

ANITA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Board of Education (Before September 2008 Election)		
Randall Rabe	President	2011
Dr. Gerald Wessels	Vice President	2009
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2011
Julie Williamson	Board Member	2008
Board of Education (After September 2008 Election)		
Randall Rabe	President	2011
Dr. Gerald Wessels	Vice President	2009
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2011
Julie Williamson	Board Member	2011
School Officials		
John Brazell	Superintendent	2009
Glennnda Nelsen	Board Secretary/ Board Treasurer	2009
Sue Seitz	Attorney	2009

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Anita 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 the Anita Community School District, Anita, 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 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 Anita 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 report dated March 18, 2010 on our consideration of Anita 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 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 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 Anita 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 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anita 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 increased from \$2,765,717 in fiscal 2008 to \$2,905,858 in fiscal 2009, while General Fund expenditures increased from \$2,996,365 in fiscal 2008 to \$3,073,114 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$317,547 in fiscal 2008 to a balance of \$150,291 in fiscal 2009, a 52.68% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2009. The increase in expenditures was due primarily to an increase in the instruction function area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Figure A-1
Anita Community School District Annual Financial Report

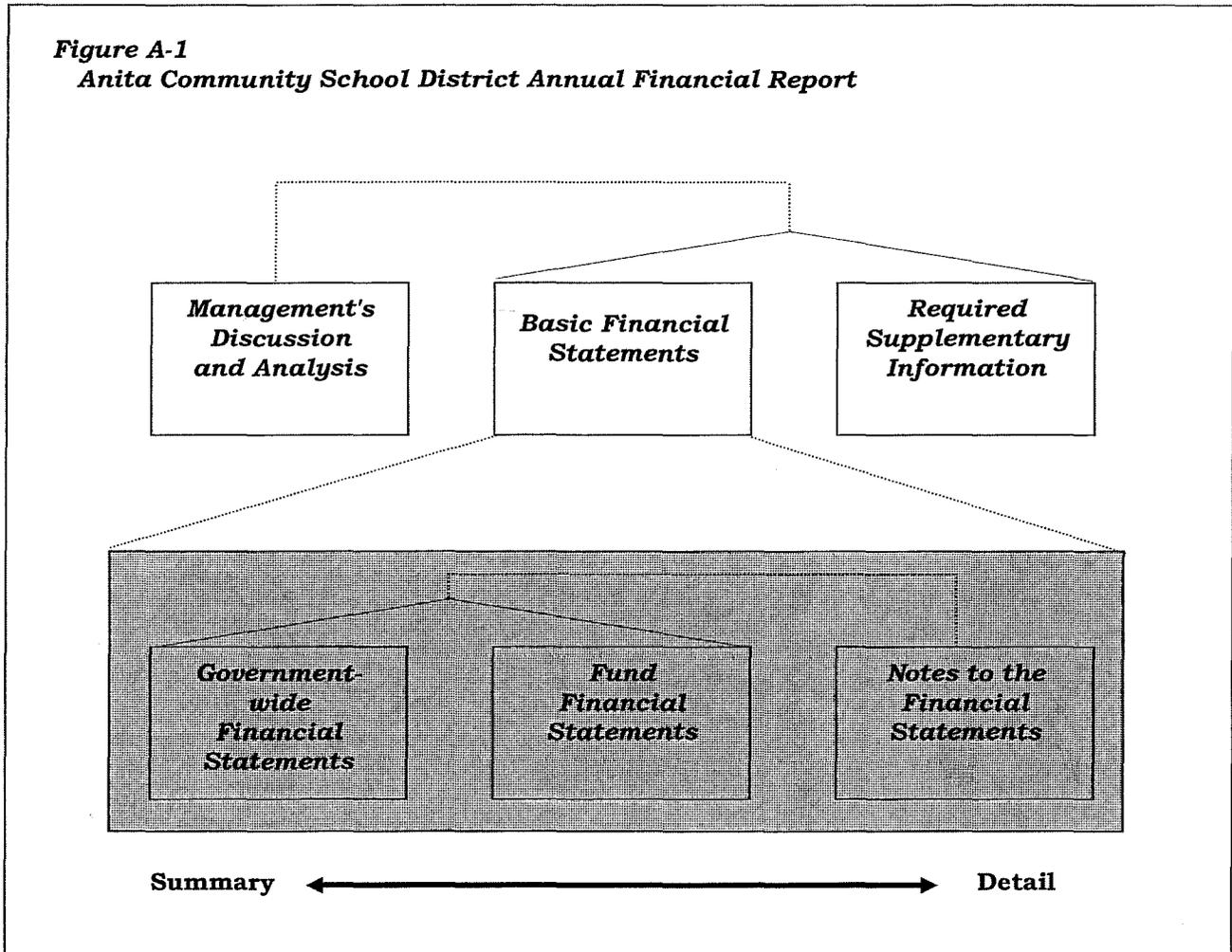


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 	<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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds and the 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 required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in 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 the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

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 includes 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

	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
Current and other assets	\$ 2,555,882	2,126,106	15,092	19,593	2,570,974	2,145,699	19.82%
Capital assets	1,989,636	1,646,626	10,181	8,065	1,999,817	1,654,691	20.86%
Total assets	4,545,518	3,772,732	25,273	27,658	4,570,791	3,800,390	20.27%
Long-term liabilities	96,154	1,023	0	0	96,154	1,023	9299.22%
Other liabilities	1,871,690	1,256,794	1,002	1,001	1,872,692	1,257,795	48.89%
Total liabilities	1,967,844	1,257,817	1,002	1,001	1,968,846	1,258,818	56.40%
Net assets:							
Invested in capital assets, net of related debt	1,895,495	1,646,626	10,181	8,065	1,905,676	1,654,691	15.17%
Restricted	476,226	492,204	0	0	476,226	492,204	-3.25%
Unrestricted	205,953	376,085	14,090	18,592	220,043	394,677	-44.25%
Total net assets	\$ 2,577,674	2,514,915	24,271	26,657	2,601,945	2,541,572	2.38%

The District's combined net assets increased by 2.38%, or \$60,373, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of 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 decreased \$15,978, or 3.25% from the prior year. This decrease was primarily due to the decrease in fund balance in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$174,634, or 44.25%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

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	\$ 506,776	500,200	88,185	91,087	594,961	591,287	0.62%
Operating grants and contributions and restricted interest	502,649	407,774	61,126	56,017	563,775	463,791	21.56%
General revenues:							
Property tax	1,167,592	988,717	0	0	1,167,592	988,717	18.09%
Statewide sales and services tax	192,835	160,142	0	0	192,835	160,142	20.42%
Income surtax	111,158	93,340	0	0	111,158	93,340	19.09%
Unrestricted state grants	961,616	1,041,420	0	0	961,616	1,041,420	-7.66%
Unrestricted investment earnings	15,144	35,052	145	291	15,289	35,343	-56.74%
Other	36,917	20,054	0	0	36,917	20,054	84.09%
Transfers	(1,798)	0	1,798	0	0	0	0.00%
Total revenues and transfers	3,492,889	3,246,699	151,254	147,395	3,644,143	3,394,094	7.37%
Program expenses:							
Governmental activities:							
Instructional	2,262,108	2,096,252	0	0	2,262,108	2,096,252	7.91%
Support services	1,007,086	1,046,092	765	0	1,007,851	1,046,092	-3.66%
Non-instructional programs	0	0	152,875	144,193	152,875	144,193	6.02%
Other expenses	160,936	160,179	0	0	160,936	160,179	0.47%
Total expenses	3,430,130	3,302,523	153,640	144,193	3,583,770	3,446,716	3.98%
Changes in net assets	62,759	(55,824)	(2,386)	3,202	60,373	(52,622)	-214.73%
Beginning net assets	2,514,915	2,570,739	26,657	23,455	2,541,572	2,594,194	-2.03%
Ending net assets	\$ 2,577,674	2,514,915	24,271	26,657	2,601,945	2,541,572	2.38%

In fiscal 2009, property tax, statewide sales and services tax, income surtax, and unrestricted state grants account for 69.67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.72% of the revenue from business type activities.

The District's total revenues were approximately \$3.64 million of which \$3.49 million was for governmental activities and \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.37% increase in revenues and a 3.98% increase in expenses. Property tax increased by \$178,875 to fund increases in expenditures. The increases in expenses is related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,492,889 and expenses were \$3,430,130 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,262,108	2,096,252	7.91%	1,348,831	1,281,402	5.26%
Support services	1,007,086	1,046,092	-3.73%	1,007,086	1,046,092	-3.73%
Other expenses	160,936	160,179	0.47%	64,788	67,055	-3.38%
Totals	<u>\$ 3,430,130</u>	<u>3,302,523</u>	<u>3.86%</u>	<u>2,420,705</u>	<u>2,394,549</u>	<u>1.09%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$506,776.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$502,649.
- The net cost of governmental activities was financed with \$1,167,592 in property tax, \$192,835 in statewide sales and services tax, \$111,158 in income surtax, \$961,616 in unrestricted state aid, \$15,144 in interest income and \$36,917 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$151,254 and expenses were \$153,640. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Anita 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 balance of \$596,448, below last year's ending fund balance of \$792,686. The primary reason for the decrease in combined fund balance in fiscal 2009 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$317,547 on June 30, 2008 to \$150,291 on June 30, 2009. The District's General Fund financial position is the product of many factors. An increase in the local and federal sources during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Although revenues increased during the year, it was not enough to offset the increase in expenditures ensuring the decline in the District's financial position.

-
- The Special Revenue, Management Levy Fund balance increased during the current year from \$115,458 in 2008, to \$126,358 in 2009. This increase resulted from controlled spending during the year.
 - The Capital Projects Fund balance decreased during the current year from \$183,039 in 2008 to \$108,018 in 2009. This decrease resulted from an increase in expenditures during the year.

Proprietary Fund Highlights

School Nutrition net assets decreased from \$26,657 at June 30, 2008 to \$24,271 at June 30, 2009, representing a decrease of 8.95%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$133,855 less than budgeted revenues, a variance of 3.56%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1,999,817, 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 20.86% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$154,845.

The original cost of the District's capital assets was \$4,294,148. Governmental funds account for \$4,248,315 with the remainder of \$45,833 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$406,271 at June 30, 2009, compared to \$260,532 reported at June 30, 2008. This increase is due to computers and vehicles purchases 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	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,535,688	1,351,917	0	0	1,535,688	1,351,917	13.59%
Land improvements	51,215	35,599	0	0	51,215	35,599	43.87%
Machinery and equipment	396,090	252,467	10,181	8,065	406,271	260,532	55.94%
Total	\$ 1,989,636	1,646,626	10,181	8,065	1,999,817	1,654,691	20.86%

Long-Term Debt

At June 30, 2009, the District had \$96,154 in total long-term debt outstanding. This represents an increase of 9,299.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had early retirement payable of \$2,013 at June 30, 2009 payable from the Special Revenue, Management Levy Fund.

The District had a computer lease payable of \$94,141 at June 30, 2009 payable from the Capital Projects Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Computer lease	\$ 94,141	0	100.00%
Early Retirement	2,013	1,023	96.77%
Total	\$ 96,154	1,023	9299.22%

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:

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- Inflation and the cost of living increases continue to affect the residents of the District.

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 Linda Edwards, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 551,128	0	551,128
Other	558,118	5,040	563,158
Receivables:			
Property tax:			
Delinquent	36,883	0	36,883
Succeeding year	1,270,104	0	1,270,104
Income surtax	87,744	0	87,744
Accounts	530	83	613
Accrued ISCAP interest	1,402	0	1,402
Due from other governments	49,973	0	49,973
Inventories	0	9,969	9,969
Capital assets, net of accumulated depreciation	1,989,636	10,181	1,999,817
Total Assets	4,545,518	25,273	4,570,791
Liabilities			
Accounts payable	35,189	0	35,189
Deferred revenue:			
Succeeding year property tax	1,270,104	0	1,270,104
Other	12,019	0	12,019
Unearned revenue	0	1,002	1,002
ISCAP warrants payable	543,000	0	543,000
ISCAP accrued interest payable	2,184	0	2,184
ISCAP unammortized premium	9,194	0	9,194
Long-term liabilities:			
Portion due within one year:			
Computer lease	47,071	0	47,071
Early retirement payable	2,013	0	2,013
Portion due after one year:			
Computer lease	47,070	0	47,070
Total Liabilities	1,967,844	1,002	1,968,846
Net Assets			
Invested in capital assets, net of related debt	1,895,495	10,181	1,905,676
Restricted for:			
Categorical funding	32,082	0	32,082
Capital projects	108,018	0	108,018
Management levy	124,345	0	124,345
Physical plant and equipment levy	125,037	0	125,037
Public education and recreation levy	36,687	0	36,687
Other special revenue purposes	50,057	0	50,057
Unrestricted	205,953	14,090	220,043
Total Net Assets	\$ 2,577,674	24,271	2,601,945

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,319,635	249,904	393,585	(676,146)	0	(676,146)
Special	397,197	39,931	12,916	(344,350)	0	(344,350)
Other	545,276	216,941	0	(328,335)	0	(328,335)
	<u>2,262,108</u>	<u>506,776</u>	<u>406,501</u>	<u>(1,348,831)</u>	<u>0</u>	<u>(1,348,831)</u>
Support services:						
Student	42,481	0	0	(42,481)	0	(42,481)
Instructional staff	73,030	0	0	(73,030)	0	(73,030)
Administration	391,440	0	0	(391,440)	0	(391,440)
Operation and maintenance of plant	294,349	0	0	(294,349)	0	(294,349)
Transportation	205,786	0	0	(205,786)	0	(205,786)
	<u>1,007,086</u>	<u>0</u>	<u>0</u>	<u>(1,007,086)</u>	<u>0</u>	<u>(1,007,086)</u>
Other expenditures:						
Facilities acquisitions	6,106	0	0	(6,106)	0	(6,106)
AEA flowthrough	96,148	0	96,148	0	0	0
Depreciation(unallocated)*	58,682	0	0	(58,682)	0	(58,682)
	<u>160,936</u>	<u>0</u>	<u>96,148</u>	<u>(64,788)</u>	<u>0</u>	<u>(64,788)</u>
Total governmental activities	3,430,130	506,776	502,649	(2,420,705)	0	(2,420,705)
Business Type activities:						
Support services:						
Administration	765	0	0	0	(765)	(765)
Non-instructional programs:						
Food service operations	152,875	88,185	61,126	0	(3,564)	(3,564)
Total business type activities	153,640	88,185	61,126	0	(4,329)	(4,329)
Total	<u>\$ 3,583,770</u>	<u>594,961</u>	<u>563,775</u>	<u>(2,420,705)</u>	<u>(4,329)</u>	<u>(2,425,034)</u>
General revenues and transfers						
General Revenues:						
Local tax for:						
General purposes				\$ 1,074,954	0	1,074,954
Capital outlay				92,638	0	92,638
Statewide sales and services tax				192,835	0	192,835
Income surtax				111,158	0	111,158
Unrestricted state grants				961,616	0	961,616
Unrestricted investment earnings				15,144	145	15,289
Other				36,917	0	36,917
Transfer				(1,798)	1,798	0
Total general revenues and transfers				<u>2,483,464</u>	<u>1,943</u>	<u>2,485,407</u>
Changes in net assets				62,759	(2,386)	60,373
Net assets beginning of year				2,514,915	26,657	2,541,572
Net assets end of year				<u>\$ 2,577,674</u>	<u>24,271</u>	<u>2,601,945</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 551,128	0	551,128
Other	134,774	423,344	558,118
Receivables:			
Property tax:			
Delinquent	18,226	18,657	36,883
Succeeding year	1,126,542	143,562	1,270,104
Income surtax	87,744	0	87,744
Accounts	530	0	530
Accrued ISCAP interest	1,402	0	1,402
Due from other governments	45,817	4,156	49,973
Total Assets	\$ 1,966,163	589,719	2,555,882
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 35,189	0	35,189
ISCAP warrants payable	543,000	0	543,000
ISCAP accrued interest payable	2,184	0	2,184
ISCAP unammortized premium	9,194	0	9,194
Deferred revenue:			
Succeeding year property tax	1,126,542	143,562	1,270,104
Income surtax	87,744	0	87,744
Other	12,019	0	12,019
Total liabilities	1,815,872	143,562	1,959,434
Fund balances:			
Reserved for:			
Categorical funding	32,082	0	32,082
Unreserved	118,209	446,157	564,366
Total fund balances	150,291	446,157	596,448
Total Liabilities and Fund Balances	\$ 1,966,163	589,719	2,555,882

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA 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 16)	\$	596,448
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*Amounts reported for governmental activities in the
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,989,636
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Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		87,744
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Long-term liabilities, including computer lease payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(96,154)
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Net assets of governmental activites (page 14)	\$	<u>2,577,674</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA 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	\$ 1,132,219	328,248	1,460,467
Tuition	282,046	0	282,046
Other	32,195	245,205	277,400
Intermediate sources	34,997	0	34,997
State sources	1,288,429	103	1,288,532
Federal sources	135,972	4,155	140,127
Total revenues	<u>2,905,858</u>	<u>577,711</u>	<u>3,483,569</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,342,506	4,891	1,347,397
Special	394,992	1,943	396,935
Other	305,156	238,081	543,237
	<u>2,042,654</u>	<u>244,915</u>	<u>2,287,569</u>
Support services:			
Student	41,820	661	42,481
Instructional staff	72,022	156,972	228,994
Administration	379,773	9,349	389,122
Operation and maintenance of plant	273,099	16,513	289,612
Transportation	167,598	6,451	174,049
	<u>934,312</u>	<u>189,946</u>	<u>1,124,258</u>
Other expenditures:			
Facilities acquisitions	0	265,973	265,973
AEA flowthrough	96,148	0	96,148
	<u>96,148</u>	<u>265,973</u>	<u>362,121</u>
Total expenditures	<u>3,073,114</u>	<u>700,834</u>	<u>3,773,948</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(167,256)	(123,123)	(290,379)
OTHER FINANCING SOURCES:			
Lease proceeds	0	94,141	94,141
Net change in fund balances	(167,256)	(28,982)	(196,238)
Fund balance beginning of year	317,547	475,139	792,686
Fund balance end of year	<u>\$ 150,291</u>	<u>446,157</u>	<u>596,448</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA 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 18) \$ (196,238)

*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	\$ 496,353	
Depreciation expense	<u>(153,343)</u>	343,010

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. (94,141)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 11,118

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.

Early retirement (990)

Changes in net assets of governmental activities (page 15) \$ 62,759

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 5,040
Receivables:	
Accounts	83
Inventories	9,969
Capital assets, net of accumulated depreciation	<u>10,181</u>
Total Assets	<u>25,273</u>
Liabilities	
Unearned revenue	<u>1,002</u>
Net Assets	
Invested in capital assets	10,181
Unrestricted	<u>14,090</u>
Total Net Assets	<u>\$ 24,271</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 88,185
TOTAL OPERATING REVENUES	88,185
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	765
Non-instructional programs:	
Food service operations:	
Salaries	60,199
Benefits	8,074
Services	3,424
Supplies	77,666
Depreciation	1,502
	150,865
TOTAL OPERATING EXPENSES	151,630
OPERATING LOSS	(63,445)
NON-OPERATING REVENUES (EXPENSES):	
State sources	1,578
Federal sources	59,548
Interest on investments	145
Loss on disposal	(2,010)
TOTAL NON-OPERATING REVENUES (EXPENSES)	59,261
Change in net assets before capital contributions	(4,184)
Capital contributions	1,798
Change in net assets	(2,386)
Net assets beginning of year	26,657
Net assets end of year	\$ 24,271

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 87,110
Cash received from miscellaneous sources	1,102
Cash payments to employees for services	(68,273)
Cash payments to suppliers for goods or services	(71,031)
Net cash used in operating activities	(51,092)
Cash flows from non-capital financing activities:	
State grants received	1,578
Federal grants received	50,272
Net cash provided by non-capital financing activities	51,850
Cash flows from investing activities:	
Interest on investments	145
Cash flows from capital financing activities:	
Purchase of assets	(3,830)
Net decrease in cash and cash equivalents	(2,927)
Cash and cash equivalents at beginning of year	7,967
Cash and cash equivalents at end of year	\$ 5,040
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (63,445)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,276
Depreciation	1,502
Decrease in accounts receivable	26
Decrease in inventories	1,548
Increase in unearned revenue	1
Net cash used in operating activities	\$ (51,092)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$9,276.

During the year ended June 30, 2009, the District received Capital Contributions from the General Fund valued at \$1,798.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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

The Anita 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. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon 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, Anita 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 Anita 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 Cass, Adair and Audubon Counties 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 service.

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

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

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

The District reports the following proprietary fund:

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the Agency Fund.

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 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 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 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 one reporting year.

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

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

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and 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 balance sheet in the Enterprise, 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 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 and the Treasurer of the State of Iowa; 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>\$ 379,772</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) 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 of the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final	Investments	Accrued	Warrants Payable	Accrued
		Warrant Maturity		Interest Receivable		Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 158,000	1,353	156,000	2,051
2009-10A	6/25/2009	6/23/2010	393,128	49	387,000	133
Total			\$ 551,128	1,402	543,000	2,184

The District pledges its state foundation aid payments and General 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 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			Balance
	Beginning of Year	Advances Received	Advances Repaid	End of Year
2008-09B	\$ 0	55,000	55,000	0
Total	\$ 0	55,000	55,000	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
	2008-09B	3.000%
2009-10A	2.500%	0.902%

(4) 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	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	<u>6,643</u>	<u>0</u>	<u>0</u>	<u>6,643</u>
Capital assets being depreciated:				
Buildings	2,866,488	238,381	0	3,104,869
Land improvements	48,761	19,688	0	68,449
Machinery and equipment	847,103	238,284	17,033	1,068,354
Total capital assets being depreciated	<u>3,762,352</u>	<u>496,353</u>	<u>17,033</u>	<u>4,241,672</u>
Less accumulated depreciation for:				
Buildings	1,514,571	54,610	0	1,569,181
Land improvements	13,162	4,072	0	17,234
Machinery and equipment	594,636	94,661	17,033	672,264
Total accumulated depreciation	<u>2,122,369</u>	<u>153,343</u>	<u>17,033</u>	<u>2,258,679</u>
Total capital assets being depreciated, net	<u>1,639,983</u>	<u>343,010</u>	<u>0</u>	<u>1,982,993</u>
Governmental activities capital assets, net	<u>\$ 1,646,626</u>	<u>343,010</u>	<u>0</u>	<u>1,989,636</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 46,659	5,628	6,454	45,833
Less accumulated depreciation	38,594	1,502	4,444	35,652
Business Type activities capital assets, net	<u>\$ 8,065</u>	<u>4,126</u>	<u>2,010</u>	<u>10,181</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	18,927
Special		262
Other		2,039
Support services:		
Instructional staff		16,741
Administration		2,318
Operation and maintenance		4,737
Transportation		49,637
Unallocated depreciation		<u>58,682</u>
Total governmental activities depreciation expense	\$	<u>153,343</u>
Business Type activities:		
Food service operations	\$	<u>1,502</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ 0	94,141	0	94,141	47,071
Early Retirement	1,023	2,013	1,023	2,013	2,013
	<u>\$ 1,023</u>	<u>96,154</u>	<u>1,023</u>	<u>96,154</u>	<u>49,084</u>

Computer Lease

During the year ended June 30, 2009 the District entered into a lease agreement with Apple for the purchase of computers for the District. The lease bears zero percent interest. As of June 30, 2009, the District had \$94,141 outstanding of which \$47,071 will be paid during fiscal year 2010 and the remaining \$47,070 to be paid during fiscal year 2011.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees that are at least 55 years of age. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are based on the employee's remaining sick leave days multiplied by a dollar amount based on the date of resignation. The liability will be paid out of the Special Revenue, Management Levy Fund. During the year ended June 30, 2009, the District paid early retirement benefits of \$1,023.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$102,985, \$98,217, \$91,343, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

GASB Statement No. 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 No. 45 for the year ended June 30, 2010.

(8) Risk Management

Anita 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.

(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 \$96,148 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) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
At-Risk Supplemental Weighting	\$ 6,704
Professional Development	15,917
Model Core Curriculum	2,961
Salary Improvement	3,120
Home School Assistance Program (HSAP)	<u>3,380</u>
Total	<u><u>\$ 32,082</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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	\$ 2,019,913	88,330	2,108,243	2,007,650	2,007,650	100,593
Intermediate sources	34,997	0	34,997	8,150	8,150	26,847
State sources	1,288,532	1,578	1,290,110	1,486,080	1,486,080	(195,970)
Federal sources	140,127	59,548	199,675	265,000	265,000	(65,325)
Total revenues	<u>3,483,569</u>	<u>149,456</u>	<u>3,633,025</u>	<u>3,766,880</u>	<u>3,766,880</u>	<u>(133,855)</u>
Expenditures/Expenses:						
Instruction	2,287,569	0	2,287,569	2,800,009	2,800,009	512,440
Support services	1,124,258	765	1,125,023	1,175,500	1,175,500	50,477
Non-instructional programs	0	152,875	152,875	189,905	189,905	37,030
Other expenditures	362,121	0	362,121	406,973	406,973	44,852
Total expenditures/expenses	<u>3,773,948</u>	<u>153,640</u>	<u>3,927,588</u>	<u>4,572,387</u>	<u>4,572,387</u>	<u>644,799</u>
Deficiency of revenues under expenditures/expenses	(290,379)	(4,184)	(294,563)	(805,507)	(805,507)	510,944
Other financing sources, net	94,141	1,798	95,939	0	0	95,939
Deficiency of revenues and other financing sources under expenditures/expenses	(196,238)	(2,386)	(198,624)	(805,507)	(805,507)	606,883
Balance beginning of year	<u>792,686</u>	<u>26,657</u>	<u>819,343</u>	<u>1,069,308</u>	<u>1,069,308</u>	<u>(249,965)</u>
Balance end of year	<u>\$ 596,448</u>	<u>24,271</u>	<u>620,719</u>	<u>263,801</u>	<u>263,801</u>	<u>356,918</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA 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 function 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

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue Funds	Capital Projects	
Assets							
Cash and pooled investments	\$ 125,601	50,057	119,440	36,492	331,590	91,754	423,344
Receivables:							
Property tax:							
Delinquent		757	1,441	195	2,393	16,264	18,657
Succeeding year	45,000	0	86,839	11,723	143,562	0	143,562
Due from other governments	0	0	4,156	0	4,156	0	4,156
Total Assets	\$ 171,358	50,057	211,876	48,410	481,701	108,018	589,719
Liabilities and Fund Balances							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 45,000	0	86,839	11,723	143,562	0	143,562
Fund balances:							
Unreserved	126,358	50,057	125,037	36,687	338,139	108,018	446,157
Total Liabilities and Fund Balances	\$ 171,358	50,057	211,876	48,410	481,701	108,018	589,719

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical	Public	Total	Capital Projects	
			Equipment Levy	Education and Recreation Levy	Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 42,774	0	81,620	11,019	135,413	192,835	328,248
Other	7,906	214,739	2,672	18,213	243,530	1,675	245,205
State sources	33	0	62	8	103	0	103
Federal sources	0	0	4,155	0	4,155	0	4,155
TOTAL REVENUES	50,713	214,739	88,509	29,240	383,201	194,510	577,711
EXPENDITURES:							
Current:							
Instruction:							
Regular	4,891	0	0	0	4,891	0	4,891
Special	1,943	0	0	0	1,943	0	1,943
Other	1,506	236,575	0	0	238,081	0	238,081
Support services:							
Student	661	0	0	0	661	0	661
Instructional staff	245	0	0	0	245	156,727	156,972
Administration	9,349	0	0	0	9,349	0	9,349
Operation and maintenance of plant	14,767	0	0	1,746	16,513	0	16,513
Student transportation	6,451	0	0	0	6,451	0	6,451
Other expenditures:							
Facilities acquisitions	0	0	45,296	13,732	59,028	206,945	265,973
TOTAL EXPENDITURES	39,813	236,575	45,296	15,478	337,162	363,672	700,834
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,900	(21,836)	43,213	13,762	46,039	(169,162)	(123,123)
OTHER FINANCING SOURCES:							
Lease proceeds	0	0	0	0	0	94,141	94,141
Net change in fund balances	10,900	(21,836)	43,213	13,762	46,039	(75,021)	(28,982)
Fund balance beginning of year	115,458	71,893	81,824	22,925	292,100	183,039	475,139
Fund balance end of year	\$ 126,358	50,057	125,037	36,687	338,139	108,018	446,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA 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	Balance End of Year
Athletics	\$ 13,745	56,384	55,917	14,212
Athletic Students	1,285	3,325	3,370	1,240
Cheerleaders	(156)	2,298	1,651	491
Industrial Arts	15	133	148	0
NFL/Q & S	3,460	4,250	3,607	4,103
FFA	4,616	28,554	33,287	(117)
Graduating Classes	23,960	82,681	92,732	13,909
Yearbook	7,796	10,386	7,892	10,290
Interest/Inactive Accounts	397	1,006	914	489
Juice/Pop Account	1,060	7,556	7,918	698
NHS/Student Council	267	1,197	1,128	336
Music	42	250	4	288
Academic Clubs	1,046	3,640	2,178	2,508
Track Club Concessions	27	0	12	15
Elementary Accounts	14,333	13,079	25,817	1,595
 Total	 \$ 71,893	 214,739	 236,575	 50,057

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 65,508	25,043	90,551	0
Liabilities				
Due to other groups	\$ 65,508	25,043	90,551	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA 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	\$ 1,460,467	1,237,083	1,211,430	1,181,277	1,083,074	1,019,143
Tuition	282,046	324,134	168,781	154,186	234,501	228,444
Other	277,400	231,172	280,183	246,391	267,982	259,823
Intermediate sources	34,997	5,687	8,149	9,152	8,336	8,501
State sources	1,288,532	1,333,013	1,525,542	1,441,469	1,413,456	1,243,062
Federal sources	140,127	110,494	198,448	123,564	166,590	226,247
Total	<u>\$ 3,483,569</u>	<u>3,241,583</u>	<u>3,392,533</u>	<u>3,156,039</u>	<u>3,173,939</u>	<u>2,985,220</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,347,397	1,295,420	1,107,877	1,067,190	1,250,804	1,332,693
Special	396,935	363,302	462,615	407,609	321,014	360,844
Other	543,237	448,041	526,610	492,865	564,976	358,266
Support services:						
Student	42,481	43,735	64,431	68,305	53,601	41,595
Instructional staff	228,994	111,006	186,025	67,102	96,163	59,972
Administration	389,122	385,952	311,326	276,408	287,390	281,365
Operation and maintenance of plant	289,612	304,436	266,717	252,971	239,164	214,094
Transportation	174,049	245,942	269,909	170,033	181,682	108,074
Central	0	0	0	0	0	954
Non-instructional programs	0	0	0	288	9,951	3,425
Other expenditures:						
Facilities acquisitions	265,973	32,019	61,650	165,748	47,563	63,857
AEA flow-through	96,148	93,124	91,765	89,801	89,219	90,188
Total	<u>\$ 3,773,948</u>	<u>3,322,977</u>	<u>3,348,925</u>	<u>3,058,320</u>	<u>3,141,527</u>	<u>2,915,327</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
Anita 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 Anita 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 March 18, 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 Anita 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 Anita Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anita 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 Anita 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 Anita Community School District's financial statements that is more than inconsequential will not be prevented or detected by Anita 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 Anita 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

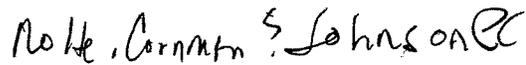
As part of obtaining reasonable assurance about whether Anita Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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.

Anita 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 Anita 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 Anita Community School District and other parties to whom Anita 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 Anita 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 18, 2010

ANITA 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 the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will continue to review our procedures and segregate duties where possible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

I-B-09 Grants - We noted during our audit that the District did not use the correct general ledger expenditures when filing the Title I final report.

Recommendation - The District should amend the Title I final report downward to reflect actual expenses.

Response - The Title I report has been amended to reflect actual expenses.

Conclusion - Response accepted.

I-C-09 Gate Admissions - We noted during our audit that although the District utilizes pre-numbered tickets for all event admissions, it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Administrator in charge of the event.

Recommendation - The exchange in custody of the change box from the ticket takers to the Administrator with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in internal control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - A copy of the auditor's findings and recommendations will be given to the appropriate staff and administration in an effort to correct.

Conclusion - Response accepted.

ANITA 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 disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- 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 - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by 3.0 students and line 2 was overstated by 2.0 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We will contact the Iowa Department of Education and the Department of Management.
- 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. 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 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:

Beginning Balance	\$	0
Statewide sales and services tax revenue		192,835
Expenditures/transfers out:		
School infrastructure:		
Buildings		192,835
Ending balance	\$	0

II-L-09 Financial Condition -The District has one deficit account balance in the Special Revenue, Student Activity Fund totaling \$117.19.

Recommendation -The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District will monitor and work to eliminate deficit balances.

Conclusion - Response accepted.

II-M-09 Financial Reports to the Board - We noted during our audit that it appeared the Board was not receiving monthly reports for the Special Revenue, Student Activity and the Enterprise, School Nutrition Funds. Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds.

Recommendation - Financial statements including a balance sheet and a statement of revenues and expenditures for each fund should be presented to the District's Board of Directors at each monthly meeting to be in compliance with Chapter 291.7 of the Code of Iowa.

Response- Financial statements will be presented to the Board for each fund.

Conclusion - Response accepted.

II-N-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will require a written authorization form from each employee who desires to receive a payroll check by mail.

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. Per Chapter 9 of the LEA Financial Accounting Manual, "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 co-curricular 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 - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The Elementary Pop Fund and Miscellaneous account appear to be instructional in nature. We also noted, that the Student Council account had purchases of DVD players and teacher appreciation awards from it.

The District writes various checks throughout the year for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. We also noted a check made out to "cash" that did not have an endorsement. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

We noted the District paid scholarships out of the FFA and Boomerang accounts in the Activity Fund. We also noted that the scholarship checks were being written to the student only. The Trust Fund would appear to be a more appropriate fund for these transactions. Checks should be issued to the attending college and the individual receiving the scholarship award.

Response - In the future, no checks will be written to "Cash". A Trust Fund will be set up for the purpose of paying scholarships and checks will be issued to the student and the attending college.

Conclusion - Response accepted.