

FOREST CITY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2009

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Independent Auditor's Report

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2010, on our consideration of Forest City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 16 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forest City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

March 5, 2010

Management Discussion and Analysis

The Forest City 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.

Financial Highlights

- General Fund revenues for fiscal 2009 were \$11,990,995 while General Fund expenditures were \$11,832,332. This resulted in an increase in the District's General Fund balance from \$58,810 in fiscal 2008 to \$217,473 in fiscal 2009, or a \$158,663 increase from the prior year.
- An increase in the General Fund ending balance was attributable to decreases for general expenses, wages and benefits, heat, utilities, fuel and repairs of the transportation fleet.
- The District passed a resolution to continue participation in the Instructional Support Program for another five years starting with the 2009-2010 school year. The additional funding will be determined annually and shall not exceed ten percent (10%) of the total regular program district cost for the budget year which will on an annual basis raise approximately \$500,000. The moneys received may be used for implementation of the District's technology program, including the purchase of computer hardware and software, general maintenance and upgrading of equipment, staff development, including the student management system and for the use or purchase of new technologies that have been found to enhance student achievement or delivery of instruction.
- The District was involved in a Local Option Sales and Services for School Infrastructure Election for Cerro Gordo County on March 4, 2003 that passed with a 69% yes vote and was effective as of July 1, 2003. This new source of funding will produce approximately \$20,669 for the 2009-2010 school year.
- The District was involved in a Local Option Sales and Services for School Infrastructure Election for Hancock County on April 1, 2003 that passed with an 80% yes vote and was effective as of July 1, 2003. This new source of funding will produce approximately \$80,344 for the 2009-2010 school year.
- The District was involved in a Local Option Sales and Services for School Infrastructure Election for Winnebago County on January 20, 2004 that passed with a 75% yes vote and will be effective as of July 1, 2004. This new source of funding will produce approximately \$530,115 for the 2009-2010 school year.
- The District was involved in a Local Option Sales and Services for School Infrastructure Election for Worth County on April 1, 2004 that passed with an 80% yes vote and will be effective as of July 1, 2004. This new source of funding will produce approximately \$54,607 for the 2009-2010 school year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.
- The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

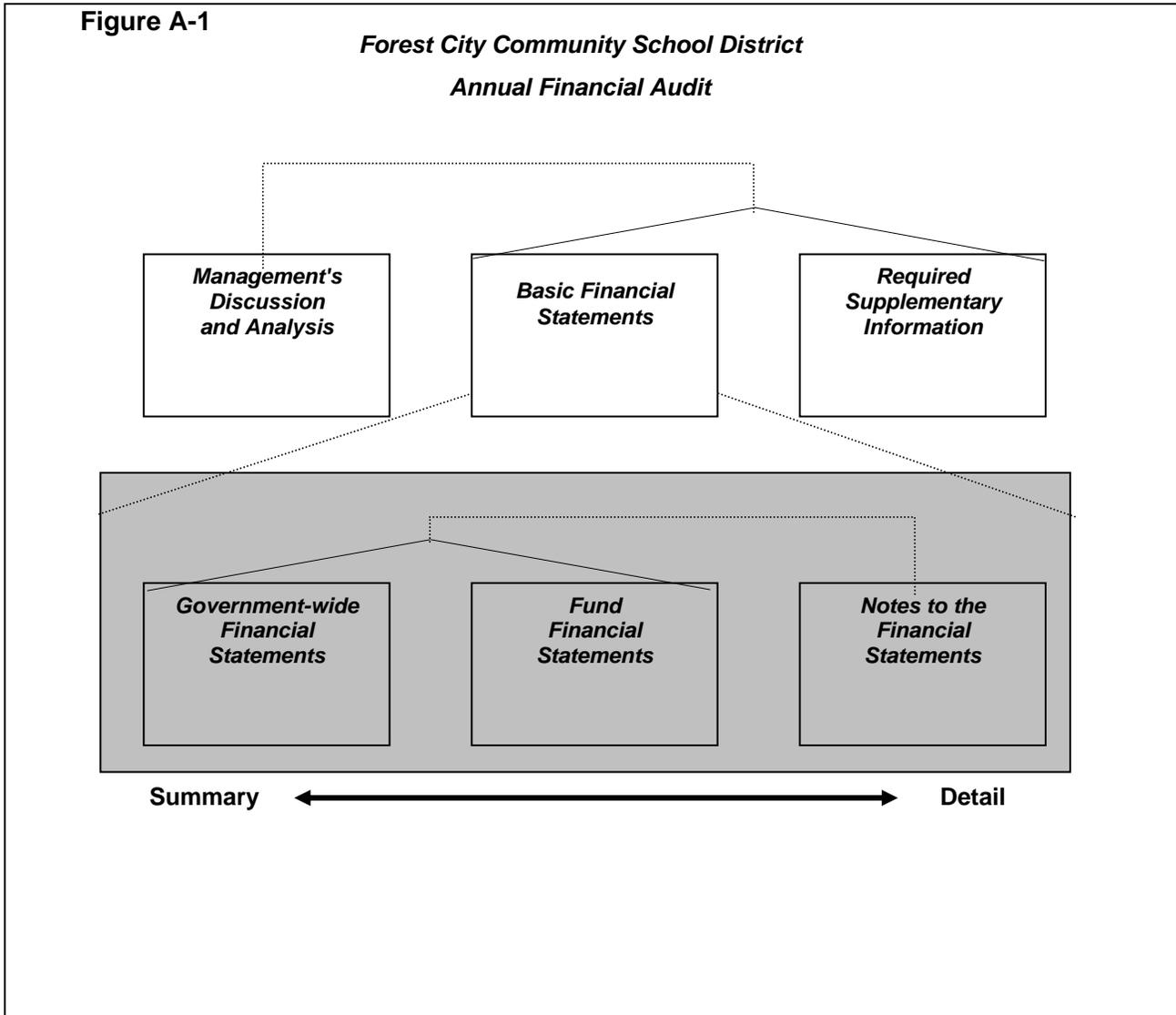


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

Government-wide Financial Statements

The government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
 - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

- *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 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.

Financial Analysis of the District as a Whole

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

Figure A-3
Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2008-2009
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	
Current and other assets	\$7.894	\$10.147	\$.056	\$.130	\$7.950	\$10.277	29.27%
Capital assets	8.879	8.478	.036	.034	8.915	8.512	-4.52%
Total assets	16.773	18.625	.092	.164	16.865	18.789	11.41%
Long-term debt outstanding	2.808	2.503	0	4	2.808	2.507	-10.72%
Other liabilities	7.165	9,132	.043	.048	7.208	9.180	27.36%
Total liabilities	9.973	11.635	.043	.052	10.016	11.687	16.68%
Net assets							
Invested in capital assets, net of related debt	6.192	6.198	.036	.034	6.228	6.232	0.01%
Restricted	.338	.437	0	0	.338	.437	29.29%
Unrestricted	.270	.354	.013	.078	.283	.432	52.65%
Total net assets	\$6.800	\$6.989	\$.049	\$.112	\$6.849	\$7.101	3.68%

Note: totals may not add due to rounding.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$99,000 or 29.29% over the prior year. This increase was caused by the reduction of expenditures of local sales tax monies that were received in fiscal year 2009 and used to finance future capital improvements and equipment purchases.

The increase in unrestricted net assets was primarily due to the District's continued work at reducing general fund expenditures that have continued to reduce our Unspent Authorized Budget balance, though our five year plan is to keep our Financial Solvency Ratio between 5% and 10%.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental		Business-type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2008	2009	2008	2009	2008	2009	
Revenues							
Program revenues							
Charges for services	\$1.423	\$1.518	\$.331	\$.312	\$1.754	\$1.830	4.33%
Operating Grants & Contributions	1.392	1.667	.300	.323	1.692	1.990	17.61%
Capital Grants & Contributions	.000	.000	0	0	.000	.000	0.00%
General revenues							
Property Taxes & Other Local Taxes	4.034	4.381	0	0	4.034	4.381	8.60%
Unrestricted State Aid	5.923	5.821	0	0	5.923	5.821	-1.72%
Other	.152	.100	0	0	.152	.100	-34.21%
Total revenues	12.924	13.487	.631	.635	13.555	14.122	4.18%
Expenses							
Instruction	8.488	8.871	0	0	8.488	8.871	4.51%
Pupil & Instructional Services	.687	.707	0	0	.687	.707	2.91%
Administrative & Business	1.163	1.104	0	0	1.163	1.104	-0.50%
Maintenance & operations	.981	.981	0	0	.981	.981	0.00%
Transportation	.499	.471	0	0	.499	.471	-5.61%
Other	1.179	1.164	.619	.573	1.798	1.737	-3.39%
Total expenses	12.997	13.298	.619	.573	13.616	13.871	1.87%
Excess (deficiency) before special item	-.073	.189	.012	.063	-.061	.252	513.11%
Special item:	0	0	0	0	0	0	
Increase (decrease) in net assets	\$.-073	\$.189	\$.012	\$.063	\$.-061	\$.252	513.11%

Note: totals may not add due to rounding.

Property tax, income surtax, sales taxes and state foundation aid account for 72 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 87 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$13,487,155 and expenses were \$13,297,907. In what was a good budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Figure A-5 The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.

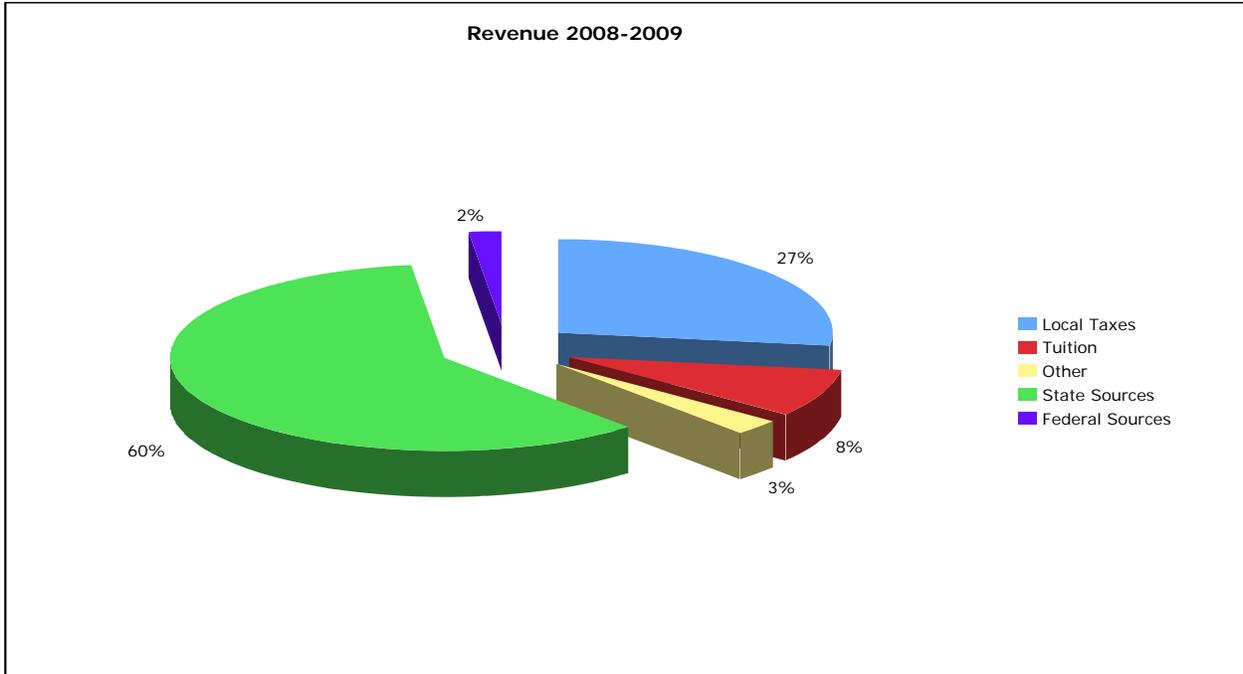


Figure A-6 The following graph presents the total Expenditures for the District's major governmental activities: instruction, student & instructional services, administration & business, operations & maintenance, transportation and AEA flow thru.

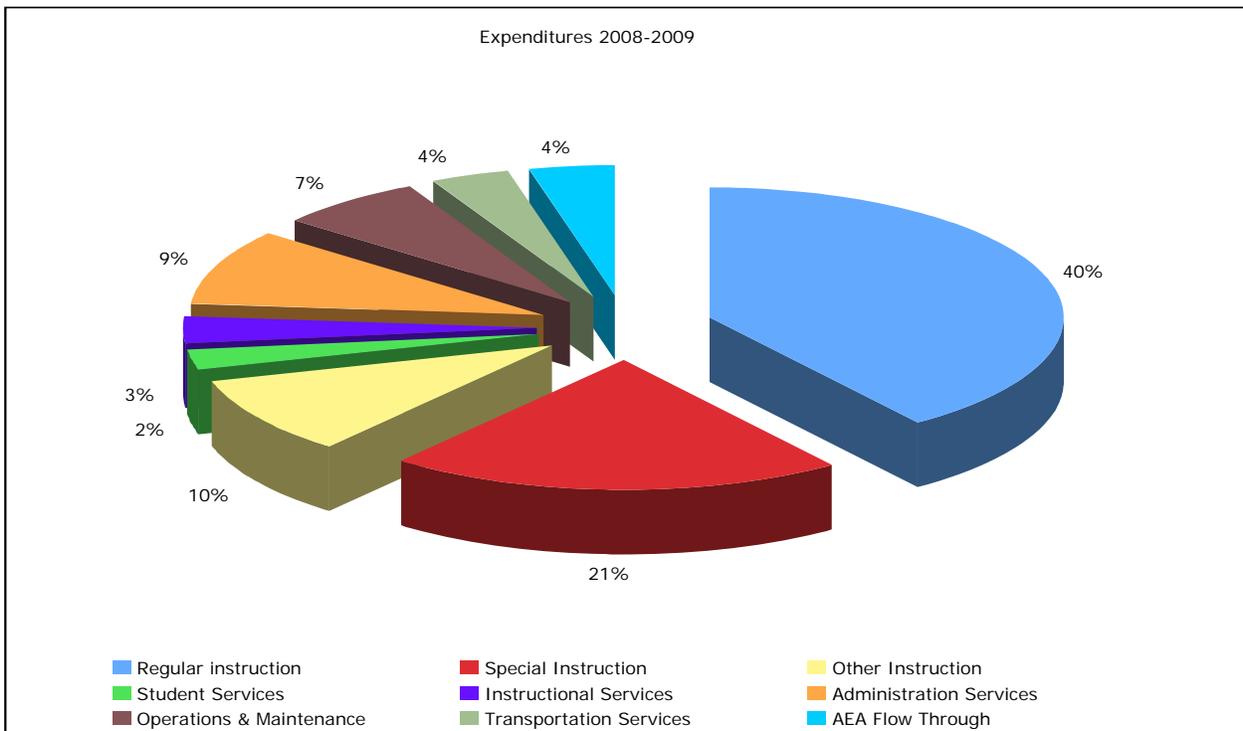


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2008	2009	2008-2009	2008	2009	2008-2009
Instruction	\$8.488	\$8.871	4.51%	\$ 6.127	\$ 6.156	0.47%
Pupil & Instructional Services	.687	.706	2.76%	.687	.706	2.77%
Administrative & Business	1.162	1.104	-4.99%	1.163	1.104	-5.08%
Maintenance & operations	.981	.981	0.00%	.976	.976	0.00%
Transportation	.499	.471	-5.61%	.493	.465	-5.68%
Other	1.179	1.164	-1.27%	.737	.706	-4.21%
Total	\$12.997	\$13.297	2.31%	\$10.183	\$10.113	-0.69%

Note: totals may not add due to rounding.

- The cost of all governmental activities this year was \$13,297,907.
- Some of the costs were financed by the users of District programs in the amount of \$1,517,614.
- The federal and state governments subsidized certain programs with grants and contributions \$1,667,351.
- Most of the District's costs \$10,433,385 however was financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,405,614 million in property taxes, \$255,228 of income surtax and \$719,802 of sales tax \$5,820,955 million of unrestricted state aid based on the statewide finance formula, and 100,591 state grants and investment earnings and other revenues.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$312,497 and \$323,401 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$572,979. The Hot Lunch program was the only Business Type Activity for the District during the 2009 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$778,006 above last year's ending fund balances of \$472,031. The primary reason for the increase in the total property taxes received during the current fiscal year.

Governmental Fund Highlights

- The District's stabilizing General Fund financial position is the product of many factors. During the year property tax proceeds, open enrollment, interest income, replacement taxes and federal programs stayed consistent with budgeted amounts and expenditures were in line with projections.
- The General Fund balance increased from \$58,810 to \$217,473 due mainly to continued reduction in costs for salaries and benefits due mainly to reduction in staff and the continued energy efficient lighting and heating systems that are continuing to be replaced.
- The Physical Plant and Equipment Levy (PEEL) Fund balance stayed consistent at \$2,427 in fiscal 2008 to \$8,363 in fiscal 2009. Revenues were spent on capital projects for the 2008-2009 school year.
- The Capital Projects Fund balance increased \$252,517 due to the completion of the projects and contracts that were completed during the 2008-2009 school year. Fiscal 2009 ended with a balance of \$330,362 consisting of unexpended local option sales taxes.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$49,092 at June 30, 2008 to \$112,107 representing an increase of approximately \$63,015 dollars. The reduction in labor costs helped to keep the ending balance on a steady increase.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

The District adopted one budget amendment during 2009 to adjust for additional spending in the instruction function.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$126,472 more than budgeted receipts, a variance of a little over 0.9 percent.

Total expenditures were less than budgeted due primarily to the District's budget for General Fund and Capitol Projects. It is the District's practice to budget expenditures at the same amount as budgeted revenues in all funds. 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 the actual expenditures during the year.

Due to the District's budgetary practice, the certified budget was not exceeded in any of the major expenditure categories.

Capital Asset and Debt Administration

Capital Assets

By the end of 2009 the District had invested \$18.641 (included land and business type capital assets) million, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) (More detailed information about capital assets can be found in Note 6 to the financial statements.) Total depreciation expense for the year exceeded \$527,842 (included depreciation expense on business type capital assets).

At June 30, 2009 the District had completed construction on various projects on the grounds and lighting projects. Approximately \$395,038 was spent in fiscal year 2009 to complete various projects.

Figure A-8
Capital Assets (net of depreciation, (in millions of dollars))

	Governmental Activities		Business Type Activities		Total School District		Total Percentage Change 2008-2009
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	
Land	\$.225	\$.225	\$ 0	\$ 0	\$.225	\$.225	0.00%
Construction in progress	.000	.000	0	0	.000	.000	0.00%
Buildings	7.220	6.843			7.220	6.843	-5.22%
Improvements	.654	.631	0	0	.654	.631	-3.52%
Equipment & Furniture	.780	.779	.036	.034	.816	.813	-0.37%
	\$ 8.879	\$ 8.478	\$.036	\$.034	\$ 8.915	\$ 8.512	-4.52%

Note: totals may not add due to rounding.

Long-Term Debt

At year-end, the District had \$2,502,546 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 10.87% over the previous fiscal year as can be seen in Figure A-9 below. During fiscal year 2002-2003, the District sold \$3.5 million in general obligation bonds, approved by voters on March 25, 2003, to help finance a two-year, \$3.5 million plan of facilities improvements throughout the district

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total		Total
	School District		Percentage
	<u>2008</u>	<u>2009</u>	<u>2008-2009</u>
General obligation bonds & notes (financed with property taxes)	\$ 2,495	\$ 2,280	-8.62%
Other general obligation debt	.313	.223	-28.75%
Total	\$ 2.808	\$ 2.503	-10.87%

Factors Bearing on the District's Future

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

- For fiscal year 2006-2007 there are three new housing developments in the city of Forest City along with the completion of an eighteen hole golf course.
- The largest employer in the District, Winnebago Industries continues to limit production and keep as many employees as it can.
- The college in the District has just completed the process of changing from a private church school to a public for profit institution.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy.

- District enrollment decreased in fiscal year 2007-2008 by 19.8 students, and for the 2008-2009 school year decreased by 18.0 students and for the 2009-2010 decreased by 117.9 students. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation. The district has implemented an early retirement policy for the 2008-2009 and 2009-2010 school year. The district received thirteen (13) applications and all were accepted. No positions will be replaced unless absolutely necessary for future staffing. Currently the board is looking at replacing only two of these positions.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Steven J. Rollefson, Board Secretary/Business Manager, Forest City Community School District, 810 West K. Street Forest City, Iowa 50436

BASIC FINANCIAL STATEMENTS

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	3,914,723	-	3,914,723
Other	1,860,814	102,007	1,962,821
Receivables:			
Property tax:			
Delinquent	73,192	-	73,192
Succeeding year	3,725,417	-	3,725,417
Accounts	567	-	567
Accrued interest - ISCAP	14,467	-	14,467
Due from other governments	532,719	-	532,719
Inventories	25,394	28,518	53,912
Capital assets, net of accumulated depreciation	8,477,593	33,951	8,511,544
Total assets	18,624,886	164,476	18,789,362
Liabilities			
Accounts payable	93,261	-	93,261
Salaries and benefits payable	1,223,564	41,311	1,264,875
Accrued interest payable	6,559	-	6,559
Deferred revenue:			
Succeeding year property tax	3,725,417	-	3,725,417
Other	155,443	6,891	162,334
ISCAP warrants payable	3,846,000	-	3,846,000
ISCAP accrued interest payable	21,618	-	21,618
ISCAP premium	61,061	-	61,061
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Termination benefits	15,769	-	15,769
Portion due after one year:			
General obligation bonds payable	2,060,000	-	2,060,000
Termination benefits	134,794	-	134,794
Net OPEB liability	71,983	4,167	76,150
Total liabilities	11,635,469	52,369	11,687,838

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	6,197,593	33,951	6,231,544
Restricted for:			
Categorical funding	33,513	-	33,513
Management levy	8,385	-	8,385
Physical plant and equipment levy	8,363	-	8,363
Other special revenue purposes	55,660	-	55,660
Sales tax capital projects	330,362	-	330,362
Debt service	641	-	641
Unrestricted	354,900	78,156	433,056
Total net assets	<u>6,989,417</u>	<u>112,107</u>	<u>7,101,524</u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,838,241	565,563	1,025,557	-
Special	2,477,316	563,684	64,099	-
Other	1,555,632	377,300	119,779	-
	<u>8,871,189</u>	<u>1,506,547</u>	<u>1,209,435</u>	<u>-</u>
Support services:				
Student	286,135	-	-	-
Instructional staff	420,579	-	-	-
Administration	1,104,084	-	-	-
Operation and maintenance of plant	980,819	5,090	-	-
Transportation services	471,389	5,977	-	-
	<u>3,263,006</u>	<u>11,067</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	187,147	-	-	-
Long-term debt interest	91,946	-	180	-
AEA flowthrough	457,736	-	457,736	-
Depreciation (unallocated)*	426,883	-	-	-
	<u>1,163,712</u>	<u>-</u>	<u>457,916</u>	<u>-</u>
Total governmental activities	13,297,907	1,517,614	1,667,351	-
Business type activities:				
Non-instructional programs:				
Food service operations	572,979	312,497	323,401	-
Total	<u>13,870,886</u>	<u>1,830,111</u>	<u>1,990,752</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
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
\$	\$	\$
(3,247,121)	-	(3,247,121)
(1,849,533)	-	(1,849,533)
(1,058,553)	-	(1,058,553)
<u>(6,155,207)</u>	<u>-</u>	<u>(6,155,207)</u>
(286,135)	-	(286,135)
(420,579)	-	(420,579)
(1,104,084)	-	(1,104,084)
(975,729)	-	(975,729)
(465,412)	-	(465,412)
<u>(3,251,939)</u>	<u>-</u>	<u>(3,251,939)</u>
(187,147)	-	(187,147)
(91,766)	-	(91,766)
-	-	-
<u>(426,883)</u>	<u>-</u>	<u>(426,883)</u>
<u>(705,796)</u>	<u>-</u>	<u>(705,796)</u>
(10,112,942)	-	(10,112,942)
<u>-</u>	<u>62,919</u>	<u>62,919</u>
<u>(10,112,942)</u>	<u>62,919</u>	<u>(10,050,023)</u>
3,230,509	-	3,230,509
99,653	-	99,653
75,452	-	75,452
255,228	-	255,228
719,802	-	719,802
5,820,955	-	5,820,955
84,508	96	84,604
16,083	-	16,083
<u>10,302,190</u>	<u>96</u>	<u>10,302,286</u>
189,248	63,015	252,263
<u>6,800,169</u>	<u>49,092</u>	<u>6,849,261</u>
<u>6,989,417</u>	<u>112,107</u>	<u>7,101,524</u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	3,914,723	-	3,914,723
Other	1,451,192	409,622	1,860,814
Receivables:			
Property tax:			
Delinquent	65,202	7,990	73,192
Succeeding year	3,294,107	431,310	3,725,417
Accounts	567	-	567
Accrued interest - ISCAP	14,467	-	14,467
Interfund receivable	-	18,550	18,550
Due from other governments	390,232	142,487	532,719
Inventories	25,394	-	25,394
Total assets	9,155,884	1,009,959	10,165,843
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	75,145	18,116	93,261
Salaries and benefits payable	1,223,564	-	1,223,564
Interfund payable	18,550	-	18,550
ISCAP warrants payable	3,846,000	-	3,846,000
ISCAP accrued interest payable	21,618	-	21,618
ISCAP premium	61,061	-	61,061
Deferred revenue:			
Succeeding year property tax	3,294,107	431,310	3,725,417
Income surtax	196,223	-	196,223
Other	202,143	-	202,143
Total liabilities	8,938,411	449,426	9,387,837
Fund balances:			
Reserved for:			
Categorical funding	33,513	-	33,513
Unreserved reported in:			
General fund	183,960	-	183,960
Debt service fund	-	7,200	7,200
Special revenue funds	-	222,971	222,971
Capital projects funds	-	330,362	330,362
	217,473	560,533	778,006
Total liabilities and fund balances	9,155,884	1,009,959	10,165,843

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	778,006
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,477,593
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	242,923
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,559)
Long-term liabilities, including bonds payable, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,502,546)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,989,417</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	3,274,569	1,093,889	4,368,458
Tuition	998,866	-	998,866
Other	323,203	397,163	720,366
State sources	7,158,816	282	7,159,098
Federal sources	235,541	-	235,541
Total revenues	<u>11,990,995</u>	<u>1,491,334</u>	<u>13,482,329</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,739,130	33,052	4,772,182
Special	2,459,510	-	2,459,510
Other	1,155,179	382,703	1,537,882
	<u>8,353,819</u>	<u>415,755</u>	<u>8,769,574</u>
Support services:			
Student	283,483	-	283,483
Instructional staff	412,992	-	412,992
Administration	1,095,459	-	1,095,459
Operation and maintenance of plant	796,534	147,304	943,838
Transportation	432,309	-	432,309
	<u>3,020,777</u>	<u>147,304</u>	<u>3,168,081</u>
Other expenditures:			
Facilities acquisition	-	314,901	314,901
Long-term debt:			
Principal paid	-	373,579	373,579
Interest and fiscal charges	-	92,483	92,483
AEA flowthrough	457,736	-	457,736
	<u>457,736</u>	<u>780,963</u>	<u>1,238,699</u>
Total expenditures	<u>11,832,332</u>	<u>1,344,022</u>	<u>13,176,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>158,663</u>	<u>147,312</u>	<u>305,975</u>
Other financing sources (uses):			
Operating transfers in	-	399,092	399,092
Operating transfers out	-	(399,092)	(399,092)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	158,663	147,312	305,975
Fund balances beginning of year	<u>58,810</u>	<u>413,221</u>	<u>472,031</u>
Fund balances end of year	<u><u>217,473</u></u>	<u><u>560,533</u></u>	<u><u>778,006</u></u>

See notes to financial statements.

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		305,975
 <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. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	127,754	
Loss on disposal of capital assets	(7,902)	
Depreciation expense	<u>(521,521)</u>	(401,669)
 Income surtaxes and other receivables 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.		
		12,728
 Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		373,579
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		537
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(29,919)	
Other postemployment benefits	<u>(71,983)</u>	<u>(101,902)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>189,248</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	102,007
Inventories	28,518
Capital assets, net of accumulated depreciation	<u>33,951</u>
Total assets	<u>164,476</u>
Liabilities	
Salaries and benefits payable	41,311
Deferred revenue	6,891
Net OPEB liability	<u>4,167</u>
Total liabilities	<u>52,369</u>
Net assets	
Invested in capital assets	33,951
Unrestricted	<u>78,156</u>
Total net assets	<u><u>112,107</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>312,497</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	176,290
Benefits	83,688
Purchased services	947
Supplies	305,733
Depreciation	6,321
Total operating expenses	<u>572,979</u>
Operating loss	<u>(260,482)</u>
Non-operating revenues:	
State sources	6,856
Federal sources	316,545
Interest income	96
Total non-operating revenues	<u>323,497</u>
Change in net assets	63,015
Net assets beginning of year	<u>49,092</u>
Net assets end of year	<u><u>112,107</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	319,289
Cash payments to employees for services	(257,484)
Cash payments to suppliers for goods or services	(272,077)
Net cash used by operating activities	<u>(210,272)</u>
Cash flows from non-capital financing activities:	
State grants received	6,856
Federal grants received	274,300
Net cash provided by non-capital financing activities	<u>281,156</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,823)</u>
Cash flows from investing activities:	
Interest on investments	<u>96</u>
Net increase (decrease) in cash and cash equivalents	67,157
Cash and cash equivalents at beginning of year	<u>34,850</u>
Cash and cash equivalents at end of year	<u><u>102,007</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(260,482)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	42,245
Depreciation	6,321
Decrease (increase) in inventories	(7,642)
(Decrease) increase in salaries and benefits payable	(1,673)
(Decrease) increase in deferred revenue	6,792
(Decrease) increase in net OPEB liability	4,167
Net cash used by operating activities	<u><u>(210,272)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$42,245 of federal commodities.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	10,000
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>10,000</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	200
Deductions	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	-
Net assets beginning of year	<u>10,000</u>
Net assets end of year	<u><u>10,000</u></u>

FOREST CITY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2009

1. Summary of Significant Accounting Policies

Forest City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Forest City, Iowa and the predominately agricultural territory in portions of Winnebago, Hancock, Worth and Cerro Gordo 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, Forest City 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 Forest City Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become 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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-30 years

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

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 receivable and other receivables not collected within sixty days after year end.

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

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

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

E. Budgeting and Budgetary Control

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

2. Cash and Pooled Investments

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

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

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

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental Funds:		
Management Fund	General Fund	18,550

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds: Debt Service	Nonmajor Governmental Funds: Capital Projects	399,092

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

5. Iowa School Cash Anticipation Program (ISCAP)

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	12,603	-	-	-
2008-09B	1/21/09	1/21/10	1,605,320	14,183	1,585,000	20,844
2009-10A	6/25/09	6/23/10	<u>2,296,800</u>	<u>284</u>	<u>2,261,000</u>	<u>774</u>
Total			<u>3,914,723</u>	<u>14,467</u>	<u>3,846,000</u>	<u>21,618</u>

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

<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
\$	\$	\$	\$
-	<u>1,200,000</u>	<u>1,200,000</u>	-

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

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

6. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	225,000	-	-	225,000
Capital assets being depreciated:				
Buildings	14,864,357	18,002	-	14,882,359
Improvements other than buildings	755,761	8,782	-	764,543
Furniture and equipment	2,668,585	100,970	178,524	2,591,031
Total capital assets being depreciated	18,288,703	127,754	178,524	18,237,933
Less accumulated depreciation for:				
Buildings	7,644,296	395,038	-	8,039,334
Improvements other than buildings	101,954	31,845	-	133,799
Furniture and equipment	1,888,191	94,638	170,622	1,812,207
Total accumulated depreciation	9,634,441	521,521	170,622	9,985,340
Total capital assets being depreciated, net	8,654,262	(393,767)	7,902	8,252,593
Governmental activities capital assets, net	8,879,262	(393,767)	7,902	8,477,593
Business type activities:				
Furniture and equipment	173,844	3,823	-	177,667
Less accumulated depreciation	137,395	6,321	-	143,716
Business type activities capital assets, net	36,449	(2,498)	-	33,951

Depreciation expense was charged to the following programs:

	\$
Governmental activities:	
Instruction:	
Regular	3,558
Other	15,098
Support services:	
Instructional staff support	6,450
Administration	2,942
Operation and maintenance of plant	32,814
Transportation	33,776
	<u>94,638</u>
Unallocated depreciation	426,883
Total governmental activities depreciation expense	<u>521,521</u>
Business type activities:	
Food service operations	<u>6,321</u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,495,000	-	215,000	2,280,000	220,000
Energy management notes	33,586	-	33,586	-	-
Energy management notes	158,579	-	158,579	-	-
Termination benefits	120,644	70,000	40,081	150,563	15,769
Net OPEB liability	-	71,983	-	71,983	-
Total	2,807,809	141,983	447,246	2,502,546	235,769

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	4,167	-	4,167	-

Termination Benefits

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

Early retirement benefits for certified staff consist of \$35,000 of future health insurance premiums.

At June 30, 2009, the District has obligations to seven participants with a total liability of \$150,563. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$40,081.

General Obligation Bonds Payable

Details of the District's June 30, 2009, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	June 1, 2003 Issue		
		Principal	Interest	Total
	%	\$	\$	\$
2010	3.20	220,000	78,705	298,705
2011	3.20	225,000	71,665	296,665
2012	3.25	235,000	64,465	299,465
2013	3.30	245,000	56,827	301,827
2014	3.40	250,000	48,743	298,743
2015-2018	3.50-3.75	1,105,000	103,869	1,208,869
Total		2,280,000	424,274	2,704,274

8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 166 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	85,132
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>85,132</u>
Contributions made	<u>8,982</u>
Increase in net OPEB obligation	76,150
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>76,150</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$8,982 to the medical plan. Plan members eligible for benefits contributed \$26,963, or 75% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$		\$
June 30, 2009	85,132	11%	76,150

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$819,518, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$819,518. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,525,000, and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. 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 \$483,431, \$446,206, and \$415,660 respectively, equal to the required contributions for each year.

10. Risk Management

Forest City 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.

11. 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 \$457,736 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.

12. Lease Commitment

The District entered into a five year contract to lease copy machines in 2008. The payments the District will make over the next four years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2010	23,436
2011	23,436
2012	23,436
2013	5,859

REQUIRED SUPPLEMENTARY INFORMATION

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive - (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,087,690	312,593	6,400,283	6,407,407	6,407,407	(7,124)
State sources	7,159,098	6,856	7,165,954	7,207,844	7,207,844	(41,890)
Federal sources	235,541	316,545	552,086	376,600	376,600	175,486
Total revenues	<u>13,482,329</u>	<u>635,994</u>	<u>14,118,323</u>	<u>13,991,851</u>	<u>13,991,851</u>	<u>126,472</u>
Expenditures/Expenses:						
Instruction	8,769,574	-	8,769,574	8,567,281	8,775,438	5,864
Support services	3,168,081	-	3,168,081	3,305,000	3,445,000	276,919
Non-instructional programs	-	572,979	572,979	675,100	700,000	127,021
Other expenditures	1,238,699	-	1,238,699	1,444,470	1,444,470	205,771
Total expenditures/expenses	<u>13,176,354</u>	<u>572,979</u>	<u>13,749,333</u>	<u>13,991,851</u>	<u>14,364,908</u>	<u>615,575</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	305,975	63,015	368,990	-	(373,057)	742,047
Balance beginning of year	<u>472,031</u>	<u>49,092</u>	<u>521,123</u>	<u>440,765</u>	<u>440,765</u>	<u>80,358</u>
Balance end of year	<u><u>778,006</u></u>	<u><u>112,107</u></u>	<u><u>890,113</u></u>	<u><u>440,765</u></u>	<u><u>67,708</u></u>	<u><u>822,405</u></u>

FOREST CITY 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, the District adopted one budget amendment increasing budgeted expenditures by \$373,057.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2008	-	819,518	819,518	100.0%	6,525,000	12.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

FOREST CITY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	Equipment	Fund	\$	\$
	\$	\$	Levy	Fund	\$	\$
Cash and pooled investments	136,530	55,660	6,794	205,629	5,009	409,622
Receivables:						
Property tax:						
Delinquent	4,230	-	1,569	-	2,191	7,990
Succeeding year	200,000	-	82,605	-	148,705	431,310
Interfund receivable	18,550	-	-	-	-	18,550
Due from other governments	-	-	-	142,487	-	142,487
Total assets	359,310	55,660	90,968	348,116	155,905	1,009,959
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	362	-	-	17,754	-	18,116
Deferred revenue:						
Succeeding year property	200,000	-	82,605	-	148,705	431,310
Total liabilities	200,362	-	82,605	17,754	148,705	449,426
Fund balances:						
Unreserved reported in:						
Debt service fund	-	-	-	-	7,200	7,200
Special revenue funds	158,948	55,660	8,363	-	-	222,971
Capital projects funds	-	-	-	330,362	-	330,362
Total fund equity	158,948	55,660	8,363	330,362	7,200	560,533
Total liabilities and fund balances	359,310	55,660	90,968	348,116	155,905	1,009,959

FOREST CITY 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 Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	198,982	-	75,452	719,802	99,653	1,093,889
Other	19,782	374,737	99	2,365	180	397,163
State sources	152	-	56	-	74	282
Total revenues	<u>218,916</u>	<u>374,737</u>	<u>75,607</u>	<u>722,167</u>	<u>99,907</u>	<u>1,491,334</u>
Expenditures:						
Current:						
Instruction:						
Regular	33,052	-	-	-	-	33,052
Other	-	382,703	-	-	-	382,703
Support services:						
Plant operation and maintenance	147,304	-	-	-	-	147,304
Other expenditures:						
Facilities acquisition	-	-	69,671	245,230	-	314,901
Long-term debt:						
Principal paid	-	-	-	-	373,579	373,579
Interest and fiscal charges	-	-	-	-	92,483	92,483
Total expenditures	<u>180,356</u>	<u>382,703</u>	<u>69,671</u>	<u>245,230</u>	<u>466,062</u>	<u>1,344,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,560</u>	<u>(7,966)</u>	<u>5,936</u>	<u>476,937</u>	<u>(366,155)</u>	<u>147,312</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	399,092	399,092
Operating transfers out	-	-	-	(399,092)	-	(399,092)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(399,092)</u>	<u>399,092</u>	<u>-</u>
Net change in fund balances	38,560	(7,966)	5,936	77,845	32,937	147,312
Fund balances beginning of year	120,388	63,626	2,427	252,517	(25,737)	413,221
Fund balances end of year	<u>158,948</u>	<u>55,660</u>	<u>8,363</u>	<u>330,362</u>	<u>7,200</u>	<u>560,533</u>

FOREST CITY 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>Balance End of Year</u>
Interest	718	246	-	964
Athletics and cheerleading	(4,375)	113,166	122,959	(14,168)
Sp. Ed. wind suit	116	-	-	116
TATU	(15)	15	-	-
Elementary activities	23,320	21,598	22,835	22,083
Elementary juice	4,676	-	-	4,676
Elementary student council	1,714	-	454	1,260
Elementary book fair	1,306	-	-	1,306
FFA	6,776	23,944	27,026	3,694
HS activities	(43)	2,366	1,306	1,017
HS band	-	2,237	1,932	305
HS home ec. awards	1	-	-	1
HS TSA club	144	-	144	-
HS color guard	-	536	-	536
HS music	1,634	3,440	1,554	3,520
HS marketing	23	750	100	673
HS student council	1,778	5,261	4,491	2,548
Student insurance	-	470	470	-
Class of 2012	-	315	-	315
MS activities	5,586	21,529	25,826	1,289
MS band and chorus	14	3,567	2,830	751
MS history club	916	38,237	39,597	(444)
MS industrial arts	815	-	733	82
MS memory book	610	1,581	1,327	864
MS scholarship	29	14	43	-
MS student council	1,515	1,515	2,366	664
MS musical	-	821	335	486
Health - CPR	110	3,315	3,425	-
Spanish club	599	-	-	599
Special needs	1,645	-	-	1,645
Speech and drama	3,863	4,421	4,874	3,410
Rotary corner funds	2,648	5,176	3,640	4,184
Pep-C team	720	-	720	-
Yearbook	1,741	14,047	15,738	50
Fall musical	1,000	9,891	7,236	3,655
Spring play	500	2,220	182	2,538
Class of 2011	398	382	-	780
Horticulture	99	-	99	-
Class of 2010	790	1,791	2,363	218
Student activity tickets	-	10,670	10,670	-
Class of 2009	1,060	1,369	1,393	1,036
Baseball field improvement	1,006	4,911	1,544	4,373
HS pepsi	1	-	1	-
Chicago trip	-	74,936	74,302	634
Electric car	188	-	188	-
Total	63,626	374,737	382,703	55,660

See accompanying independent auditor's report.

FOREST CITY COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	4,368,458	4,056,257	3,959,689	3,954,579	3,787,667	3,221,127	3,355,181
Tuition	998,866	916,426	838,885	777,886	769,041	878,311	796,864
Other	720,366	677,252	704,043	583,879	487,027	551,272	586,160
State sources	7,159,098	7,065,215	6,837,949	6,841,188	6,442,267	6,054,777	6,353,442
Federal sources	235,541	184,775	323,564	223,498	323,357	210,706	190,668
Total revenues	<u>13,482,329</u>	<u>12,899,925</u>	<u>12,664,130</u>	<u>12,381,030</u>	<u>11,809,359</u>	<u>10,916,193</u>	<u>11,282,315</u>
Expenditures:							
Instruction:							
Regular	4,772,182	4,851,047	4,872,995	4,638,900	4,340,606	4,166,255	4,000,199
Special	2,459,510	2,338,779	2,247,424	2,121,876	2,346,828	2,276,276	2,265,211
Other	1,537,882	1,288,204	1,199,493	1,145,501	807,658	777,055	807,713
Support services:							
Student	283,483	238,398	232,767	227,634	237,857	216,622	218,566
Instructional staff	412,992	441,907	345,894	410,126	452,861	384,480	364,394
Administration	1,095,459	1,158,243	1,157,573	1,072,482	926,806	916,879	905,419
Operation and maintenance	943,838	948,200	959,939	891,072	880,312	905,573	783,034
Transportation	432,309	457,783	508,876	488,992	459,071	464,650	415,040
Other expenditures:							
Facilities acquisition	314,901	719,273	757,699	392,877	1,481,485	2,797,704	15,191
Long-term debt:							
Principal	373,579	303,151	266,510	248,718	261,458	306,316	544,687
Interest and other charges	92,483	102,500	111,063	116,066	123,345	130,335	44,668
AEA flowthrough	457,736	441,706	432,789	423,738	404,063	398,349	418,813
Total expenditures	<u>13,176,354</u>	<u>13,289,191</u>	<u>13,093,022</u>	<u>12,177,982</u>	<u>12,722,350</u>	<u>13,740,494</u>	<u>10,782,935</u>

FOREST CITY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
National School Lunch Program (noncash)	10.555	FY09	42,245
National School Lunch Program	10.555	FY09	193,038
School Breakfast Program	10.553	FY09	40,449
			<u>275,732</u>
 Fresh Fruit and Vegetable Program	 10.582	 FY09	 40,813
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY09	108,564
Improving Teacher Quality State Grants	84.367	FY09	46,700
Grants for State Assessments and Related Activities	84.369	FY09	8,359
Safe & Drug Free Schools and Communities - State Grant	84.186	FY09	2,850
Northern Trails Area Education Agency:			
Career and Technical Education - Basic Grants to States	84.048	FY09	5,113
Special Education Grants to States	84.027	FY09	64,099
			<u>64,099</u>
Total			<u><u>552,230</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Forest City Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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
Forest City 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 Forest City Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Forest City 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 Forest City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Forest City 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 Forest City 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 Forest City Community School District's financial statements that is more than inconsequential will not be prevented or detected by Forest City Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Forest City Community School District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forest City 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Forest City 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

March 5, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Forest City Community School District:

Compliance

We have audited the compliance of Forest City Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Forest City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Forest City Community School District's management. Our responsibility is to express an opinion on Forest City Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Forest City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Forest City Community School District's compliance with those requirements.

In our opinion, Forest City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Forest City Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Forest City Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Forest City Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-III-A to be a material weakness.

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

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

March 5, 2010

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
Child Nutrition Custer Programs:
 - CFDA Number 10.555 National School Lunch Program
 - CFDA Number 10.553 School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Forest City Community School did not qualify as a low-risk auditee.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

09-II-B Signature Stamp: A stamp bearing the signatures of the Board President is used to sign checks. Persons writing the checks also have access to the stamp used to sign the checks. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: Employees writing checks should not have access to the stamp used to sign checks. The Board could eliminate the use of the stamp by designating a person other than the Board President to cosign checks.

District Response: The Board has reviewed the use of the signature stamp and believes its use allows the office to operate more efficiently.

Conclusion: Response accepted.

09-II-C Receipts: We noted that the District was not using a receipt system to control the cash and checks received in the Student Activity Fund.

Recommendation: The District's internal control could be improved by using three part pre-numbered receipts. One copy should be given to the person bringing in the money, the person issuing the receipt should keep one copy and the third copy should be given to the main business office. Employees at the main business office should account for the numerical sequence of the receipts and compare the receipts to the bank deposits. Any missing or voided receipts should be investigated. Receipts should also be posted to the accounting records by receipt number.

District Response: We will review our current receipts system.

Conclusion: Response accepted.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

09-II-D Student Activity Fund Expenditure Supporting Documentation: During our testing of Student Activity Fund expenditures and per a review of the Student Activity Fund invoice files we noted many disbursements that did not have detailed supporting documentation.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

District Response: We will obtain detailed supporting documentation for all Student Activity Fund expenditures.

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures 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.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

09-IV-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

09-IV-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-IV-C Travel Expenses: We noted a \$660 travel advance to a coach for meals at a tournament. There was no supporting documentation for the meal expenditures.

Recommendation: If activity sponsors purchase meals at tournaments, they should turn in receipts for reimbursement after the trip or use a district credit card for the purchases.

District Response: We will investigate methods to improve our controls over expenditures for tournaments and student trips.

Conclusion: Response accepted.

09-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.

09-IV-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-IV-F Board Minutes: During our testing we noted that the minutes for August and September 2008 were published late and minutes for a January 2009 special meeting were not published.

Recommendation: All board of education minutes should be published within two weeks of the date of the meeting.

District Response: Future minutes will be published within the required time frame.

Conclusion: Response accepted.

09-IV-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for October 2008, was overstated by five students.

Recommendation: The District should review its procedures for compiling the lists of students for certified enrollment

District Response: The Department of Education changed its method for electronically reporting certified enrollment in October, 2009. This change should eliminate most errors.

Conclusion: Response accepted.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

09-IV-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, except a resolution naming official depositories has not been approved by the District.

Recommendation: A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

District Response: We will adopt a resolution.

Conclusion: Response accepted.

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

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

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

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

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

Conclusion: Response accepted.

09-IV-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:

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		719,802
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	245,230	
Debt service for school infrastructure:		
General obligation debt	399,092	644,322
Ending balance		75,480

09-IV-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activities such as student clubs and athletics. There are some miscellaneous building accounts in the Student Activity Fund that may belong more appropriately in the General Fund or in Fiduciary Funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper funds.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

09-IV-M Deficit Balances: The Student Activity Fund has two accounts with deficit balances at June 30, 2009.

Recommendation: The District should investigate alternatives to eliminate these deficits.

District Response: We are investigating methods to eliminate the deficits

Conclusion: Response accepted.

09-IV-N Payment of Bills Prior to Board Approval: We noted that all the Student Activity Fund and School Nutrition Fund bills are approved by the board a month after payment.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

FOREST CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

District Response: We will review our procedures for board approval of School Nutrition and Student Activity Fund bills.

Conclusion: Response accepted.