

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Keith Stetzel	President	2010
Jamie Patrick	Vice President	2008
Nancy Coffman	Board Member	2008
Ed Langgaard	Board Member	2009
Curt Sloss	Board Member	2009

Board of Education (After September 2008 Election)		
Ed Langgaard	President	2009
Curt Sloss	Vice President	2009
Keith Buttler	Board Member	2011
Keith Stetzel	Board Member	2011 *
Wanda Knobbe	Board Member	2011

School Officials

Steve Smith	Superintendent	2009
Joni Rees	District Secretary/Treasurer and Business Manager	2009
Rick Engel	Attorney	2009

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

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

To the Board of Education of the
Guthrie Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Guthrie Center Community School District, Guthrie Center, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

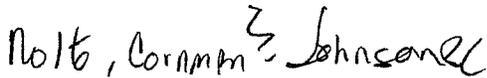
In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2010 on our consideration of the Guthrie Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,577,772 in fiscal 2008 to \$5,091,857 in fiscal 2009, while General Fund expenditures increased from \$4,831,630 in fiscal 2008 to \$4,917,020 in fiscal 2009. This resulted in an increase in the District's General Fund deficit balance of \$278,054 in fiscal 2008 to a deficit balance of \$103,217 in fiscal 2009.
- The increase in General Fund revenues was mainly attributable to the District receiving more in local and state grant revenues as compared to the previous year. The increase in expenditures was due primarily to an increase in expenditures for instruction

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Guthrie Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Guthrie Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Guthrie Center Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

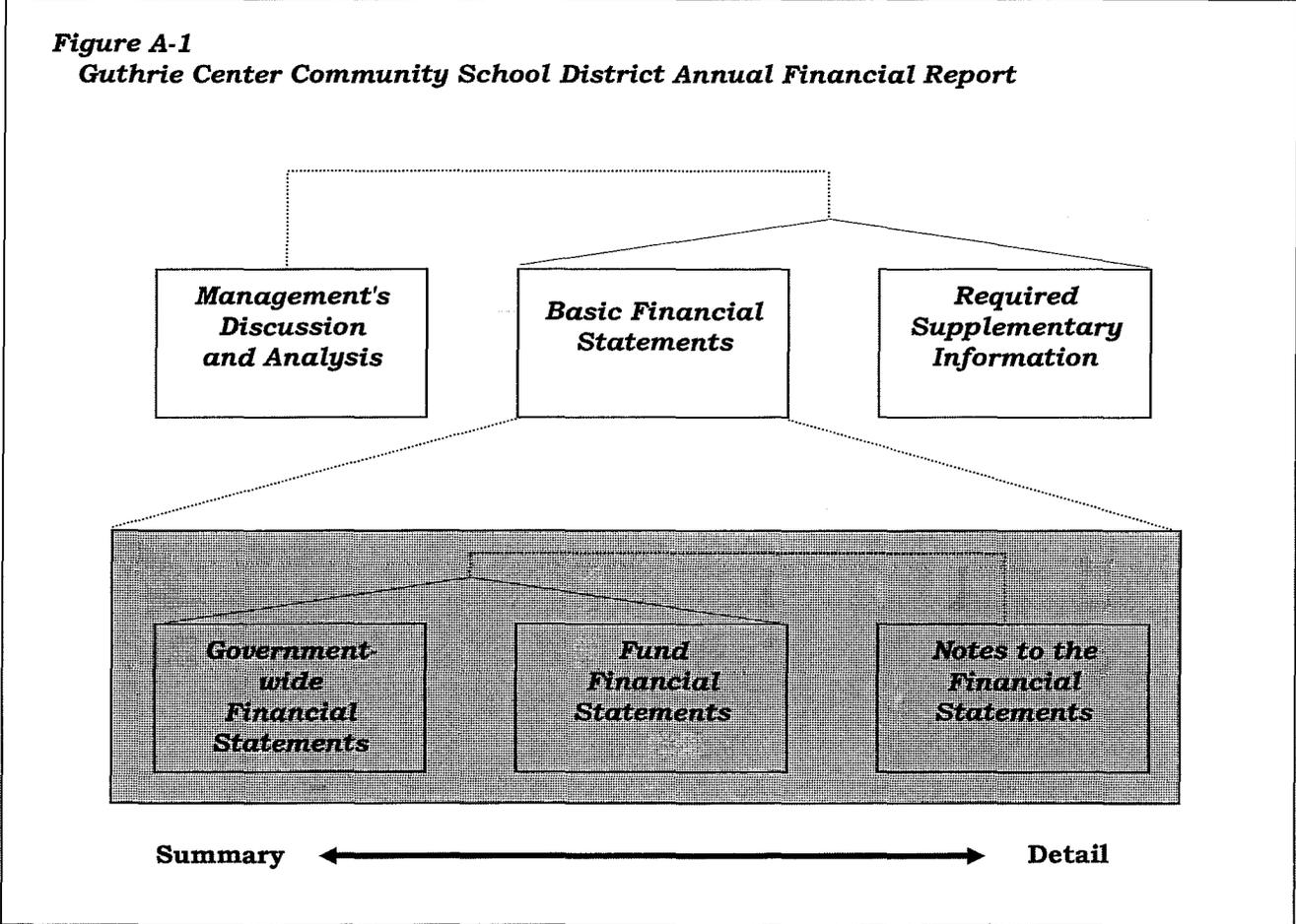


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,263,091	2,413,261	39,910	29,772	3,303,001	2,443,033	35.20%
Capital assets	4,700,336	4,995,553	9,013	9,018	4,709,349	5,004,571	-5.90%
Total assets	7,963,427	7,408,814	48,923	38,790	8,012,350	7,447,604	7.58%
Long-term obligations	385,000	470,000	0	0	385,000	470,000	-18.09%
Other liabilities	2,807,515	2,620,215	18,628	16,321	2,826,143	2,636,536	7.19%
Total liabilities	3,192,515	3,090,215	18,628	16,321	3,211,143	3,106,536	3.37%
Net assets:							
Invested in capital assets, net of related debt	4,315,336	4,525,553	9,013	9,018	4,324,349	4,534,571	-4.64%
Restricted	556,377	255,653	0	0	556,377	255,653	117.63%
Unrestricted	(100,801)	(462,607)	21,282	13,451	(79,519)	(449,156)	82.30%
Total net assets	\$ 4,770,912	4,318,599	30,295	22,469	4,801,207	4,341,068	10.60%

The District's combined net assets increased by 10.60%, or approximately \$460,139, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g.,

land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$300,724 or 117.63% over the prior year. The increase was primarily a result of the increase in the Capital Projects fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$369,637, or 82.30%. The increase was due primarily to the increase in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 598,050	618,253	133,603	128,194	731,653	746,447	-1.98%
Operating grants and contributions and restricted interest	731,791	641,007	141,276	139,194	873,067	780,201	11.90%
Capital grants and contributions and restricted interest	52,638	140,340	0	0	52,638	140,340	-62.49%
General revenues:							
Property tax	1,854,885	1,631,352	0	0	1,854,885	1,631,352	13.70%
Income surtax	125,907	127,794	0	0	125,907	127,794	-1.48%
Statewide sales tax	310,893	302,926	0	0	310,893	302,926	2.63%
Unrestricted state grants	2,258,556	2,135,011	0	0	2,258,556	2,135,011	5.79%
Other	71,387	20,443	390	44	71,777	20,487	250.35%
Total revenues	6,004,107	5,617,126	275,269	267,432	6,279,376	5,884,558	6.71%
Program expenses:							
Governmental activities:							
Instructional	3,500,654	3,462,551	0	0	3,500,654	3,462,551	1.10%
Support services	1,532,011	1,521,206	4,071	3,078	1,536,082	1,524,284	0.77%
Non-instructional programs	2,566	2,296	263,372	254,525	265,938	256,821	3.55%
Other expenditures	577,763	361,701	0	0	577,763	361,701	59.73%
Total expenses	5,612,994	5,347,754	267,443	257,603	5,880,437	5,605,357	4.91%
Changes in net assets before extraordinary item	391,113	269,372	7,826	9,829	398,939	279,201	42.89%
Extraordinary item	61,200	0	0	0	61,200	0	100.00%
Change in net assets	452,313	269,372	7,826	9,829	460,139	279,201	64.81%
Net assets beginning of year	4,318,599	4,049,227	22,469	12,640	4,341,068	4,061,867	6.87%
Net assets end of year	\$ 4,770,912	4,318,599	30,295	22,469	4,801,207	4,341,068	10.60%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 75.79% of the revenue from governmental activities while

charges for services and operating grants and contributions account for 99.86% of the revenue from business type activities.

The District's total revenues were \$6,279,376 of which \$6,004,107 was for governmental activities and \$275,269 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.71% in revenues and a 4.91% increase in expenses. The increase in expenses was related to increases in expenditures in the instruction and other function areas.

Governmental Activities

Revenues for governmental activities were \$6,004,107 and expenses were \$5,612,994.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,500,654	3,462,551	1.10%	2,359,426	2,373,097	-0.58%
Support services	1,532,011	1,521,206	0.71%	1,530,353	1,520,846	0.63%
Non-instructional	2,566	2,296	11.76%	2,566	2,296	11.76%
Other expenses	577,763	361,701	59.73%	338,170	51,915	551.39%
Totals	\$ 5,612,994	5,347,754	4.96%	4,230,515	3,948,154	7.15%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$598,050.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$784,429.
- The net cost of governmental activities was financed with \$1,854,885 in property tax, \$125,907 in income surtax, \$310,893 in statewide sales tax, \$2,258,556 in unrestricted state grants, \$8,065 in interest income and \$63,322 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$275,269 and expenses were \$267,443. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$348,496, over last year's ending fund balance of a deficit \$309,052.

Governmental Fund Highlights

- The District's General Fund financial position improved from a deficit \$278,054 to a deficit \$103,217 is primarily due to many factors: The local and state revenues increased by \$531,501 or 12.02%. The instruction expenditures increased by \$77,671 or 2.41%, due to increased negotiated contracts and benefits. The increase in General Fund revenues exceeded the increase in General Fund expenditures resulting in an increase in General Fund balance.
- The Capital Projects Fund balance increased from a deficit balance of \$178,624 in fiscal 2008 to a positive balance of \$310,091. The increase was due primarily to a large decrease in expenditures compared to the prior year.
- The Physical Plant and Equipment Levy Fund balance increased from \$3,980 in fiscal 2008 to \$12,808 in fiscal 2009. The local revenues increased by \$24,256 or 12.63%. The decrease in fund expenditures and increase in revenues led to the increase in the fund balance.
- The Management Levy Fund had a fund balance of \$75,397 in fiscal 2008 compared to \$50,780 in fiscal 2009. The fund's revenues decreased by \$5,404 or 14.28%. The expenditures increased by \$5,279 or 10.19% with the notable increase in expenditures in the operation and maintenance of plant functional area.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$22,469 at June 30, 2008 to \$30,295 at June 30, 2009, representing an increase of 34.83%. Charges for services and operational grants, contributions, and restricted interest increased by \$7,491 or 2.80%. Expenditures increased by \$9,840 or 3.81%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$329,694 less than budgeted revenues, a variance of 4.99%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4,709,349, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$418,343.

The original cost of the District's capital assets was \$8,439,265. Governmental funds account for \$8,379,747 with the remaining of \$59,518 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$334,043 at June 30, 2008,

compared to \$1,141,918 reported at June 30, 2009. The increase was a result of the track project at the school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 58,851	58,851	0	0	58,851	58,851	0.00%
Construction in progress	112,983	961,780	0	0	112,983	961,780	-88.25%
Buildings	3,216,574	3,423,641	0	0	3,216,574	3,423,641	-6.05%
Land improvements	1,141,918	334,043	0	0	1,141,918	334,043	241.85%
Machinery and equipment	170,010	217,238	9,013	9,018	179,023	226,256	-20.88%
Total	\$ 4,700,336	4,995,553	9,013	9,018	4,709,349	5,004,571	-5.90%

Long-Term Debt

At June 30, 2009, the District had \$385,000 in general obligation bond debt outstanding. This represents a decrease of 18.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General Obligation Bonds	\$ 385,000	470,000	-18.09%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The one cent tax on sales and services will continue to be a great benefit to the District in maintaining buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Rees, Board Secretary, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 728,599	33,999	762,598
Receivables:			
Property tax:			
Delinquent	33,502	0	33,502
Succeeding year	2,134,413	0	2,134,413
Income surtax	110,067	0	110,067
Accounts	3,462	224	3,686
Due from other governments	253,048	0	253,048
Inventories	0	5,687	5,687
Capital assets, net of accumulated depreciation	4,700,336	9,013	4,709,349
TOTAL ASSETS	7,963,427	48,923	8,012,350
LIABILITIES			
Accounts payable	100,133	0	100,133
Salaries and benefits payable	494,980	15,647	510,627
Interest payable	2,987	0	2,987
Deferred revenue:			
Succeeding year property tax	2,134,413	0	2,134,413
Other	75,002	0	75,002
Unearned revenue	0	2,981	2,981
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	90,000	0	90,000
Portion due after one year:			
General obligation bonds payable	295,000	0	295,000
TOTAL LIABILITIES	3,192,515	18,628	3,211,143
NET ASSETS			
Invested in capital assets, net of related debt	4,315,336	9,013	4,324,349
Restricted for:			
Categorical funding	104,664	0	104,664
Management levy	50,780	0	50,780
Physical plant and equipment levy	12,808	0	12,808
Capital projects	310,091	0	310,091
Debt service	44,652	0	44,652
Other special revenue purposes	33,382	0	33,382
Unrestricted	(100,801)	21,282	(79,519)
TOTAL NET ASSETS	\$ 4,770,912	30,295	4,801,207

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,106,099	303,716	479,614	0	(1,322,769)	0	(1,322,769)
Special	714,039	91,530	61,570	0	(560,939)	0	(560,939)
Other	680,516	201,146	3,652	0	(475,718)	0	(475,718)
	<u>3,500,654</u>	<u>596,392</u>	<u>544,836</u>	<u>0</u>	<u>(2,359,426)</u>	<u>0</u>	<u>(2,359,426)</u>
Support services:							
Student	99,716	0	0	0	(99,716)	0	(99,716)
Instructional staff	173,996	0	0	0	(173,996)	0	(173,996)
Administration	559,993	0	0	0	(559,993)	0	(559,993)
Operation and maintenance of plant	515,527	0	0	0	(515,527)	0	(515,527)
Transportation	182,779	1,658	0	0	(181,121)	0	(181,121)
	<u>1,532,011</u>	<u>1,658</u>	<u>0</u>	<u>0</u>	<u>(1,530,353)</u>	<u>0</u>	<u>(1,530,353)</u>
Non-instructional programs	2,566	0	0	0	(2,566)	0	(2,566)
Other expenditures:							
Facilities acquisitions	15,890	0	0	52,638	36,748	0	36,748
Long-term debt interest	21,437	0	0	0	(21,437)	0	(21,437)
AEA flowthrough	186,955	0	186,955	0	0	0	0
Depreciation (unallocated)*	353,481	0	0	0	(353,481)	0	(353,481)
	<u>577,763</u>	<u>0</u>	<u>186,955</u>	<u>52,638</u>	<u>(338,170)</u>	<u>0</u>	<u>(338,170)</u>
Total governmental activities	5,612,994	598,050	731,791	52,638	(4,230,515)	0	(4,230,515)
Business Type activities:							
Support Services:							
Administration	2,173	0	0	0	0	(2,173)	(2,173)
Operation and maintenance of plant	1,898	0	0	0	0	(1,898)	(1,898)
Non-instructional programs:							
Nutrition services	263,372	133,603	141,276	0	0	11,507	11,507
Total business type activities	<u>267,443</u>	<u>133,603</u>	<u>141,276</u>	<u>0</u>	<u>0</u>	<u>7,436</u>	<u>7,436</u>
Total	\$ 5,880,437	731,653	873,067	52,638	(4,230,515)	7,436	(4,223,079)
General Revenues:							
Local tax for:							
General purposes					\$ 1,542,805	0	1,542,805
Income surtax					125,907	0	125,907
Capital outlay					204,781	0	204,781
Debt service					107,299	0	107,299
Statewide sales and services					310,893	0	310,893
Unrestricted state grants					2,258,556	0	2,258,556
Unrestricted investment earnings					8,065	38	8,103
Other					63,322	352	63,674
Total general revenues					<u>4,621,628</u>	<u>390</u>	<u>4,622,018</u>
Changes in net assets before extraordinary item					391,113	7,826	398,939
Extraordinary Item:							
Significant donation from private sources					61,200	0	61,200
Changes in net assets					452,313	7,826	460,139
Net assets beginning of year					4,318,599	22,469	4,341,068
Net assets end of year					<u>\$ 4,770,912</u>	<u>30,295</u>	<u>4,801,207</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 376,004	352,595	728,599
Receivables:			
Property tax:			
Delinquent	27,443	6,059	33,502
Succeeding year	1,730,612	403,801	2,134,413
Income surtax	110,067	0	110,067
Accounts	0	3,462	3,462
Due from other governments	163,451	89,597	253,048
TOTAL ASSETS	\$ 2,407,577	855,514	3,263,091
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 100,133	0	100,133
Salaries and benefits payable	494,980	0	494,980
Deferred revenue:			
Succeeding year property tax	1,730,612	403,801	2,134,413
Income surtax	110,067	0	110,067
Other	75,002	0	75,002
Total liabilities	2,510,794	403,801	2,914,595
Fund balances:			
Reserved:			
Debt service	0	44,652	44,652
Categorical funding	104,664	0	104,664
Unreserved	(207,881)	407,061	199,180
Total fund balances	(103,217)	451,713	348,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,407,577	855,514	3,263,091

SEE NOTES TO FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	348,496
 <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.		4,700,336
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		110,067
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.		(2,987)
Long-term liabilities, such as general obligation bonds are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(385,000)</u>
Net assets of governmental activities (page 13)	\$	<u><u>4,770,912</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,517,772	648,006	2,165,778
Tuition	381,379	0	381,379
Other	206,011	259,885	465,896
State sources	2,848,072	0	2,848,072
Federal sources	138,623	0	138,623
Total revenues	<u>5,091,857</u>	<u>907,891</u>	<u>5,999,748</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,088,595	18,181	2,106,776
Special	714,039	0	714,039
Other	492,050	188,466	680,516
	<u>3,294,684</u>	<u>206,647</u>	<u>3,501,331</u>
Support services:			
Student	98,973	743	99,716
Instructional staff	173,996	0	173,996
Administration	555,080	4,913	559,993
Operation and maintenance of plant	475,724	35,299	511,023
Transportation	131,608	7,770	139,378
	<u>1,435,381</u>	<u>48,725</u>	<u>1,484,106</u>
Non-instructional programs:			
Food service operations	0	2,566	2,566
Other expenditures:			
Facilities acquisitions	0	60,182	60,182
Long-term debt:			
Principal	0	85,000	85,000
Interest and fiscal charges	0	22,060	22,060
AEA flowthrough	186,955	0	186,955
	<u>186,955</u>	<u>169,808</u>	<u>354,197</u>
Total expenditures	<u>4,917,020</u>	<u>425,180</u>	<u>5,342,200</u>
Excess of revenues over expenditures before other financing sources(uses)	174,837	482,711	657,548
OTHER FINANCING SOURCES(USES):			
Transfers in	0	272,493	272,493
Transfers out	0	(272,493)	(272,493)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	174,837	482,711	657,548
Fund balance beginning of year	(278,054)	(30,998)	(309,052)
Fund balance end of year	<u>\$ (103,217)</u>	<u>451,713</u>	<u>348,496</u>

SEE NOTES TO FINANCIAL STATEMENTS

GUTHRIE CENTER 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 (page 17) \$ 657,548

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 121,075	
Depreciation expense	<u>(416,292)</u>	(295,217)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 85,000

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. 623

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 4,359

Changes in net assets of governmental activities (page 14) \$ 452,313

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

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 33,999
Accounts receivable	224
Inventories	5,687
Capital assets, net of accumulated depreciation	9,013
TOTAL ASSETS	48,923
LIABILITIES	
Salaries and benefits payable	15,647
Unearned revenues	2,981
TOTAL LIABILITIES	18,628
NET ASSETS	
Invested in capital assets	9,013
Unrestricted	21,282
TOTAL NET ASSETS	\$ 30,295

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 133,603
Miscellaneous revenue	352
TOTAL OPERATING REVENUES	133,955
OPERATING EXPENSES:	
Support Services:	
Administration:	
Services	522
Supplies	1,651
Operation and maintenance of plant:	
Services	1,898
	4,071
Non-instructional programs:	
Food service operations:	
Salaries	85,297
Benefits	14,958
Services	824
Supplies	160,242
Depreciation	2,051
	263,372
TOTAL OPERATING EXPENSES	267,443
OPERATING LOSS	(133,488)
NON-OPERATING REVENUES:	
State sources	3,607
Federal sources	137,669
Interest income	38
TOTAL NON-OPERATING REVENUES	141,314
Change in net assets	7,826
Net assets beginning of year	22,469
Net assets end of year	\$ 30,295

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 133,217
Cash received from miscellaneous sources	352
Cash payments to employees for services	(97,727)
Cash payments to suppliers for goods or services	(147,358)
Net cash used in operating activities	(111,516)
Cash flows from non-capital financing activities:	
State grants received	3,607
Federal grants received	119,261
Net cash provided by non-capital financing activities	122,868
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,046)
Cash flows from investing activities:	
Interest on investments	38
Net increase in cash and cash equivalents	9,344
Cash and cash equivalents at beginning of year	24,655
Cash and cash equivalents at end of year	\$ 33,999
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (133,488)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,496
Depreciation	2,051
Increase in inventories	(717)
Increase in accounts receivable	(165)
Increase in salaries and benefits payable	2,528
Decrease in unearned revenue	(221)
Net cash used in operating activities	\$ (111,516)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 33,999
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2009, the District received Federal commodities valued at \$18,496.

SEE NOTES TO FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust	Scholarship
Additions:		
Scholarship	\$	10,561
Interest		258
Total Additions		10,819
Deductions:		
Instruction:		
Scholarships		10,819
Change in net assets		0
Net assets beginning of year		0
Net assets end of year	\$	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

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

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

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Capital Projects- Track Project	Special Revenue- Physical Plant and Equipment Levy	\$ 155,000
Capital Projects- Track Project	Capital Projects- Statewide/Local Option Sales and Services Tax	<u>117,493</u>
Total		<u><u>\$ 272,493</u></u>

The Special Revenue, Physical Plant and Equipment Levy Fund and the Capital Projects, Statewide/Local Option Sales and Service Tax Fund transferred monies to the Capital Projects, Track Project Fund to assist in funding the track project.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 59,146	2,046	1,674	59,518
Less accumulated depreciation	50,128	2,051	1,674	50,505
Business type activities capital assets, net	<u>\$ 9,018</u>	<u>(5)</u>	<u>0</u>	<u>9,013</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 58,851	0	0	58,851
Construction in progress	961,780	31,325	880,122	112,983
Total capital assets not being depreciated	<u>1,020,631</u>	<u>31,325</u>	<u>880,122</u>	<u>171,834</u>
Capital assets being depreciated:				
Buildings	5,856,459	74,167	0	5,930,626
Land improvements	552,815	880,122	0	1,432,937
Machinery and equipment	828,767	15,583	0	844,350
Total capital assets being depreciated	<u>7,238,041</u>	<u>969,872</u>	<u>0</u>	<u>8,207,913</u>
Less accumulated depreciation for:				
Buildings	2,432,818	281,234	0	2,714,052
Land improvements	218,772	72,247	0	291,019
Machinery and equipment	611,529	62,811	0	674,340
Total accumulated depreciation	<u>3,263,119</u>	<u>416,292</u>	<u>0</u>	<u>3,679,411</u>
Total capital assets being depreciated, net	<u>3,974,922</u>	<u>553,580</u>	<u>0</u>	<u>4,528,502</u>
Governmental activities capital assets, net	<u>\$ 4,995,553</u>	<u>584,905</u>	<u>880,122</u>	<u>4,700,336</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,906
Support services:		
Operation and maintenance of plant		4,504
Transportation		43,401
		<u>62,811</u>
Unallocated depreciation		353,481
Total governmental activities depreciation expense		<u>\$ 416,292</u>
Business type activities:		
Food services		<u>\$ 2,051</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 470,000	0	85,000	385,000	90,000

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue of July 1, 2001			
	Interest Rates	Principal	Interest	Total
2010	4.50 %	\$ 90,000	17,920	107,920
2011	4.60	95,000	13,870	108,870
2012	4.70	100,000	9,500	109,500
2013	4.80	100,000	4,800	104,800
Total		\$ 385,000	46,090	431,090

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of the annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$195,797, \$176,822, and \$156,658, respectively, equal to the required contributions for each year.

(7) Risk Management

Guthrie Center 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.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,955 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.

(9) Deficit Fund Balance/Net Assets

At June 30, 2009, the General Fund had a deficit unreserved fund balance of \$207,881 and a deficit fund balance of \$103,217.

At June 30, 2009, the Governmental Activities had a deficit Unrestricted net assets of \$100,801.

(10) Categorical Funding

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

Project	Amount
Beginning teacher mentoring and induction program	\$ 485
Salary improvement program	244
Additional teacher contract day	681
Additional salary/Professional Development	148
Educational excellence program - Phase II	3,185
Iowa Early Intervention Block Grant	67,602
Professional development for model core curriculum	1,139
Professional development	28,266
Market factor incentives	2,914
Total	<u>\$ 104,664</u>

(11) Other Postemployment Benefits (OPEB)

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

(12) Construction Commitments

The District has entered into various contracts for the construction of a project house. As of June 30, 2009, costs of \$112,983 have been incurred against the contract. The balance remaining at June 30, 2009 will be paid as work on the projects progresses.

(13) Extraordinary Item

During the year ended June 30, 2009, the Athletic Booster Club constructed a press box. This was added to the capital asset listing of the District.

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE CENTER 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	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,013,053	133,993	3,147,046	3,252,677	3,252,677	(105,631)
State sources	2,848,072	3,607	2,851,679	3,017,034	3,017,034	(165,355)
Federal sources	138,623	137,669	276,292	335,000	335,000	(58,708)
Total revenues	<u>5,999,748</u>	<u>275,269</u>	<u>6,275,017</u>	<u>6,604,711</u>	<u>6,604,711</u>	<u>(329,694)</u>
Expenditures/expenses:						
Instruction	3,501,331	0	3,501,331	3,657,268	3,657,268	155,937
Support services	1,484,106	4,071	1,488,177	1,574,600	1,574,600	86,423
Non-instructional programs	2,566	263,372	265,938	266,140	266,140	202
Other expenditures	354,197	0	354,197	809,519	809,519	455,322
Total expenditures/expenses	<u>5,342,200</u>	<u>267,443</u>	<u>5,609,643</u>	<u>6,307,527</u>	<u>6,307,527</u>	<u>697,884</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	657,548	7,826	665,374	297,184	297,184	368,190
Balance beginning of year	(309,052)	22,469	(286,583)	234,164	234,164	(520,747)
Balance end of year	<u>\$ 348,496</u>	<u>30,295</u>	<u>378,791</u>	<u>531,348</u>	<u>531,348</u>	<u>(152,557)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue						Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 33,382	50,328	9,129	92,839	217,032	42,724	352,595
Receivables:							
Property tax:							
Delinquent	0	452	3,679	4,131	0	1,928	6,059
Succeeding year property tax	0	80,000	215,381	295,381	0	108,420	403,801
Accounts	0	0	0	0	3,462	0	3,462
Due from other governments	0	0	0	0	89,597	0	89,597
				0			
TOTAL ASSETS	\$ 33,382	130,780	228,189	392,351	310,091	153,072	855,514
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 0	80,000	215,381	295,381	0	108,420	403,801
Fund balances:							
Reserved:							
Debt service	0	0	0	0	0	44,652	44,652
Unreserved	33,382	50,780	12,808	96,970	310,091	0	407,061
Total fund balances	33,382	50,780	12,808	96,970	310,091	44,652	451,713
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,382	130,780	228,189	392,351	310,091	153,072	855,514

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue						Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 0	25,033	204,781	229,814	310,893	107,299	648,006
Other	197,422	7,416	11,474	216,312	42,983	590	259,885
TOTAL REVENUES	197,422	32,449	216,255	446,126	353,876	107,889	907,891
EXPENDITURES:							
Current:							
Instruction:							
Regular	0	8,455	9,726	18,181	0	0	18,181
Other	188,466	0	0	188,466	0	0	188,466
Support services:							
Student	0	743	0	743	0	0	743
Administration	0	3,233	0	3,233	1,680	0	4,913
Operation and maintenance							
of plant	0	34,299	1,000	35,299	0	0	35,299
Transportation	0	7,770	0	7,770	0	0	7,770
Non-instructional:							
Food service operations	0	2,566	0	2,566	0	0	2,566
Other expenditures:							
Facilities acquisition	0	0	41,701	41,701	18,481	0	60,182
Long-term debt:							
Principal	0	0	0	0	0	85,000	85,000
Interest and fiscal charges	0	0	0	0	0	22,060	22,060
TOTAL EXPENDITURES	188,466	57,066	52,427	297,959	20,161	107,060	425,180
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)							
	8,956	(24,617)	163,828	148,167	333,715	829	482,711
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	0	0	272,493	0	272,493
Transfers out	0	0	(155,000)	(155,000)	(117,493)	0	(272,493)
Total other financing sources(uses)	0	0	(155,000)	(155,000)	155,000	0	0
Net change in fund balances	8,956	(24,617)	8,828	(6,833)	488,715	829	482,711
FUND BALANCE BEGINNING OF YEAR	24,426	75,397	3,980	103,803	(178,624)	43,823	(30,998)
FUND BALANCE END OF YEAR	\$ 33,382	50,780	12,808	96,970	310,091	44,652	451,713

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Interest	\$ 0	963	0	(963)	0
Drama	3,758	2,031	1,609	0	4,180
Odyssey of Mind	2,090	0	0	0	2,090
Vocal Club	1,231	5,921	4,770	0	2,382
Band Club	(2,904)	2,186	1,750	2,248	(220)
Basketball	6,864	16,059	12,122	(10,080)	721
Track	(8,811)	10,984	11,245	5,000	(4,072)
Cheerleaders	2,051	3,870	5,063	(173)	685
Football	2,787	13,174	13,555	172	2,578
Baseball/Softball	(7,829)	10,884	12,953	5,000	(4,898)
Wrestling	(6,154)	10,177	9,750	0	(5,727)
Volleyball	(3,446)	7,952	8,339	0	(3,833)
Summer Little League	2,610	1,861	4,244	0	227
FFA	1,903	26,063	26,294	(13)	1,659
FCCLA	0	3,514	3,280	(175)	59
Honor Society	622	173	127	0	668
Student Council	1,414	2,203	1,570	0	2,047
Foreign Language	536	0	0	0	536
Art Club	1,245	1,034	336	0	1,943
Yearbook	777	18,093	20,235	90	(1,275)
Change Fund	0	200	1,000	0	(800)
General Fund	3,432	5,545	3,629	250	5,598
Student Activities	2,061	4,921	4,002	0	2,980
Marketing	126	3,914	3,735	0	305
Weightlifting	212	0	243	81	50
JH Student Council	1,623	9,757	7,576	0	3,804
Extra Curricular	621	14,327	12,288	98	2,758
Elementary Fund	11,116	2,090	2,355	0	10,851
Class of 2009	5,036	3,439	6,760	(1,715)	0
Class of 2010	1,255	15,307	9,351	(250)	6,961
Class of 2011	200	780	285	0	695
Class of 2012	0	0	0	430	430
Total	\$ 24,426	197,422	188,466	0	33,382

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Statewide/ Local Option Sales and Services Tax	Track Project	Total Capital Projects
ASSETS			
Cash and pooled investments	\$ 220,494	(3,462)	217,032
Accounts receivable	0	3,462	3,462
Due from other governments	89,597	0	89,597
TOTAL ASSETS	\$ 310,091	0	310,091
LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	\$ 0	0	0
Fund balances:			
Unreserved	310,091	0	310,091
Total fund balances	310,091	0	310,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 310,091	0	310,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Statewide/ Local Option Sales and Services Tax	Track Project	Total
REVENUES:			
Local sources:			
Local tax	\$ 310,893	0	310,893
Other	871	42,112	42,983
TOTAL REVENUES	311,764	42,112	353,876
EXPENDITURES:			
Current:			
Support services:			
Administration	0	1,680	1,680
Other expenditures:			
Facilities acquisitions	119	18,362	18,481
TOTAL EXPENDITURES	119	20,042	20,161
Excess of revenues over expenditures	311,645	22,070	333,715
Other financing sources(uses):			
Transfers in	0	272,493	272,493
Transfers out	(117,493)	0	(117,493)
Total other financing sources(uses)	(117,493)	272,493	155,000
Net change in fund balances	194,152	294,563	488,715
Fund balance beginning of year	115,939	(294,563)	(178,624)
Fund balance end of year	\$ 310,091	0	310,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,165,778	2,044,827	2,058,026	1,896,372	1,787,200	1,673,830
Tuition	381,379	355,036	365,542	346,632	312,103	270,742
Other	465,896	431,007	290,594	307,241	371,945	344,208
State sources	2,848,072	2,612,972	2,270,100	2,411,023	2,151,274	1,917,582
Federal sources	138,623	155,879	227,259	186,001	209,267	331,065
Total	<u>\$ 5,999,748</u>	<u>5,599,721</u>	<u>5,211,521</u>	<u>5,147,269</u>	<u>4,831,789</u>	<u>4,537,427</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,106,776	1,961,550	1,818,112	1,753,552	1,785,551	1,779,400
Special	714,039	843,242	695,899	717,294	595,563	593,548
Other	680,516	661,836	681,401	588,608	697,022	500,945
Support services:						
Student	99,716	111,899	115,251	103,558	92,388	108,849
Instructional staff	173,996	188,349	228,469	240,937	116,313	101,570
Administration	559,993	504,446	465,832	452,914	444,608	437,730
Operation and maintenance of plant	511,023	528,187	475,794	474,363	416,550	374,308
Transportation	139,378	153,925	260,908	190,673	212,761	109,573
Non-instructional programs:	2,566	2,296	2,067	2,646	0	0
Other expenditures:						
Facilities acquisitions	60,182	960,597	384,108	190,708	257,539	100,891
Long-term debt:						
Principal	85,000	80,000	75,000	80,000	75,000	70,000
Interest and fiscal charges	22,060	25,500	28,651	31,930	34,968	37,667
AEA flow-through	186,955	169,446	157,855	151,690	139,824	135,150
Total	<u>\$ 5,342,200</u>	<u>6,191,273</u>	<u>5,389,347</u>	<u>4,978,873</u>	<u>4,868,087</u>	<u>4,349,631</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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 the
Guthrie Center 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 Guthrie Center 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 February 11, 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 Guthrie Center 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 Guthrie Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guthrie Center 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 Guthrie Center 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 Guthrie Center Community School District's financial statements that is more than inconsequential will not be prevented or detected by Guthrie Center Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Guthrie Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Guthrie Center 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 Guthrie Center Community School District and other parties to whom Guthrie Center 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 Guthrie Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES

I-B-09 Title I Grant Allocation - We noted during our audit that the final report for the Title I Grant had more expenditures than were supported by the District's general ledger. The final report should have been amended downwards to show the actual general ledger expenditures.

Recommendation -The District needs to review its procedure and make the necessary changes to ensure that final grant reports are supported by expenditures in the general ledger. The District needs to contact the Department of Education to amend the final report.

Response - The District will be more diligent in preparing the final report for Title I. We will contact the Department of Education.

Conclusion - Response accepted.

I-C-09 Bank Reconciliations - We noted during our audit that the bank reconciliations for the Student Activity Fund and the Nutrition Fund included several NSF checks.

Recommendation - The District should consider adjusting the NSF checks out of the cash account. However, the District should continue to try to collect the funds.

Response - The District will implement this recommendation as soon as possible.

Conclusion - Response accepted.

I-D-09 Gate Admissions - During our audit we noted that ticket takers at District events don't reconcile the amount of cash taken in to the number of tickets sold.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District is investigating how to implement this as soon as possible.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.

II-B-09 Questionable Disbursements - We noted during our audit that the District purchased employee flowers from the Student Activity Fund. Employee flowers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will not do this in the future.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary Spouse owns Rees Repair	Purchased services	\$2,818

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions the spouse of Joni Rees do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board

II-G-09 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by 10.2 students. This resulted in overstating the total actual enrollment on line 7 by 10.2 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted both departments and the matter has been resolved.

Conclusion - Response accepted.

- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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

Beginning Balance	\$ 0
Statewide sales and services tax revenue	<u>310,893</u>
Expenditures/transfers out:	
School infrastructures:	
Transfer out to Capital Projects:	
Track Project	<u>117,493</u>
Ending Balance	<u>\$ 193,400</u>

- II-L-09 Checks Outstanding - We noted during our audit that the District had checks included in the activity bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided, or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District is investigating and reissuing checks as needed.

Conclusion - Response accepted.

- II-M-09 Financial Condition - The General Fund had a deficit unreserved balance of \$207,881 and a deficit fund balance of \$103,217.

The Governmental Activities had a deficit unrestricted net assets of \$100,801.

The Student Activity Fund had seven deficit accounts totaling \$20,825.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position. The District should consider adopting a line item budget using the accounting software for the General Fund. Although Districts are not required to use a line item budget, the benefits to financial management make using one desirable.

Response - We will carefully monitor these deficits and try to develop away to eliminate these deficits.

Conclusion - Response accepted.

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

Recommendation - More specific examples of these instances of questioned items and recommendations are as follows:

We noted that the District received a donation to be used for special education. Since, the intent of the donation appears to assist special education instruction, it should be received into and expended from the General Fund.

Response - The District will expense these items in the future from the appropriate funds.

Conclusion - Response accepted.