

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
Aurelia 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 Aurelia Community School District, Aurelia, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Aurelia Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2010, on our consideration of Aurelia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aurelia 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.

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

April 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aurelia 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 \$2,563,937 in fiscal 2008 to \$2,791,895 in fiscal 2009, while General Fund expenditures decreased from \$2,763,401 in fiscal 2008 to \$2,510,504 in fiscal 2009. The District's General Fund balance increased from \$313,641 in fiscal 2008 to \$577,990 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in Teacher Quality revenue, a cash reserve levy, and a monetary gift that was received in fiscal 2009. The decrease in expenditures was due primarily to reductions in staff and sharing positions with other districts.

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 Aurelia 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 Aurelia 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 the Aurelia Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

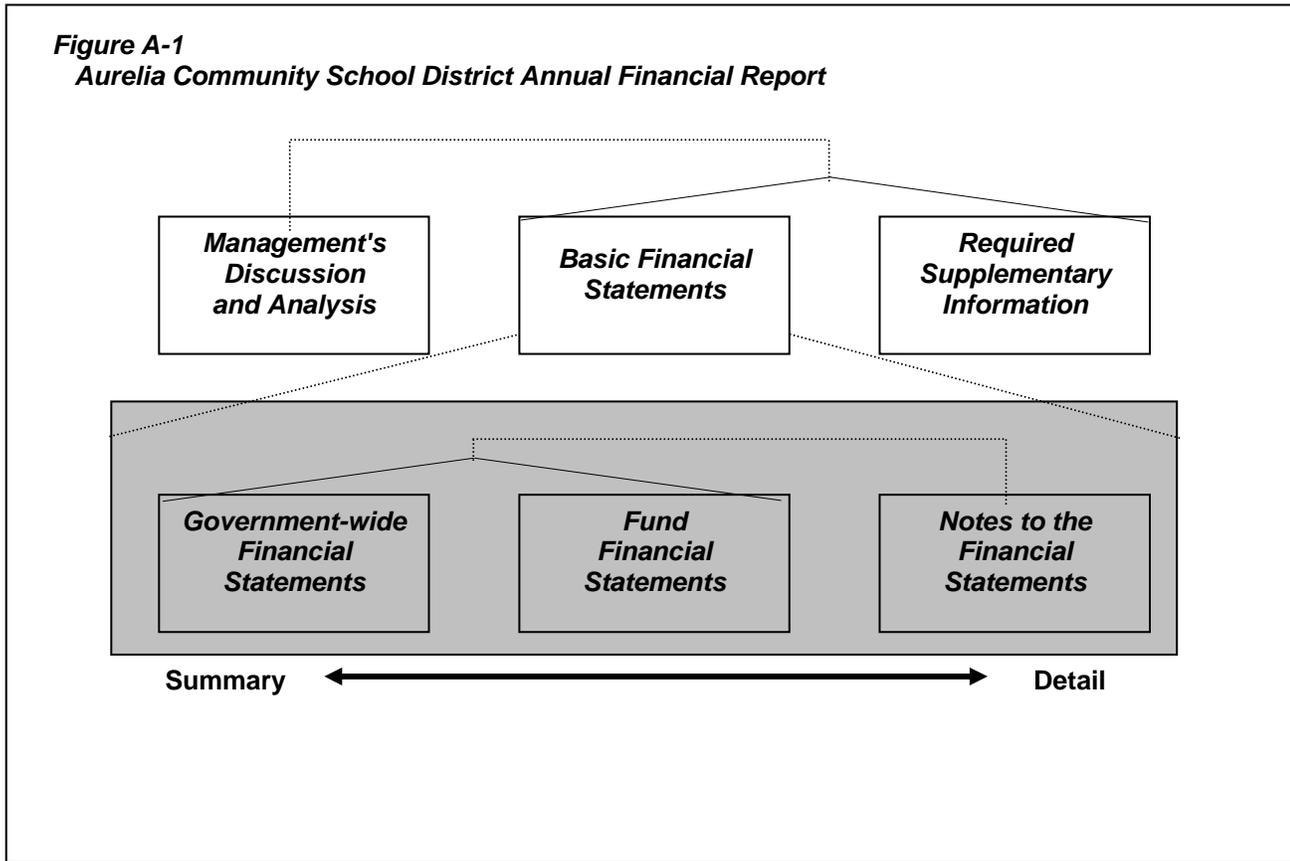


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,319,860	2,820,080	4,729	8,339	2,324,589	2,828,419	22%
Capital assets	730,377	803,055	5,340	8,813	735,717	811,868	10%
Total assets	3,050,237	3,623,135	10,069	17,152	3,060,306	3,640,287	19%
Long-term liabilities	128,377	182,896	-	-	128,377	182,896	42%
Other liabilities	1,455,424	1,564,868	401	1,398	1,455,825	1,566,266	8%
Total liabilities	1,583,801	1,747,764	401	1,398	1,584,202	1,749,162	10%
Net Assets:							
Invested in capital assets, net of related debt	730,377	803,055	5,340	8,813	735,717	811,868	10%
Restricted	412,988	563,405	-	-	412,988	563,405	36%
Unrestricted	323,071	508,911	4,328	6,941	327,399	515,852	58%
TOTAL NET ASSETS	1,466,436	1,875,371	9,668	15,754	1,476,104	1,891,125	28%

The District’s combined net assets increased by nearly 28%, or approximately \$415,021, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$150,417 or 36% over the prior year. The increase was primarily a result of Capital Projects revenues exceeding expenditures for the year.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$188,453, or 58%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	240,713	274,508	47,036	53,226	287,749	327,734	14%
Operating grants & contributions	382,175	432,789	46,938	56,632	429,113	489,421	14%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,210,005	1,383,811	-	-	1,210,005	1,383,811	14%
Income Surtax	90,095	124,659	-	-	90,095	124,659	38%
Local option sales tax	189,744	167,294	-	-	189,744	167,294	12%
Unrestricted state grants	913,680	881,750	-	-	913,680	881,750	-3%
Unrestricted investment earnings	22,581	7,463	29	14	22,610	7,477	-67%
Other revenue	5,497	6,966	-	-	5,497	6,966	27%
Total Revenues	3,054,490	3,279,240	94,003	109,872	3,148,493	3,389,112	8%
Expenses:							
Instruction	2,028,871	1,937,172	-	-	2,028,871	1,937,172	-5%
Support services	951,055	747,536	-	-	951,055	747,536	-21%
Non-instructional programs	12,825	1,518	96,760	115,402	109,585	116,920	7%
Other expenditures	146,256	172,463	-	-	146,256	172,463	18%
Total expenses	3,139,007	2,858,689	96,760	115,402	3,235,767	2,974,091	-8%
Change in net assets before transfers	(84,517)	420,551	(2,757)	(5,530)	(87,274)	415,021	576%
Transfers	-	(11,616)	-	11,616	-	-	
CHANGE IN NET ASSETS	(84,517)	408,935	(2,757)	6,086	(87,274)	415,021	576%
Net assets beginning of year	1,550,953	1,466,436	12,425	9,668	1,563,378	1,476,104	-5%
Net assets end of year	1,466,436	1,875,371	9,668	15,754	1,476,104	1,891,125	28%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,279,240 and expenses were \$2,858,689. The District works to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2009	Net Cost of Services 2008	Net Cost of Services 2009
	\$	\$	\$	\$
Instruction	2,028,871	1,937,172	1,524,312	1,337,400
Support Services	951,055	747,536	950,161	746,461
Non-instructional Programs	12,825	1,518	12,825	1,518
Other Expenses	146,256	172,463	28,821	66,013
TOTAL	3,139,007	2,858,689	2,516,119	2,151,392

- The cost financed by users of the District’s programs was \$274,508.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$432,789.
- The net cost of governmental activities was financed with \$1,675,764 in property and other taxes and \$881,750 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$109,872 and expenses were \$115,402. 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. Total expenses include employee benefits in the amount of \$11,616 that were paid by General Fund.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,158,767 above last year’s ending fund balances of \$781,017.

Governmental Fund Highlights

- The District’s General Fund financial position is the result of many factors. State funding decreased for fiscal year 2009. While some areas of revenue increased for fiscal year 2009 many were restricted. Management implemented cost reductions and also levied for cash reserves in 2009 to improve the District’s financial position.
- The General Fund balance increased from \$313,641 to \$577,990.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$231,046 in fiscal 2008 to \$282,749 in fiscal 2009.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$9,668 at June 30, 2008 to \$15,754 at June 30, 2009.

BUDGETARY HIGHLIGHTS

The District's receipts were \$64,669 more than budgeted receipts. The most significant variance resulted from the District receiving an increase in sales tax, income surtax and unrestricted state grants.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Less money was spent on capital projects than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$811,868, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$125,515.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Land	31,400	31,400	-	-	31,400	31,400	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	322,473	308,112	-	-	322,473	308,112	-4%
Improvements	6,326	4,744	-	-	6,326	4,744	-25%
Equipment & Furniture	370,178	458,799	5,340	8,813	375,518	467,612	25%
TOTAL	730,377	803,055	5,340	8,813	735,717	811,868	10%

Long-Term Debt

At June 30, 2009, the District had \$182,896 in other long-term debt outstanding. This represents an increase from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	<u>Total School District</u>		<u>Percentage</u>
	<u>2008</u>	<u>2009</u>	<u>Change</u>
	\$	\$	2008-2009
Termination Benefits	<u>128,377</u>	<u>182,896</u>	42%
	<u>128,377</u>	<u>182,896</u>	<u>42%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment decreased by eight students. This drop in enrollment will decrease the District's funding for fiscal year 2010.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.
- The District's main priority is to provide the resources needed for excellent student achievement. This is shown as the District's students continue to score well in standardized tests. The Board has explored sharing options to ensure that the students receive an excellent education. Negotiations are in progress to implement whole-grade sharing starting with the 2011-12 school year.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to make structural improvements. The Board continues to look at projects as funds are available.

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 Vicki Kolpin, District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005.

BASIC FINANCIAL STATEMENTS

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,170,554	6,454	1,177,008
Receivables:			
Property tax:			
Delinquent	15,278	-	15,278
Succeeding year	1,428,769	-	1,428,769
Accounts	2,945	463	3,408
Accrued interest	227	-	227
Due from other governments	202,307	-	202,307
Inventories	-	1,422	1,422
Capital assets, net of accumulated depreciation	803,055	8,813	811,868
	<u>3,623,135</u>	<u>17,152</u>	<u>3,640,287</u>
Liabilities			
Accounts payable	111,862	-	111,862
Salaries and benefits payable	13,568	-	13,568
Deferred revenue:			
Succeeding year property tax	1,428,769	-	1,428,769
Other	10,669	1,398	12,067
Long-term liabilities:			
Portion due within one year:			
Termination benefits	53,972	-	53,972
Portion due more than one year:			
Termination benefits	128,924	-	128,924
	<u>1,747,764</u>	<u>1,398</u>	<u>1,749,162</u>
Net assets			
Invested in capital assets, net of related debt	803,055	8,813	811,868
Restricted for:			
Categorical funding	75,989	-	75,989
Physical plant and equipment levy	282,749	-	282,749
Other special revenue purposes	31,428	-	31,428
Sales tax capital projects	173,239	-	173,239
Unrestricted	508,911	6,941	515,852
	<u>1,875,371</u>	<u>15,754</u>	<u>1,891,125</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental Activities:				
Instruction:				
Regular	1,328,034	169,404	269,650	-
Special	254,194	35,958	17,992	-
Other	354,944	69,146	37,622	-
	<u>1,937,172</u>	<u>274,508</u>	<u>325,264</u>	<u>-</u>
Support services:				
Student	59,732	-	-	-
Instructional staff	5,281	-	-	-
Administration	296,444	-	-	-
Operation and maintenance of plant	276,599	-	-	-
Transportation	109,480	-	1,075	-
	<u>747,536</u>	<u>-</u>	<u>1,075</u>	<u>-</u>
Non-instructional programs	<u>1,518</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	106,450	-	106,450	-
Depreciation (unallocated)*	66,013	-	-	-
	<u>172,463</u>	<u>-</u>	<u>106,450</u>	<u>-</u>
Total governmental activities	<u>2,858,689</u>	<u>274,508</u>	<u>432,789</u>	<u>-</u>
Business Type Activities:				
Non-instructional programs:				
Food service operations	115,402	53,226	56,632	-
Total	<u>2,974,091</u>	<u>327,734</u>	<u>489,421</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
 Income surtax
 Statewide sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	\$	\$
(888,980)	-	(888,980)
(200,244)	-	(200,244)
(248,176)	-	(248,176)
<u>(1,337,400)</u>	<u>-</u>	<u>(1,337,400)</u>
(59,732)	-	(59,732)
(5,281)	-	(5,281)
(296,444)	-	(296,444)
(276,599)	-	(276,599)
(108,405)	-	(108,405)
<u>(746,461)</u>	<u>-</u>	<u>(746,461)</u>
(1,518)	-	(1,518)
-	-	-
<u>(66,013)</u>	<u>-</u>	<u>(66,013)</u>
<u>(66,013)</u>	<u>-</u>	<u>(66,013)</u>
(2,151,392)	-	(2,151,392)
-	(5,544)	(5,544)
<u>(2,151,392)</u>	<u>(5,544)</u>	<u>(2,156,936)</u>
1,259,299	-	1,259,299
124,512	-	124,512
124,659	-	124,659
167,294	-	167,294
881,750	-	881,750
7,463	14	7,477
6,966	-	6,966
<u>2,571,943</u>	<u>14</u>	<u>2,571,957</u>
(11,616)	11,616	-
<u>2,560,327</u>	<u>11,630</u>	<u>2,571,957</u>
408,935	6,086	415,021
<u>1,466,436</u>	<u>9,668</u>	<u>1,476,104</u>
<u>1,875,371</u>	<u>15,754</u>	<u>1,891,125</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	586,722	314,414	269,418	1,170,554
Receivables:				
Property tax:				
Delinquent	12,934	1,332	1,012	15,278
Succeeding year	1,208,848	127,921	92,000	1,428,769
Accounts	2,945	-	-	2,945
Accrued interest	92	130	5	227
Due from other governments	173,919	-	28,388	202,307
	<u>1,985,460</u>	<u>443,797</u>	<u>390,823</u>	<u>2,820,080</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	77,940	33,127	795	111,862
Salaries and benefits payable	13,568	-	-	13,568
Deferred revenue:				
Succeeding year property tax	1,208,848	127,921	92,000	1,428,769
Surtax	96,445	-	-	96,445
Other	10,669	-	-	10,669
Total liabilities	<u>1,407,470</u>	<u>161,048</u>	<u>92,795</u>	<u>1,661,313</u>
Fund balances:				
Reserved for:				
Categorical funding	75,989	-	-	75,989
Unreserved, reported in:				
General fund	502,001	-	-	502,001
Special revenue funds	-	282,749	124,789	407,538
Capital project funds	-	-	173,239	173,239
Total fund balances	<u>577,990</u>	<u>282,749</u>	<u>298,028</u>	<u>1,158,767</u>
	<u>1,985,460</u>	<u>443,797</u>	<u>390,823</u>	<u>2,820,080</u>
Total liabilities and fund balances	<u>1,985,460</u>	<u>443,797</u>	<u>390,823</u>	<u>2,820,080</u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total governmental fund balances (Exhibit C)	1,158,767
<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.	803,055
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	96,445
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(182,896)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,875,371</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,278,872	124,512	259,354	1,662,738
Tuition	117,683	-	-	117,683
Other	80,934	14,064	75,141	170,139
State sources	1,201,818	75	58	1,201,951
Federal sources	112,588	-	-	112,588
Total revenues	<u>2,791,895</u>	<u>138,651</u>	<u>334,553</u>	<u>3,265,099</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,249,582	-	38,982	1,288,564
Special	266,311	-	-	266,311
Other	279,163	-	75,781	354,944
	<u>1,795,056</u>	<u>-</u>	<u>114,763</u>	<u>1,909,819</u>
Support services:				
Student	58,816	-	916	59,732
Instructional staff	5,281	-	-	5,281
Administration	272,213	-	24,231	296,444
Operation and maintenance of plant	204,109	86,948	36,294	327,351
Transportation	67,761	-	9,612	77,373
	<u>608,180</u>	<u>86,948</u>	<u>71,053</u>	<u>766,181</u>
Non-instructional programs	<u>818</u>	<u>-</u>	<u>700</u>	<u>1,518</u>
Other expenditures:				
Facilities acquisition	-	-	92,880	92,880
AEA flowthrough	106,450	-	-	106,450
	<u>106,450</u>	<u>-</u>	<u>92,880</u>	<u>199,330</u>
Total expenditures	<u>2,510,504</u>	<u>86,948</u>	<u>279,396</u>	<u>2,876,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>281,391</u>	<u>51,703</u>	<u>55,157</u>	<u>388,251</u>
Other financing sources (uses):				
Sales of materials and equipment	1,115	-	-	1,115
Operating transfers in	-	-	6,541	6,541
Operating transfers out	(18,157)	-	-	(18,157)
Total other financing sources (uses)	<u>(17,042)</u>	<u>-</u>	<u>6,541</u>	<u>(10,501)</u>
Net changes in fund balances	264,349	51,703	61,698	377,750
Fund balances beginning of year	<u>313,641</u>	<u>231,046</u>	<u>236,330</u>	<u>781,017</u>
Fund balances end of year	<u><u>577,990</u></u>	<u><u>282,749</u></u>	<u><u>298,028</u></u>	<u><u>1,158,767</u></u>

See notes to financial statements.

AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds to the
Statement of Activities

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		377,750
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Activities and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital outlays	196,443	
Depreciation expense	<u>(123,765)</u>	72,678
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		13,026
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.		
Termination benefits		<u>(54,519)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>408,935</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	6,454
Accounts receivable	463
Inventories	1,422
Capital assets, net of accumulated depreciation	<u>8,813</u>
Total assets	<u>17,152</u>
Liabilities	
Deferred revenue	<u>1,398</u>
Net assets	
Invested in capital assets	8,813
Unrestricted	<u>6,941</u>
Total net assets	<u><u>15,754</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>53,226</u>
Operating expenses:	
Non-instructional programs:	
Salaries	37,662
Benefits	11,616
Purchased services	375
Supplies	63,999
Depreciation	1,750
Total operating expenses	<u>115,402</u>
Operating gain (loss)	<u>(62,176)</u>
Non-operating revenues:	
State sources	1,528
Federal sources	55,104
Interest on investments	14
Total non-operating revenues	<u>56,646</u>
Gain (loss) before transfers	(5,530)
Transfers in	<u>11,616</u>
Change in net assets	6,086
Net assets beginning of year	<u>9,668</u>
Net assets end of year	<u><u>15,754</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	54,477
Cash payments to employees for services	(49,278)
Cash payments to suppliers for goods or services	(54,475)
Net cash used by operating activities	<u>(49,276)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) General Fund	11,616
State grants received	1,528
Federal grants received	45,294
Net cash provided by non-capital financing activities	<u>58,438</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,223)</u>
Cash flows from investing activities:	
Interest on investments	<u>14</u>
Net increase (decrease) in cash and cash equivalents	3,953
Cash and cash equivalents at beginning of year	<u>2,501</u>
Cash and cash equivalents at end of year	<u><u>6,454</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(62,176)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	9,810
Depreciation	1,750
Decrease (increase) in inventories	89
Decrease (increase) in accounts receivable	254
(Decrease) increase in deferred revenue	997
Net cash used by operating activities	<u><u>(49,276)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$9,810 of federal commodities.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	5,414	368
Accrued interest receivable	13	-
	<u>5,427</u>	<u>368</u>
Total Assets		
	<u>5,427</u>	<u>368</u>
Liabilities		
Other liabilities	-	368
	<u>-</u>	<u>368</u>
Net Assets		
Reserved for scholarships	5,427	-
	<u>5,427</u>	<u>-</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	750
Interest	91
Total additions	<u>841</u>
Deductions	
Support services:	
Scholarships awarded	<u>450</u>
Change in net assets	391
Net assets beginning of year	<u>5,036</u>
Net assets end of year	<u><u>5,427</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

Aurelia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista 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, Aurelia 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 Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included in the District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non fiduciary 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 non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The Physical Plant and Equipment Levy Fund is used to account for resources used in the acquisition and construction and repair of capital facilities.

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Interfund Transfers

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

Transfer To	Transfer From	Amount \$
Nonmajor Funds:		
Student Activity Fund	General Fund	6,541
School Nutrition Fund	General Fund	11,616

These transfers from the General Fund to the Student Activity and School Nutrition Funds reflect payment for costs allowed to be paid from the General Fund.

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	31,400	-	-	31,400
Capital assets being depreciated:				
Buildings	973,086	-	-	973,086
Improvements other than buildings	138,013	-	-	138,013
Furniture and equipment	1,180,322	196,443	36,407	1,340,358
Total capital assets being deprec.	<u>2,291,421</u>	<u>196,443</u>	<u>36,407</u>	<u>2,451,457</u>
Less accumulated depreciation for:				
Buildings	650,613	14,361	-	664,974
Improvements other than buildings	131,687	1,582	-	133,269
Furniture and equipment	810,144	107,822	36,407	881,559
Total accumulated depreciation	<u>1,592,444</u>	<u>123,765</u>	<u>36,407</u>	<u>1,679,802</u>
Total capital assets being depreciated, net	<u>698,977</u>	<u>72,678</u>	-	<u>771,655</u>
Governmental activities capital assets, net	<u><u>730,377</u></u>	<u><u>72,678</u></u>	<u><u>-</u></u>	<u><u>803,055</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	25,930	5,223	-	31,153
Less accumulated depreciation	<u>20,590</u>	<u>1,750</u>	<u>-</u>	<u>22,340</u>
Business type activities capital assets, net	<u>5,340</u>	<u>3,473</u>	<u>-</u>	<u>8,813</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	20,897
Special	3,029
Support services:	
Administration services	
Operation and maintenance of plant services	1,719
Transportation	<u>32,107</u>
	57,752
Unallocated depreciation	<u>66,013</u>
Total governmental activities depreciation expense	<u>123,765</u>
Business type activities:	
Food service operations	<u>1,750</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	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Termination benefits	<u>128,377</u>	<u>84,814</u>	<u>30,295</u>	<u>182,896</u>	<u>53,972</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2009, the District has obligations to eight participants with a total liability of \$182,896. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$30,295.

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 salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$93,786, \$99,606, and \$91,777 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. 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 \$106,450 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.

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances
 Budget and Actual - All Governmental Funds and Proprietary Fund
 Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual \$	Proprietary Fund Type Actual \$	Net \$	Budgeted Amounts		Final to Actual Variance - Positive (Negative) \$
				Original	Final	
				\$	\$	
Revenues:						
Local sources	1,950,560	53,240	2,003,800	1,963,772	1,963,772	40,028
State sources	1,201,951	1,528	1,203,479	1,216,030	1,216,030	(12,551)
Federal sources	112,588	55,104	167,692	130,500	130,500	37,192
Total revenues	<u>3,265,099</u>	<u>109,872</u>	<u>3,374,971</u>	<u>3,310,302</u>	<u>3,310,302</u>	<u>64,669</u>
Expenditures/Expenses:						
Instruction	1,909,819	-	1,909,819	1,987,500	1,987,500	77,681
Support services	766,181	-	766,181	869,000	869,000	102,819
Noninstructional programs	1,518	115,402	116,920	117,100	117,100	180
Other expenditures	199,330	-	199,330	208,268	208,268	8,938
Total expenditures/expenses	<u>2,876,848</u>	<u>115,402</u>	<u>2,992,250</u>	<u>3,181,868</u>	<u>3,181,868</u>	<u>189,618</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	388,251	(5,530)	382,721	128,434	128,434	254,287
Other financing sources (uses) net	<u>(10,501)</u>	<u>11,616</u>	<u>1,115</u>	<u>1,100</u>	<u>1,100</u>	<u>15</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	377,750	6,086	383,836	129,534	129,534	254,302
Balance beginning of year	<u>781,017</u>	<u>9,668</u>	<u>790,685</u>	<u>830,969</u>	<u>830,969</u>	<u>(40,284)</u>
Balance end of year	<u><u>1,158,767</u></u>	<u><u>15,754</u></u>	<u><u>1,174,521</u></u>	<u><u>960,503</u></u>	<u><u>960,503</u></u>	<u><u>214,018</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Total
	Management	Student	District	Capital	
	Levy	Activity	Support	Projects	
	\$	\$	\$	\$	\$
Cash and pooled investments	92,344	17,516	14,707	144,851	269,418
Receivables:					
Property tax:					
Delinquent	1,012	-	-	-	1,012
Succeeding year	92,000	-	-	-	92,000
Accrued interest	5	-	-	-	5
Due from other governments	-	-	-	28,388	28,388
Total assets	185,361	17,516	14,707	173,239	390,823
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	795	-	-	795
Deferred revenue:					
Succeeding year property tax	92,000	-	-	-	92,000
Total liabilities	92,000	795	-	-	92,795
Fund balances:					
Unreserved reported in:					
Special revenue funds	93,361	16,721	14,707	-	124,789
Capital project funds	-	-	-	173,239	173,239
Total fund equity	93,361	16,721	14,707	173,239	298,028
Total liabilities and fund balances	185,361	17,516	14,707	173,239	390,823

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds				Total
	Management	Student	District	Capital	
	Levy	Activity Fund	Support Trust Funds	Projects	
	\$	\$	\$		\$
Revenues:					
Local sources:					
Local tax	92,060	-	-	167,294	259,354
Other	5,920	69,146	75	-	75,141
State sources	58	-	-	-	58
Total revenues	<u>98,038</u>	<u>69,146</u>	<u>75</u>	<u>167,294</u>	<u>334,553</u>
Expenditures:					
Current:					
Instruction:					
Regular	20,144	-	12	18,826	38,982
Other	-	75,781	-	-	75,781
Support services:					
Student	916	-	-	-	916
Administration	24,231	-	-	-	24,231
Operation and maintenance of plant	10,262	-	-	26,032	36,294
Transportation	9,612	-	-	-	9,612
Non-instructional programs	700	-	-	-	700
Other expenditures:					
Facilities acquisition	-	-	-	92,880	92,880
Total expenditures	<u>65,865</u>	<u>75,781</u>	<u>12</u>	<u>137,738</u>	<u>279,396</u>
Excess (deficiency) of revenues over (under) expenditures	32,173	(6,635)	63	29,556	55,157
Other financing sources (uses):					
Operating transfers in	-	6,541	-	-	6,541
Net changes in fund balances	32,173	(94)	63	29,556	61,698
Fund balance beginning of year	61,188	16,815	14,644	143,683	236,330
Fund balance end of year	<u>93,361</u>	<u>16,721</u>	<u>14,707</u>	<u>173,239</u>	<u>298,028</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Drama	1,129	1,029	1,087	-	1,071
HS thespian troupe	569	1,445	1,876	-	138
Speech	40	-	-	-	40
Vocal	429	116	15	-	530
Instrumental music	-	674	822	148	-
Wrestling	-	1,445	1,445	-	-
Honor society	502	624	708	-	418
Music fund raiser	149	-	-	(149)	-
Interest	1,747	80	-	112	1,939
Travel group	439	-	-	-	439
NASA	-	1,595	2,135	540	-
Chess club	78	-	-	-	78
F.C.S.	2,278	443	319	-	2,402
JH sports	-	4,207	4,207	-	-
Annual staff	1,939	6,289	6,540	45	1,733
K-8 student council	486	3,699	2,600	(250)	1,335
Student council	1,527	14,884	13,002	(1,812)	1,597
Got milk	889	-	500	-	389
Aurelia sports	-	21,257	21,337	80	-
Wr cheerleaders	1,177	-	-	-	1,177
Cheerleaders	603	40	33	-	610
Drill team	1,336	4,200	4,345	450	1,641
Class of 2008	(12)	-	-	-	(12)
Class of 2009	1,500	1,529	2,917	(112)	-
Class of 2010	15	12,106	11,108	948	1,961
Class of 2011	5	15	-	-	20
Class of 2012	-	10	-	-	10
Beginning accruals	(10)	-	(10)	-	-
Ending accruals	-	-	795	-	(795)
Totals	16,815	75,687	75,781	-	16,721

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

	<u>Flower Fund</u>
	\$
Balance beginning of year	459
Additions:	
Collections	-
Deductions:	
Miscellaneous	<u>91</u>
Balance end of year	<u><u>368</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,662,738	1,485,638	1,519,959	1,419,526	1,482,719	1,471,722
Tuition	117,683	121,938	140,465	111,005	75,306	64,989
Other	170,139	160,240	140,157	145,900	121,946	108,393
State sources	1,201,951	1,193,409	1,101,790	1,244,153	1,162,500	1,028,568
Federal sources	112,588	88,934	91,816	106,308	125,854	119,604
	<u>3,265,099</u>	<u>3,050,159</u>	<u>2,994,187</u>	<u>3,026,892</u>	<u>2,968,325</u>	<u>2,793,276</u>
Expenditures:						
Instruction:						
Regular	1,288,564	1,363,919	1,313,458	1,213,900	1,192,229	1,224,065
Special	266,311	296,427	246,757	205,141	200,074	203,505
Other	354,944	381,131	383,248	393,152	398,720	342,738
Support services:						
Student	59,732	81,898	78,963	76,756	74,287	74,275
Instructional staff	5,281	8,079	5,728	6,599	5,952	13,312
Administration	296,444	346,494	343,778	332,194	325,066	323,699
Operation and maintenance	327,351	317,755	291,822	288,159	260,474	242,966
Transportation	77,373	169,415	144,668	112,294	77,309	132,698
Non-instructional programs	1,518	12,825	12,519	12,906	13,840	12,410
Other expenditures:						
Facilities acquisition	92,880	232,035	208,728	106,573	164,241	49,826
AEA flowthrough	106,450	103,923	101,666	99,831	98,571	100,004
	<u>2,876,848</u>	<u>3,313,901</u>	<u>3,131,335</u>	<u>2,847,505</u>	<u>2,810,763</u>	<u>2,719,498</u>

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

To the Board of Education of
Aurelia 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 Aurelia 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 April 30, 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 Aurelia 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 Aurelia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Aurelia 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 Aurelia 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 Aurelia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Aurelia Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B and 09-I-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

April 30, 2010

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

09-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

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

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

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- 09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted in the four program functional areas.
- 09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 09-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 09-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 09-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 09-II-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

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

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

Conclusion: Response accepted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		167,294
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	92,880	
Equipment	44,858	137,738
	<u> </u>	<u> </u>
Ending balance		<u>29,556</u>

09-II-L Student Activity and School Lunch Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Student Activity and School Nutrition Fund disbursements were approved by the board after payments were made.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.