

COLO-NESCO 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  
Colo-NESCO 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 Colo-NESCO Community School District, McCallsburg, 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 Colo-NESCO Community School District as of 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 reports dated June 23, 2011, on our consideration of Colo-NESCO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 34 through 35 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 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 Colo-NESCO Community School District's basic financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on the 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

June 23, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Colo-NESCO 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 \$4,348,952 in fiscal 2008 to \$4,530,340 in fiscal 2009, while General Fund expenditures increased from \$4,403,171 in fiscal 2008 to \$4,837,375 in fiscal 2009. The District's General Fund balance decreased from \$1,235,356 in fiscal 2008 to \$928,321 in fiscal 2009, a 25% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2009. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### 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 Colo-NESCO 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 Colo-NESCO 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 Colo-NESCO Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

**Figure A-1**  
**Colo-NESCO Community School District Annual Financial Report**

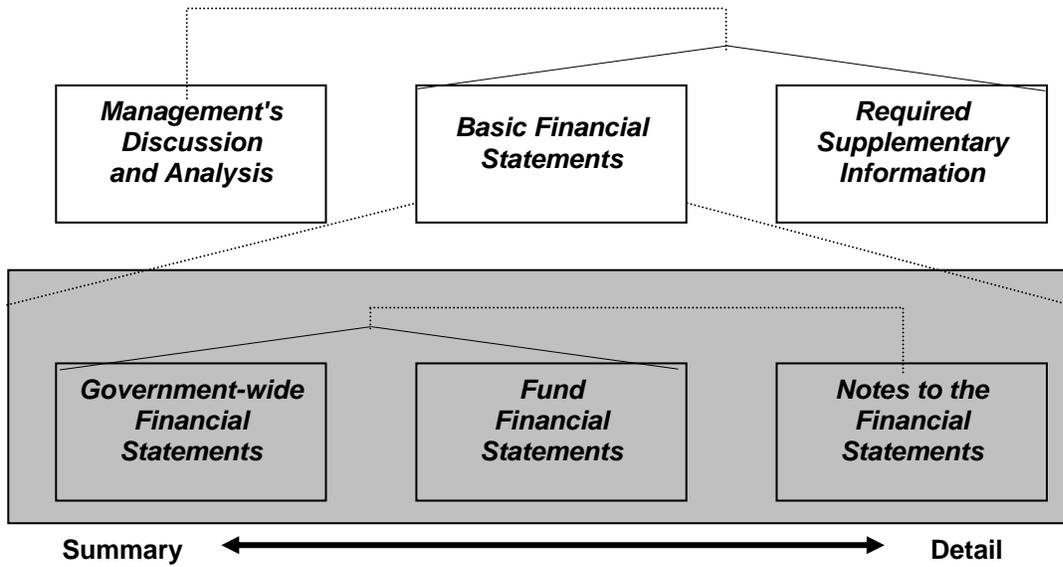


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 and the Child Care Fund.

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,319,462	4,213,908	(189,393)	23,673	4,130,069	4,237,581	-3%
Capital assets	2,834,423	2,722,470	728	1,416	2,835,151	2,723,886	4%
<b>Total assets</b>	<b>7,153,885</b>	<b>6,936,378</b>	<b>(188,665)</b>	<b>25,089</b>	<b>6,965,220</b>	<b>6,961,467</b>	<b>&lt;1%</b>
Long-term liabilities	-	-	-	-	-	-	0%
Other liabilities	2,426,892	2,011,254	46,150	172,898	2,473,042	2,184,152	13%
<b>Total liabilities</b>	<b>2,426,892</b>	<b>2,011,254</b>	<b>46,150</b>	<b>172,898</b>	<b>2,473,042</b>	<b>2,184,152</b>	<b>13%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,834,423	2,722,470	728	1,416	2,835,151	2,723,886	4%
Restricted	922,564	699,256	-	-	922,564	699,256	32%
Unrestricted	970,006	1,503,398	(235,543)	(149,225)	734,463	1,354,173	-46%
<b>TOTAL NET ASSETS</b>	<b>4,726,993</b>	<b>4,925,124</b>	<b>(234,815)</b>	<b>(147,809)</b>	<b>4,492,178</b>	<b>4,777,315</b>	<b>-6%</b>

The District’s combined total net assets decreased by nearly 6%, or approximately \$285,137, 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 \$223,308 or 32% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy 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 approximately \$619,710, or 46%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	500,413	161,383	381,186	336,012	881,599	497,395	77%
Operating grants & contributions	693,281	710,138	132,101	92,159	825,382	802,297	3%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,440,145	1,485,093	-	-	1,440,145	1,485,093	-3%
Income Surtax	199,347	200,270	-	-	199,347	200,270	-1%
Statewide sales and services tax	550,991	500,296	-	-	550,991	500,296	10%
Unrestricted state grants	1,848,621	1,918,011	-	-	1,848,621	1,918,011	-4%
Unrestricted investment earnings	32,315	61,276	50	-	32,365	61,276	-47%
Other revenue	138	101,046	-	-	138	101,046	-100%
<b>Total Revenues</b>	<b>5,265,251</b>	<b>5,137,513</b>	<b>513,337</b>	<b>428,171</b>	<b>5,778,588</b>	<b>5,565,684</b>	<b>4%</b>
Expenses:							
Instruction	3,359,185	3,129,147	-	-	3,359,185	3,129,147	7%
Support services	1,560,980	1,394,054	-	-	1,560,980	1,394,054	12%
Non-instructional programs	164	3,000	600,343	473,830	600,507	476,830	26%
Other expenditures	543,053	702,348	-	-	543,053	702,348	-23%
<b>Total expenses</b>	<b>5,463,382</b>	<b>5,228,549</b>	<b>600,343</b>	<b>473,830</b>	<b>6,063,725</b>	<b>5,702,379</b>	<b>6%</b>
<b>CHANGE IN NET ASSETS</b>	<b>(198,131)</b>	<b>(91,036)</b>	<b>(87,006)</b>	<b>(45,659)</b>	<b>(285,137)</b>	<b>(136,695)</b>	<b>-109%</b>
Net assets beginning of year	4,925,124	5,016,160	(147,809)	(102,150)	4,777,315	4,914,010	-3%
Net assets end of year	4,726,993	4,925,124	(234,815)	(147,809)	4,492,178	4,777,315	-6%

In fiscal year 2009 property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,265,251 and expenses were \$5,463,382.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
	\$	\$		\$	\$	
Instruction	3,359,185	3,129,147	7%	2,340,602	2,449,602	-4%
Support Services	1,560,980	1,394,054	12%	1,557,486	1,374,638	13%
Non-instructional Programs	164	3,000	-95%	164	3,000	-95%
Other Expenses	543,053	702,348	-23%	371,436	529,788	-30%
<b>TOTAL</b>	<b>5,463,382</b>	<b>5,228,549</b>	<b>4%</b>	<b>4,269,688</b>	<b>4,357,028</b>	<b>-2%</b>

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$500,413. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$693,281.
- The net cost of governmental activities was financed with \$2,190,483 in property and local other taxes and \$1,848,621 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$513,337 and expenses were \$600,343. The District's business type activities include the School Nutrition Fund and the Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment at two elementary buildings in the next fiscal year.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Colo-NESCO 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 \$1,682,373, well below last year's ending fund balances of \$1,934,612. However, the primary reason for the decrease in combined fund balances in fiscal 2009 is due to approximately \$1 million of unexpended general obligation bond proceeds received in fiscal 2009.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$1,235,356 to \$928,321, due in part to the negotiated salary and benefits settlement and declining enrollment, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$7,943 in fiscal 2008 to \$64,766 in fiscal 2009. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.
- The Capital Projects Fund balance increased from \$430,644 in fiscal 2008 to \$470,769 in fiscal 2009.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$(42,646) at June 30, 2008 to \$(79,926) at June 30, 2009, representing a decrease of approximately 87%. For fiscal 2009, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

The Day Care Fund net assets decreased from \$(105,163) at June 30, 2008 to \$(154,889) at June 30, 2009, representing a decrease of approximately 47%. Preschool has been part of the daycare program and expenditures increased during the fiscal year.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$431,683 more than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving less in state aid 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2009, the District had invested \$2.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4% 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 \$356,580.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	34,857	34,857	-	-	34,857	34,857	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,712,144	1,782,960	-	-	1,712,144	1,782,960	-4%
Improvements	646,191	225,495	-	-	646,191	225,495	187%
Equipment & furniture	441,231	679,158	728	1,416	441,959	680,574	-35%
<b>TOTAL</b>	<b>2,834,423</b>	<b>2,722,470</b>	<b>728</b>	<b>1,416</b>	<b>2,835,151</b>	<b>2,723,886</b>	<b>4%</b>

**Long-Term Debt**

At June 30, 2009 the District did not have any long-term debt.

**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 2009 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2011.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, buses must be replaced during fiscal 2010. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.

**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 Lisa Waddell, District Secretary/Treasurer and Business Manager, Colo-NESCO Community School District, 919 West St. Colo, IA 50056.

## BASIC FINANCIAL STATEMENTS

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,965,039	450	1,965,489
Receivables:			
Property tax:			
Delinquent	23,987	-	23,987
Succeeding year	1,738,031	-	1,738,031
Accounts	-	9,368	9,368
Internal balances	221,142	(221,142)	-
Due from other governments	371,263	17,274	388,537
Inventories	-	4,657	4,657
Capital assets, net of accumulated depreciation	<u>2,834,423</u>	<u>728</u>	<u>2,835,151</u>
<b>Total assets</b>	<u>7,153,885</u>	<u>(188,665)</u>	<u>6,965,220</u>
<b>Liabilities</b>			
Accounts payable	184,050	35	184,085
Salaries and benefits payable	451,487	43,253	494,740
Deferred revenue:			
Succeeding year property tax	1,738,031	-	1,738,031
Other	<u>53,324</u>	<u>2,862</u>	<u>56,186</u>
<b>Total liabilities</b>	<u>2,426,892</u>	<u>46,150</u>	<u>2,473,042</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,834,423	728	2,835,151
Restricted for:			
Categorical funding	168,512	-	168,512
Management levy	197,686	-	197,686
Physical plant and equipment levy	64,766	-	64,766
Other special revenue purposes	20,831	-	20,831
Sales tax capital projects	470,769	-	470,769
Unrestricted	<u>970,006</u>	<u>(235,543)</u>	<u>734,463</u>
<b>Total net assets</b>	<u>4,726,993</u>	<u>(234,815)</u>	<u>4,492,178</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,345,615	372,695	433,843	-
Special	490,006	-	39,097	-
Other	523,564	127,718	45,230	-
	<u>3,359,185</u>	<u>500,413</u>	<u>518,170</u>	<u>-</u>
Support services:				
Student	62,535	-	-	-
Instructional staff	158,661	-	-	-
Administration	545,911	-	-	-
Operation and maintenance of plant	477,456	-	-	-
Transportation	316,417	-	3,494	-
	<u>1,560,980</u>	<u>-</u>	<u>3,494</u>	<u>-</u>
Non-instructional programs	164	-	-	-
Other expenditures:				
Facilities acquisition	48,555	-	-	-
AEA flowthrough	171,617	-	171,617	-
Depreciation (unallocated)*	322,881	-	-	-
	<u>543,053</u>	<u>-</u>	<u>171,617</u>	<u>-</u>
Total governmental activities	<u>5,463,382</u>	<u>500,413</u>	<u>693,281</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	263,187	144,661	81,196	-
Daycare	337,156	236,525	50,905	-
Total business-type activities	<u>600,343</u>	<u>381,186</u>	<u>132,101</u>	<u>-</u>
Total	<u>6,063,725</u>	<u>881,599</u>	<u>825,382</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

**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

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,539,077)	-	(1,539,077)
(450,909)	-	(450,909)
(350,616)	-	(350,616)
<u>(2,340,602)</u>	<u>-</u>	<u>(2,340,602)</u>
(62,535)	-	(62,535)
(158,661)	-	(158,661)
(545,911)	-	(545,911)
(477,456)	-	(477,456)
(312,923)	-	(312,923)
<u>(1,557,486)</u>	<u>-</u>	<u>(1,557,486)</u>
(164)	-	(164)
(48,555)	-	(48,555)
-	-	-
<u>(322,881)</u>	<u>-</u>	<u>(322,881)</u>
<u>(371,436)</u>	<u>-</u>	<u>(371,436)</u>
<u>(4,269,688)</u>	<u>-</u>	<u>(4,269,688)</u>
-	(37,330)	(37,330)
-	<u>(49,726)</u>	<u>(49,726)</u>
-	<u>(87,056)</u>	<u>(87,056)</u>
<u>(4,269,688)</u>	<u>(87,056)</u>	<u>(4,356,744)</u>
1,383,878	-	1,383,878
56,267	-	56,267
199,347	-	199,347
550,991	-	550,991
1,848,621	-	1,848,621
32,315	50	32,365
138	-	138
<u>4,071,557</u>	<u>50</u>	<u>4,071,607</u>
(198,131)	(87,006)	(285,137)
<u>4,925,124</u>	<u>(147,809)</u>	<u>4,777,315</u>
<u>4,726,993</u>	<u>(234,815)</u>	<u>4,492,178</u>

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,210,721	483,708	270,610	1,965,039
Receivables:				
Property tax:				
Delinquent	22,313	-	1,674	23,987
Succeeding year	1,684,552	-	53,479	1,738,031
Interfund receivable	221,142	-	11,075	232,217
Due from other governments	296,967	74,296	-	371,263
	<u>3,435,695</u>	<u>558,004</u>	<u>336,838</u>	<u>4,330,537</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	96,739	87,235	76	184,050
Salaries and benefits payable	451,487	-	-	451,487
Interfund payable	11,075	-	-	11,075
Deferred revenue:				
Succeeding year property tax	1,684,552	-	53,479	1,738,031
Income surtax	210,197	-	-	210,197
Other	53,324	-	-	53,324
Total liabilities	<u>2,507,374</u>	<u>87,235</u>	<u>53,555</u>	<u>2,648,164</u>
Fund balances:				
Reserved for:				
Categorical funding	168,512	-	-	168,512
Unreserved reported in:				
General fund	759,809	-	-	759,809
Special revenue funds	-	-	283,283	283,283
Capital projects fund	-	470,769	-	470,769
Total fund balances	<u>928,321</u>	<u>470,769</u>	<u>283,283</u>	<u>1,682,373</u>
	<u>3,435,695</u>	<u>558,004</u>	<u>336,838</u>	<u>4,330,537</u>
<b>Total liabilities and fund balances</b>				

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,682,373
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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.	2,834,423
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	<u>210,197</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,726,993</u></u>
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COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,592,327	550,991	105,010	2,248,328
Tuition	144,155	-	-	144,155
Other	252,025	5,134	131,552	388,711
State sources	2,407,851	-	69	2,407,920
Federal sources	133,982	-	-	133,982
Total revenues	<u>4,530,340</u>	<u>556,125</u>	<u>236,631</u>	<u>5,323,096</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,329,822	-	-	2,329,822
Special	490,006	-	-	490,006
Other	384,623	-	138,941	523,564
	<u>3,204,451</u>	<u>-</u>	<u>138,941</u>	<u>3,343,392</u>
Support services:				
Student	62,535	-	-	62,535
Instructional staff	158,421	-	240	158,661
Administration	502,241	-	43,550	545,791
Operation and maintenance of plant	438,650	-	-	438,650
Transportation	299,460	-	100	299,560
	<u>1,461,307</u>	<u>-</u>	<u>43,890</u>	<u>1,505,197</u>
Non-instructional programs	-	-	164	164
Other expenditures:				
Facilities acquisition	-	516,000	400	516,400
AEA flowthrough	171,617	-	-	171,617
	<u>171,617</u>	<u>516,000</u>	<u>400</u>	<u>688,017</u>
Total expenditures	<u>4,837,375</u>	<u>516,000</u>	<u>183,395</u>	<u>5,536,770</u>
Net change in fund balances	(307,035)	40,125	53,236	(213,674)
Fund balances beginning of year	<u>1,235,356</u>	<u>430,644</u>	<u>268,612</u>	<u>1,934,612</u>
Fund balances end of year	<u><u>928,321</u></u>	<u><u>470,769</u></u>	<u><u>321,848</u></u>	<u><u>1,720,938</u></u>

## COLO-NESCO 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(252,239)
<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, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year, as follows:		
Expenditures for capital assets	467,845	
Depreciation expense	<u>(355,892)</u>	111,953
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.		<u>(57,845)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(198,131)</u></u>

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Enterprise Funds		
	Nonmajor School Nutrition	Major Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	-	450	450
Accounts receivable	564	8,804	9,368
Due from other governments	-	17,274	17,274
Inventories	4,657	-	4,657
Capital assets, net of accumulated depreciation	-	728	728
<b>Total assets</b>	<b>5,221</b>	<b>27,256</b>	<b>32,477</b>
<b>Liabilities</b>			
Accounts payable	-	35	35
Salaries and benefits payable	18,271	24,982	43,253
Deferred revenue	2,862	-	2,862
Interfund payable	64,014	157,128	221,142
<b>Total liabilities</b>	<b>85,147</b>	<b>182,145</b>	<b>267,292</b>
<b>Net assets</b>			
Invested in capital assets	-	728	728
Unrestricted	(79,926)	(155,617)	(235,543)
<b>Total net assets</b>	<b>(79,926)</b>	<b>(154,889)</b>	<b>(234,815)</b>

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Enterprise Funds		
	Nonmajor School Nutrition	Major Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	144,661	236,525	381,186
Operating expenses:			
Non-instructional programs:			
Salaries	96,342	245,411	341,753
Benefits	24,121	42,111	66,232
Purchased services	5,205	3,119	8,324
Supplies	137,032	46,314	183,346
Depreciation	487	201	688
Total operating expenses	263,187	337,156	600,343
Operating gain (loss)	(118,526)	(100,631)	(219,157)
Non-operating revenue:			
State sources	2,343	36,250	38,593
Federal sources	78,853	14,655	93,508
Interest income	50	-	50
Total non-operating revenue	81,246	50,905	132,151
Change in net assets	(37,280)	(49,726)	(87,006)
Net assets beginning of year	(42,646)	(105,163)	(147,809)
Net assets end of year	(79,926)	(154,889)	(234,815)

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

## Enterprise Funds

	Enterprise Funds		
	Nonmajor School Nutrition	Major Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	146,959	-	146,959
Cash received from daycare services	-	230,055	230,055
Cash payments to employees for services	(102,192)	(262,540)	(364,732)
Cash payments to suppliers for goods or services	(130,241)	(49,398)	(179,639)
Net cash used by operating activities	<u>(85,474)</u>	<u>(81,883)</u>	<u>(167,357)</u>
Cash flows from non-capital financing activities:			
Interfund loans	2,211	46,083	48,294
State grants received	2,343	36,250	38,593
Federal grants received	80,920	-	80,920
Net cash provided by non-capital financing activities	<u>85,474</u>	<u>82,333</u>	<u>167,807</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	450	450
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	<u>-</u>	<u>450</u>	<u>450</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(118,526)	(100,631)	(219,157)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	13,247	-	13,247
Depreciation	487	201	688
Decrease (increase) in inventories	(1,251)	-	(1,251)
Decrease (increase) in accounts receivable	(564)	(6,470)	(7,034)
(Decrease) increase in accounts payable	-	35	35
(Decrease) increase in salaries and benefits payable	18,271	24,982	43,253
(Decrease) increase in deferred revenue	2,862	-	2,862
Net cash used by operating activities	<u>(85,474)</u>	<u>(81,883)</u>	<u>(167,357)</u>

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

During the year ended June 30, 2009, the District received \$13,247 of federal commodities.

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	1,015
Accounts receivable	<u>4,592</u>
<b>Total Assets</b>	<u>5,607</u>
<b>Liabilities</b>	
Other payables	<u>5,607</u>
<b>Net Assets</b>	<u><u>-</u></u>

# COLO-NESCO COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

Colo-NESCO Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Colo, McCallsburg and Zearing, Iowa and the predominately agricultural territory in a portion of Story, Marshall and Hardin 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, Colo-NESCO 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 Colo-NESCO Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, Nonmajor School Nutrition Fund and Major Child Day Care Fund. These funds are used to account for the food service and child day care 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 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 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 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 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	1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

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

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

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

proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue 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 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. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	2,327

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### 3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental:		
Management Fund	General Fund	11,075
General Fund	Major Enterprise:	
	Day Care Fund	157,128
General Fund	Nonmajor Enterprise:	
	School Nutrition Fund	64,014

The interfund receivables/payables are loans for cash flow, which are to be repaid in the next fiscal year.

### 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	34,857	-	-	34,857
Capital assets being depreciated:				
Buildings	3,554,687	-	-	3,554,687
Improvements other than buildings	397,387	467,845	-	865,232
Furniture and equipment	2,991,405	-	-	2,991,405
Total capital assets being deprec.	6,943,479	467,845	-	7,411,324
Less accumulated depreciation for:				
Buildings	1,771,727	70,816	-	1,842,543
Improvements other than buildings	171,892	47,149	-	219,041
Furniture and equipment	2,312,247	237,927	-	2,550,174
Total accumulated depreciation	4,255,866	355,892	-	4,611,758
Total capital assets being depreciated, net	2,687,613	111,953	-	2,799,566
Governmental activities capital assets, net	2,722,470	111,953	-	2,834,423

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	7,285	-	-	7,285
Less accumulated depreciation	<u>5,869</u>	<u>688</u>	-	<u>6,557</u>
Business type activities capital assets, net	<u>1,416</u>	<u>(688)</u>	-	<u>728</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	15,793
Support services:	
Administration services	120
Operation and maintenance of plant services	241
Transportation	<u>16,857</u>
	33,011
Unallocated depreciation	<u>322,881</u>
Total depreciation expense – governmental activities	<u>355,892</u>
Business type activities:	
Food services operation	487
Day care operations	<u>201</u>
	<u>688</u>

## 5. 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 that 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 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 \$184,439, \$141,000, and \$145,072 respectively, equal to the required contributions for each year.

## 6. Risk Management

Colo-NESCO 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.

**7. 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 \$171,617 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.

**8. Financial Condition**

The Enterprise School Nutrition Fund and Day Care Fund have deficit net asset balances of \$79,926 and \$154,889 respectively at June 30, 2009.

**9. Subsequent Event**

In November, 2009 the District issued \$3,615,000 of revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,781,194	381,236	3,162,430	2,634,921	2,634,921	527,509
Intermediate sources	-	-	-	28,000	28,000	(28,000)
State sources	2,407,920	38,593	2,446,513	2,461,829	2,461,829	(15,316)
Federal sources	133,982	93,508	227,490	280,000	280,000	(52,510)
Total revenues	<u>5,323,096</u>	<u>513,337</u>	<u>5,836,433</u>	<u>5,404,750</u>	<u>5,404,750</u>	<u>431,683</u>
Expenditures/Expenses:						
Instruction	3,343,392	-	3,343,392	3,596,636	3,596,636	253,244
Support services	1,543,762	-	1,543,762	1,960,200	1,960,200	416,438
Non-instructional programs	164	600,343	600,507	525,000	525,000	(75,507)
Other expenditures	688,017	-	688,017	1,174,573	1,174,573	486,556
Total expenditures/expenses	<u>5,575,335</u>	<u>600,343</u>	<u>6,175,678</u>	<u>7,256,409</u>	<u>7,256,409</u>	<u>1,080,731</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(252,239)	(87,006)	(339,245)	(1,851,659)	(1,851,659)	1,512,414
Balance beginning of year	<u>1,934,612</u>	<u>(147,809)</u>	<u>1,786,803</u>	<u>1,937,307</u>	<u>1,937,307</u>	<u>(150,504)</u>
Balance end of year	<u><u>1,682,373</u></u>	<u><u>(234,815)</u></u>	<u><u>1,447,558</u></u>	<u><u>85,648</u></u>	<u><u>85,648</u></u>	<u><u>1,361,910</u></u>

COLO-NESCO 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 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 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 in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	185,797	20,907	63,906	270,610
Receivables:				
Property tax:				
Delinquent	814	-	860	1,674
Succeeding year	-	-	53,479	53,479
Interfund receivable	11,075	-	-	11,075
<b>Total assets</b>	<b>197,686</b>	<b>20,907</b>	<b>118,245</b>	<b>336,838</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	76	-	76
Deferred revenue:				
Succeeding year property tax	-	-	53,479	53,479
Total liabilities	-	76	53,479	53,555
Fund balances:				
Unreserved reported in:				
Special revenue funds	197,686	20,831	64,766	283,283
<b>Total liabilities and fund balances</b>	<b>197,686</b>	<b>20,907</b>	<b>118,245</b>	<b>336,838</b>

## COLO-NESCO 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
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	48,743	-	56,267	105,010
Other	2,716	127,718	1,118	131,552
State sources	31	-	38	69
Total revenues	<u>51,490</u>	<u>127,718</u>	<u>57,423</u>	<u>236,631</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	138,941	-	138,941
Support services:				
Instructional staff services	-	240	-	240
Administration services	43,450	-	100	43,550
Operation and maintenance of plant services	38,565	-	-	38,565
Transportation services	-	-	100	100
Non-instructional programs	-	164	-	164
Other expenditures:				
Facilities acquisition	-	-	400	400
Total expenditures	<u>82,015</u>	<u>139,345</u>	<u>600</u>	<u>221,960</u>
Net change in fund balances	(30,525)	(11,627)	56,823	14,671
Fund balances beginning of year	<u>228,211</u>	<u>32,458</u>	<u>7,943</u>	<u>268,612</u>
Fund balances end of year	<u><u>197,686</u></u>	<u><u>20,831</u></u>	<u><u>64,766</u></u>	<u><u>283,283</u></u>

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Colo elem. beautification	-	-	164	-	(164)
All athletics	6,537	8,104	6,192	-	8,449
Basketball	30,356	10,066	13,272	-	27,150
Track	(3,548)	1,641	3,875	-	(5,782)
Cross country	(565)	34	477	-	(1,008)
Golf	(5,297)	512	1,970	-	(6,755)
Football	4,862	11,616	10,367	-	6,111
Soccer	(4,666)	3,435	6,557	-	(7,788)
Baseball	(4,427)	91	6,566	-	(10,902)
Wrestling	2,617	-	-	-	2,617
Volleyball	2,141	5,669	6,731	-	1,079
Softball	(2,799)	-	8,454	-	(11,253)
Drama	(341)	1,360	981	-	38
Musical	2,048	-	-	-	2,048
Vocal/instrumental	(6,261)	12,724	13,511	-	(7,048)
HS student pictures	1,677	94	289	-	1,482
Student council	8,762	5,281	2,562	-	11,481
C-N FFA	(93)	8,791	9,161	-	(463)
Yearbook	(14,865)	2,985	3,070	-	(14,950)
Cheerleading	(988)	1,246	1,789	-	(1,531)
Band resale	(3,698)	-	2,094	-	(5,792)
Spanish club	5,464	-	185	-	5,279
Art club	412	1,340	761	-	991
Anglo-Norman club	(322)	-	-	-	(322)
C-N drill team	(1,739)	-	-	-	(1,739)
Flag team	24	349	353	-	20
SADD	253	-	-	-	253
Class of 2007	-	-	79	-	(79)
Class of 2008	(3,760)	1,869	613	-	(2,504)
Class of 2009	(3,790)	4,151	212	-	149
Class of 2010	-	9,730	9,340	-	390
Class of 2006	(328)	-	-	-	(328)
MS student pictures	561	268	32	-	797
MS student activities	(4,106)	21,696	17,340	-	250
MS Mall of America	67	215	54	-	228
MS band resale	(4,004)	73	1,254	-	(5,185)
MS music fund	2,797	8,964	6,904	-	4,857
Colo publication	106	-	-	-	106
Elementary student pictures	3,519	2,875	1,616	18	4,796

## COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Burg publication	4,854	69	-	-	4,923
Elementary student activities	(506)	2,361	2,380	(18)	(543)
Malls 4 Schools	2,442	108	-	-	2,550
McCallsburg student birthday	50	-	-	-	50
District wide field trips	817	-	140	-	677
Interest	18,195	1	-	-	18,196
Total	<u>32,458</u>	<u>127,718</u>	<u>139,345</u>	<u>-</u>	<u>20,831</u>

## COLO-NESCO 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
	\$	\$	\$	\$
<b>Assets</b>				
Cash	166	1,359	510	1,015
Accounts receivable	4,592	-	-	4,592
Total assets	<u>4,758</u>	<u>1,359</u>	<u>510</u>	<u>5,607</u>
<b>Liabilities</b>				
Due to other governments	<u>4,758</u>	<u>1,359</u>	<u>510</u>	<u>5,607</u>

## COLO-NESCO 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	2,248,328	2,185,659	2,367,722	2,459,777	2,402,408	2,339,244
Tuition	144,155	160,834	120,032	148,329	180,570	162,825
Other	388,711	277,042	204,272	193,172	175,732	163,088
State sources	2,407,920	2,400,234	2,419,171	2,386,039	2,443,418	2,182,324
Federal sources	133,982	74,734	148,884	153,665	179,857	158,876
<b>Total revenues</b>	<b>5,323,096</b>	<b>5,098,503</b>	<b>5,260,081</b>	<b>5,340,982</b>	<b>5,381,985</b>	<b>5,006,357</b>
Expenditures:						
Instruction:						
Regular instruction	2,329,822	3,129,147	3,024,625	2,863,768	2,982,512	2,897,890
Special instruction	490,006	-	-	-	-	-
Other instruction	523,564	-	-	-	-	-
Support services:						
Student services	62,535	10,040	5,247	17,463	20,691	12,303
Instructional staff services	158,661	89,851	122,933	148,152	77,960	61,545
Administration services	545,791	542,669	506,452	649,627	557,150	551,332
Operation and maintenance	477,215	489,383	477,426	459,601	374,492	397,724
Transportation services	299,560	363,321	274,575	193,857	211,734	272,007
Non-instructional programs	164	3,000	-	3,000	3,000	25,767
Other expenditures:						
Facilities acquisition	516,400	249,426	547,481	551,161	464,347	389,353
Long-term debt:						
Principal	-	-	-	-	17,211	36,787
Interest and other charges	-	-	-	-	772	1,598
AEA flowthrough	171,617	166,988	161,061	160,011	158,117	162,887
<b>Total expenditures</b>	<b>5,575,335</b>	<b>5,043,825</b>	<b>5,119,800</b>	<b>5,046,640</b>	<b>4,867,986</b>	<b>4,809,193</b>

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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  
Colo-NESCO 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 Colo-NESCO 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 June 23, 2011. 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 Colo-NESCO 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 Colo-NESCO Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colo-NESCO 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 Colo-NESCO 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 Colo-NESCO Community School District's financial statements that is more than inconsequential will not be prevented or detected by Colo-NESCO 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 Colo-NESCO 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 thru 09-I-G are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colo-NESCO 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.

Colo-NESCO 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 Colo-NESCO 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 Colo-NESCO Community School District and other parties to whom Colo-NESCO 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 Colo-NESCO 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

June 23, 2011

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

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 that 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 Financial Reporting: During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

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

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

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.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

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

Conclusion: Response accepted.

09-I-D Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer or the checks has access to the stamp. 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-E Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

09-I-F Cash Receipts: We noted that Day Care receipts were not deposited daily or reported timely to the board secretary.

Recommendation: Day Care receipts should be deposited daily and reported and reconciled to the district records.

District Response: We will begin requiring daily deposits and reconciliations.

Conclusion: Response accepted.

09-I-G Accounting System: We noted that the computer accounting system was not fully utilized to prepare financial reports and budget comparisons.

Recommendation: The District should fully utilize its accounting system to prepare monthly financial reports for the board of directors.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

District Response: We are working towards this goal.

Conclusion: Response accepted.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the non-instructional programs function.

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

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

Conclusion: Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
John Fuller Board Member	Coaching	2,500
Bob Jamison Board Member	Coaching	1,886

The transactions do not appear to represent a conflict of interest since the dollar amounts were \$2,500 or less.

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: 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 were noted.

09-II-I Certified Annual Report: The Certified Annual Report was not certified to the Iowa Department of Education by the required due date. We also noted significant deficiencies in the amounts reported.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education and that the amounts reported are correct and complete.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

District Response: We will do so in the future.

Conclusion: Response accepted.

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

According to 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.

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

Conclusion: Response accepted.

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

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

Beginning balance	\$	\$
		430,644
Statewide sales and services tax revenue	550,991	
Other Income	<u>5,134</u>	556,125
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		<u>516,000</u>
Ending balance		<u>470,769</u>

09-II-L Deficit Balances: The District has deficit fund balances in the Enterprise School Nutrition and Day Care Funds of \$79,926 and 154,889 respectfully; also, the Student Activity Fund has several accounts with deficit balances at June 30, 2009.

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

District Response: We are working on ways to eliminate these deficits.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

Conclusion: Response accepted.

09-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Some accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the activity in the accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.

09-II-N Signature on Checks: We noted someone other than the Board President signed several checks. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign when the Board President is unavailable.

Recommendation: The District should revise its check signing procedures.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.

09-II-O Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included items of equipment with a unit cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

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

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

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

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

Conclusion: Response accepted.

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

Recommendation: The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.

District Response: We will review our procedures for interfund loans and will follow the declaratory order.

Conclusion: Response accepted.

10-II-R General Fund Subsidizing Daycare Fund: The Iowa Department of Education has issued an opinion that General Fund money may not be used to cover Daycare Fund deficits. Currently the General Fund has loaned the Daycare Fund \$157,128 to cover deficits that the Daycare Fund has incurred over the past several years

Recommendation: The District should discuss this issue with its attorney and the Iowa Department of Education.

District Response: We will discuss this with our attorney and the Iowa Department of Education.

Conclusion: Response accepted.

09-II-S Employee purchases: We noted employees were allowed to purchase lunch supplies through the District.

Recommendation: We recommend the District cease employee purchases through the District from nutrition suppliers using the District account.

Response: We will investigate and correct these procedures.

Conclusion: Response accepted.