	<u>53,758</u>	<u>277,831</u>
Net assets end of year	<u>\$ 59,680</u>	<u>248,097</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 65,787	0
Cash received from miscellaneous operating activities	222	354,623
Cash payments to employees for services	(55,829)	0
Cash payments to suppliers for goods or services	(47,555)	(384,357)
Net cash used in operating activities	(37,375)	(29,734)
Cash flows from non-capital financing activities:		
State grants received	1,554	0
Federal grants received	49,209	0
Net cash provided by non-capital financing activities	50,763	0
Cash flows from investing activities:		
Interest on investments	36	0
Net increase(decrease) in cash and cash equivalents	13,424	(29,734)
Cash and cash equivalents at beginning of year	685	307,078
Cash and cash equivalents at end of year	\$ 14,109	277,344
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (54,338)	(29,734)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	9,461	0
Depreciation	6,373	0
Decrease in inventories	1,634	0
Decrease in accounts receivable	166	0
Decrease in accounts payable	(403)	0
Decrease in unearned revenue	(268)	0
Net used in operating activities	\$ (37,375)	(29,734)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 14,109	277,344
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2009, the District received Federal commodities valued at \$9,461.		

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

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

A. Reporting Entity

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

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This

chargeback is based upon a percentage of total employees by the participants' various functional areas.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in bank 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	<u>\$ 810,619</u>

The investments are valued at an amortized cost pursuant to Rule

2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

At June 30, 2009 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	<u>\$ 2,144</u>

The Nutrition Fund is repaying the General Fund for salaries. The balance will be repaid by June 30, 2010.

(4) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 20,000</u>

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

The Capital Projects Fund transferred monies to the Debt Service Fund for payment of Real Estate contract.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/23/09	1/23/09	\$ 478,458	58	471,000	3,708
2009-10A	6/25/09	6/23/10	285,615	2,642	282,000	162
Total			<u>\$ 764,073</u>	<u>2,700</u>	<u>753,000</u>	<u>3,870</u>

Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	175,000	175,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	0	0	7,201
Construction in progress	105,073	0	105,073	0
Total capital assets not being depreciated	112,274	0	0	7,201
Capital assets being depreciated:				
Buildings	1,726,915	145,570	0	1,872,485
Land improvements	85,555	5,226	0	90,781
Machinery and equipment	1,227,606	72,820	0	1,300,426
Total capital assets being depreciated	3,040,076	223,616	0	3,263,692
Less accumulated depreciation for:				
Buildings	1,247,331	34,475	0	1,281,806
Land improvements	37,541	3,862	0	41,403
Machinery and equipment	1,032,116	60,505	0	1,092,621
Total accumulated depreciation	2,316,988	98,842	0	2,415,830
Total capital assets being depreciated, net	723,088	124,774	0	847,862
Governmental activities capital assets, net	\$ 835,362	124,774	0	855,063

	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
Business type activities:				
Machinery and equipment	\$ 92,915	0	0	92,915
Less accumulated depreciation	40,555	6,373	0	46,928
Business type activities capital assets, net	<u>\$ 52,360</u>	<u>(6,373)</u>	<u>0</u>	<u>45,987</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 12,186
Special		535
Other		2,416
Support services:		
Instructional staff		681
Administration		1,255
Operation and maintenance of plant		2,737
Transportation		40,695
		<u>60,505</u>
Unallocated depreciation		<u>38,337</u>
Total governmental activities depreciation expense		<u>\$ 98,842</u>
Business type activities:		
Food services		<u>\$ 6,373</u>

(7) Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Real estate contract	\$ 60,000	0	20,000	40,000	20,000

Real Estate Contract

During the year ended June 30, 2009 the District entered into an interest free real estate contract with St. Johns church. Details of the contract indebtedness are as follows:

	Year	Principal
	Ending	
	June 30,	
2010	\$ 20,000	
2011	20,000	
Total	<u>\$ 40,000</u>	

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$103,274, \$99,189, and \$88,013, respectively, equal to the required contributions for each year.

(9) Risk Management

The district has a self-funded health insurance plan. The District purchases commercial insurance to provide for the aggregate stop-loss coverage for the excess of 110% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$25,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The fund balance was \$248,097 at June 30, 2009. The incurred but not reported and unpaid claims liability of \$29,247 reported in the plan at June 30, 2009 based on the requirements of GASB Statement Number 10, is set up as a liability on the balance sheet.

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

(10) 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 \$117,250 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.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
Talented and gifted	\$ 3,800
Educational excellence program - Phase II	326
Professional development for model core curriculum	5,272
Professional development	5,694
Total	<u>\$ 15,092</u>

(12) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,644,908	66,147	1,711,055	1,852,490	1,852,490	(141,435)
State sources	1,711,917	1,554	1,713,471	1,813,674	1,813,674	(100,203)
Federal sources	127,568	58,670	186,238	163,000	163,000	23,238
Total revenues	<u>3,484,393</u>	<u>126,371</u>	<u>3,610,764</u>	<u>3,829,164</u>	<u>3,829,164</u>	<u>(218,400)</u>
Expenditures/expenses:						
Instruction	2,225,420	0	2,225,420	2,507,201	2,507,201	281,781
Support services	878,517	0	878,517	1,021,985	1,021,985	143,468
Non-instructional programs	2,316	120,449	122,765	140,000	140,000	17,235
Other expenditures	241,949	0	241,949	469,062	469,062	227,113
Total expenditures/expenses	<u>3,348,202</u>	<u>120,449</u>	<u>3,468,651</u>	<u>4,138,248</u>	<u>4,138,248</u>	<u>669,597</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	136,191	5,922	142,113	(309,084)	(309,084)	451,197
Balance beginning of year	<u>378,543</u>	<u>53,758</u>	<u>432,301</u>	<u>322,186</u>	<u>322,186</u>	<u>110,115</u>
Balance end of year	<u>\$ 514,734</u>	<u>59,680</u>	<u>574,414</u>	<u>13,102</u>	<u>13,102</u>	<u>561,312</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds						
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Capital Projects	Total Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 42,587	74,074	55,181	2,113	173,955	188,209	362,164
Receivables:							
Property tax:							
Current year delinquent	0	804	916	0	1,720	0	1,720
Succeeding year	0	60,000	48,562	0	108,562	0	108,562
Accounts	39	0	0	0	39	33,211	33,250
Total assets	\$ 42,626	134,878	104,659	2,113	284,276	221,420	505,696
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ 585	0	0	0	585	0	585
Deferred revenue:							
Succeeding year property tax	0	60,000	48,562	0	108,562	0	108,562
Total liabilities	585	60,000	48,562	0	109,147	0	109,147
Fund balances:							
Unreserved	42,041	74,878	56,097	2,113	175,129	221,420	396,549
Total liabilities and fund balances	\$ 42,626	134,878	104,659	2,113	284,276	221,420	505,696

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds							Total Nonmajor Governmental Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Capital Projects	Debt Service	
Revenues:								
Local sources:								
Local tax	\$ 0	40,782	46,443	0	87,225	181,128	0	268,353
Other	84,614	6,087	86	2,920	93,707	6,921	0	100,628
State sources	0	26	30	0	56	0	0	56
Total revenues	84,614	46,895	46,559	2,920	180,988	188,049	0	369,037
Expenditures:								
Current:								
Instruction:								
Regular	0	6,140	0	0	6,140	0	0	6,140
Other	85,907	0	0	2,504	88,411	0	0	88,411
Support services:								
Student support	0	151	0	0	151	0	0	151
Instructional staff	0	168	0	0	168	0	0	168
Administration	0	2,927	0	0	2,927	0	0	2,927
Operation and maintenance of plant	0	22,374	0	0	22,374	0	0	22,374
Student transportation	0	8,716	68,920	0	77,636	0	0	77,636
Non-instructional programs:								
Food service operations	0	2,316	0	0	2,316	0	0	2,316
Other expenditures:								
Facilities acquisitions	0	0	7,395	0	7,395	97,304	0	104,699
Long-term debt:								
Principal	0	0	0	0	0	0	20,000	20,000
Total expenditures	85,907	42,792	76,315	2,504	207,518	97,304	20,000	324,822
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,293)	4,103	(29,756)	416	(26,530)	90,745	(20,000)	44,215
OTHER FINANCING SOURCES (USES):								
Transfers in	0	0	0	0	0	0	20,000	20,000
Transfers out	0	0	0	0	0	(20,000)	0	(20,000)
Total other financing sources (uses)	0	0	0	0	0	(20,000)	20,000	0
Net change in fund balances	(1,293)	4,103	(29,756)	416	(26,530)	70,745	0	44,215
FUND BALANCE BEGINNING OF YEAR	43,334	70,775	85,853	1,697	201,659	150,675	0	352,334
FUND BALANCE END OF YEAR	\$ 42,041	74,878	56,097	2,113	175,129	221,420	0	396,549

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
<u>Athletics</u>					
General Athletics	\$ 0	13,751	8,267	(5,484)	0
Athletic Store	(826)	0	0	0	(826)
Boys Fundraising	0	0	45	(46)	(91)
Uniforms	90	0	0	0	90
Football	(3,243)	1,996	0	(46)	(1,293)
Extra Curricular	16,374	18,462	24,521	154	10,469
Cross Country	0	229	735	506	0
Boys Basketball	0	1,617	4,162	2,545	0
Baseball	0	332	1,567	1,235	0
Boys Track	0	0	480	0	(480)
Girls Basketball	0	4,279	6,857	2,578	0
Volleyball	(461)	110	1,720	1,933	(138)
Golf	(2,006)	230	1,073	0	(2,849)
Softball	(6,667)	131	1,173	0	(7,709)
Girls Track	0	519	1,420	0	(901)
	<u>3,261</u>	<u>41,656</u>	<u>52,020</u>	<u>3,375</u>	<u>(3,728)</u>
<u>Music</u>					
General Music	4,655	7,831	5,376	0	7,110
Music Store	238	5	0	0	243
	<u>4,893</u>	<u>7,836</u>	<u>5,376</u>	<u>0</u>	<u>7,353</u>
<u>Clubs</u>					
Art Club	1,915	0	0	0	1,915
Yearbook	2,569	3,445	2,629	0	3,385
Concession Stand	(425)	7,971	4,798	(2,748)	0
Cheerleaders	(1,302)	150	(8)	0	(1,144)
Student Council	23,243	7,956	9,092	(15)	22,092
Spanish Club	275	0	0	0	275
Thespians	2,228	2,084	1,915	138	2,535
German Club	131	0	0	0	131
Foreign Language Travel	1,043	721	581	0	1,183
	<u>29,677</u>	<u>22,327</u>	<u>19,007</u>	<u>(2,625)</u>	<u>30,372</u>
<u>Graduating Classes</u>					
Class of 2007	189	0	0	(189)	0
Class of 2008	1,011	0	0	(1,011)	0
Class of 2009	2,131	0	275	0	1,856
Class of 2010	(165)	5,211	3,311	(65)	1,670
Class of 2011	490	573	0	0	1,063
Class of 2012	0	1,072	3	(598)	471
Class of 2014	0	1,049	860	892	1,081
	<u>3,656</u>	<u>7,905</u>	<u>4,449</u>	<u>(971)</u>	<u>6,141</u>
<u>Miscellaneous Accounts</u>					
Interest	0	280	0	(280)	0
Petty Cash	110	0	0	0	110
Embroidery Fund	115	0	0	0	115
General Store	0	61	0	(61)	0
General Activity	0	2,656	3,339	683	0
Elementary Store	1,622	1,893	1,716	(121)	1,678
	<u>1,847</u>	<u>4,890</u>	<u>5,055</u>	<u>221</u>	<u>1,903</u>
 Total	 \$ 43,334	 84,614	 85,907	 0	 42,041

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Trust and Agency</u>				
After prom account	\$ 1,556	2,480	2,125	1,911
Courtsey Funds	141	440	379	202
Total	\$ 1,697	2,920	2,504	2,113

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,283,580	1,262,113	1,233,121	1,150,990	1,094,923	1,119,831
Tuition	192,479	244,416	217,216	180,403	187,982	147,485
Other	168,849	189,702	252,106	205,904	129,851	148,565
State sources	1,711,917	1,761,428	1,653,670	1,488,919	1,470,942	1,418,215
Federal sources	127,568	100,404	104,795	100,566	115,315	105,804
Total	<u>\$ 3,484,393</u>	<u>3,558,063</u>	<u>3,460,908</u>	<u>3,126,782</u>	<u>2,999,013</u>	<u>2,939,900</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,389,751	1,440,601	1,442,977	1,306,298	1,411,343	1,228,494
Special	512,417	564,583	432,742	435,917	479,930	472,931
Other	323,252	246,690	308,830	297,596	298,307	242,616
Support services:						
Student	62,423	61,352	56,213	53,293	81,796	91,044
Instructional	85,700	79,774	69,017	59,782	65,819	58,820
Administration	299,846	352,678	342,602	352,480	318,940	298,996
Operation and maintenance of plant	168,224	181,477	161,148	169,707	159,688	147,541
Transportation	262,324	208,781	264,822	234,984	177,090	196,699
Other support	0	0	0	0	0	795
Non-instructional programs	2,316	2,233	1,855	1,650	17,847	6,359
Other expenditures:						
Facilities acquisitions	104,699	319,672	103,170	158,218	286,517	61,310
Long-term debt:						
Principal	20,000	20,000	0	0	0	0
AEA flow-through	117,250	115,944	109,236	98,400	97,695	99,633
Total	<u>\$ 3,348,202</u>	<u>3,593,785</u>	<u>3,292,612</u>	<u>3,168,325</u>	<u>3,394,972</u>	<u>2,905,238</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Andrew 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 Andrew Community School District 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 March 9, 2010. 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 Andrew 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 Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew 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 Andrew 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 Andrew Community School District's financial statements that is more than inconsequential will not be prevented or detected by Andrew Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Andrew 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 item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew 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.

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.

Andrew Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Andrew 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 Andrew Community School District and other parties to whom Andrew Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2010

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District will continue to review our procedures and implement additional controls when and where they may be possible.

Conclusion - Response accepted.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 did not exceed the certified amounts in the functional areas.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by .4 students. This resulted in overstating the total actual enrollment at line 7 by .4 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District has contacted the Iowa Department of Education and the Department of Management and the matter was resolved.
- Conclusion - Response accepted.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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 services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			181,128
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	86,348	
Land improvements		6,495	
Equipment		4,461	
Debt service for school infrastructure:			
Transfer to Debt Service		20,000	117,304
			<hr/>
Ending Balance		\$	<u>63,824</u>

II-L-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the Nutrition Fund owes the General Fund, the amount of \$2,214 for the payment of the hot lunch expenses, such as salaries, benefits, etc.

Recommendation - According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74. The District should research and develop a plan for repayment so they are compliant with Chapter 74 of the Code of Iowa.

Response - The Nutrition Fund will repay the General Fund for the interfund loan.

Conclusion - Response accepted.

II-M-09 Physical Plant and Equipment Levy (PPEL) - We noted during our audit that the District bought renovation supplies from the PPEL fund, which was less than \$500 per single unit. According to Chapter 298.3 of the Code of Iowa, Capital Project Fund monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa.

Response - The District will ensure that purchases made from the PPEL and Capital Projects Fund are made in compliance to Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.

II-N-09 Financial Condition - The District's Activity Fund had nine accounts with deficit balances totaling \$15,431.

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

Response - The District will monitor the negative activity accounts and investigate ways to eliminate the deficits.

Conclusion - Response accepted.

II-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - There is a Petty Cash activity account. Petty cash funds are assets and should be reported on the balance sheet. It is not appropriate to have a Student account designated as "Petty Cash." The balance should be closed to another account within the Student Activity Fund.

There are several accounts for the second year in a row without activity during the year. These accounts include Art Club, Spanish Club, German Club, Petty Cash, and Embroidery Fund. These accounts should be reviewed and determined to be active or inactive. If, they are inactive, they should be dissolved and distributed in accordance with the Uniform Financial Accounting Manual.

Response - The District will review the Student Activity Fund and its revenue and expenditures, so that it is not used as a clearing account for other funds. We will close the accounts with no activity and review the Petty Cash fund for its proper uses.

Conclusion - Response accepted.