

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

June 30, 2009



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**MOUNT AYR COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2008 Election)		
Rodney Shields	President	2009
James Uhlenkamp	Vice President	2008
Beth Whitson	Board Member	2008
David Richards	Board Member	2009
Larry Giles	Board Member	2010

**Board of Education**  
(After September, 2008 Election)

Larry Giles	President	2011*
David Richards	Vice President	2009
Rodney Shields	Board Member	2009
James Uhlenkamp	Board Member	2011
Patricia West	Board Member	2011

**School Officials**

Russell Reiter	Superintendent	2009
Janette Campbell	District Secretary/Treasurer	2009
James Pederson	Attorney	Indefinite

\* Board term extended per the District's transition plan for changing Board terms from three to four years in accordance with Chapter 39.24 of the Code of Iowa.



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**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Board of Education  
Mount Ayr Community School District  
Mount Ayr, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, 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 that 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 Mount Ayr Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 2, 2009, on our consideration of the Mount Ayr 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 5 through 12 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr 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 seven years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 2, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Mount Ayr 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 decreased from \$7,302,624 in fiscal 2008 to \$7,213,317 in fiscal 2009. General Fund expenditures increased from \$6,738,818 in fiscal 2008 to \$7,327,958 in fiscal 2009. The District's General Fund balance decreased from \$178,647 in fiscal 2008 to \$69,018 in fiscal 2009.

The decrease in General Fund revenues was attributable to declining enrollment and State budget cuts. The increase in expenditures was due primarily to increased payroll.

### **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 the Mount Ayr 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 Mount Ayr 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 Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

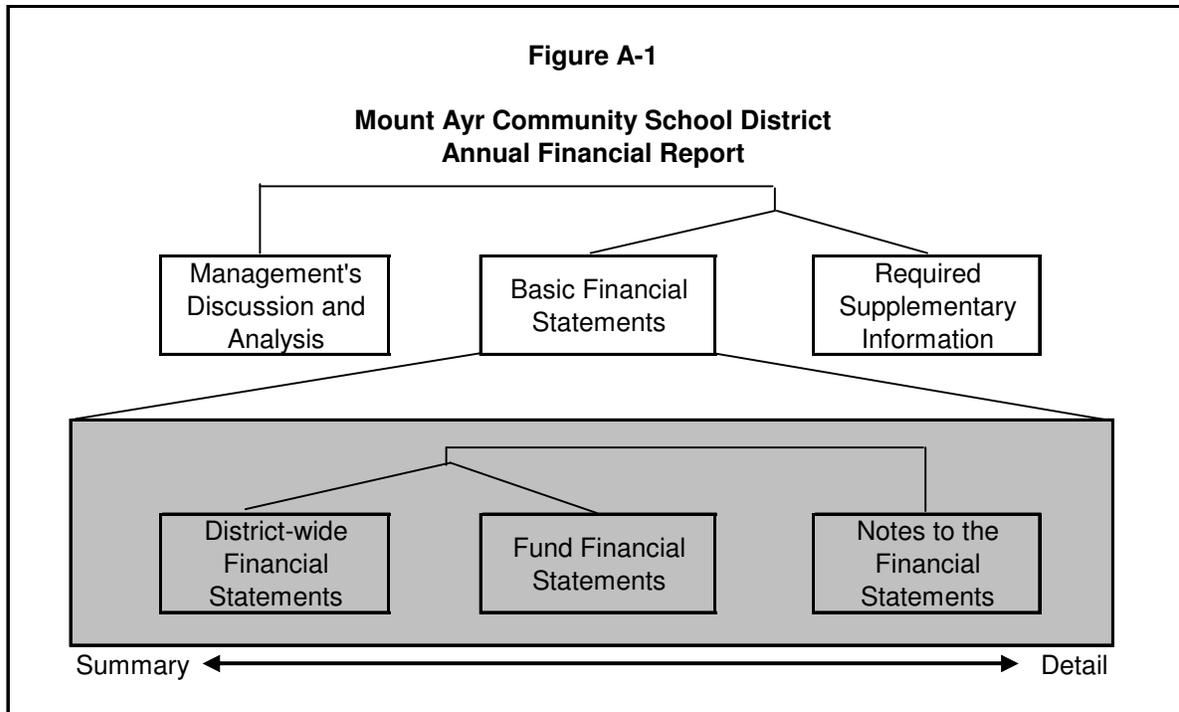


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are 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 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 two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund.

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

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

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

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental activities		Business type		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$12,287,314	13,534,359	77,651	58,916	12,364,965	13,593,275	-9.0%
Capital assets, net	10,125,124	6,246,997	28,891	29,520	10,154,015	6,276,517	61.8%
Other noncurrent assets	47,320	49,832	-	-	47,320	49,832	-5.0%
<b>Total assets</b>	<b>22,459,758</b>	<b>19,831,188</b>	<b>106,542</b>	<b>88,436</b>	<b>22,566,300</b>	<b>19,919,624</b>	<b>13.3%</b>
Current liabilities	8,585,421	6,775,703	28,516	26,401	8,613,937	6,802,104	26.6%
Long-term liabilities	6,442,995	6,647,034	-	-	6,442,995	6,647,034	-3.1%
<b>Total liabilities</b>	<b>15,028,416</b>	<b>13,422,737</b>	<b>28,516</b>	<b>26,401</b>	<b>15,056,932</b>	<b>13,449,138</b>	<b>12.0%</b>
Net assets:							
Invested in capital assets, net of related debt	6,795,596	6,238,710	28,891	29,520	6,824,487	6,268,230	8.9%
Restricted	779,493	94,659	-	-	779,493	94,659	723.5%
Unrestricted	(143,747)	75,082	49,135	32,515	(94,612)	107,597	-187.9%
<b>Total net assets</b>	<b>\$ 7,431,342</b>	<b>6,408,451</b>	<b>78,026</b>	<b>62,035</b>	<b>7,509,368</b>	<b>6,470,486</b>	<b>16.1%</b>

The District's combined net assets increased by nearly 16.1%, or approximately \$1,038,882 over the prior year. The largest portion of the District's net assets is 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 \$684,834, or 723.5% over the prior year. The increase was primarily a result of the ongoing building project in the Capital Projects Fund. Monies generated from the sale of bonds in the previous year and not all being spent in the 08-09 fiscal year have resulted in a large fund balance for the Capital Projects fund and larger "restricted funds".

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) decreased approximately \$202,209 or -187.9%.

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

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30, 2009	2008	Year ended June 30, 2009	2008	Year ended June 30, 2009	2008	June 30, 2008-2009
Revenues:							
Program revenues:							
Charges for service and sales	\$ 772,533	878,100	170,350	162,631	942,883	1,040,731	-9.4%
Operating grants, contributions and restricted interest	1,227,754	1,196,488	196,321	180,766	1,424,075	1,377,254	3.4%
General revenues:							
Property tax	3,332,296	2,873,282	-	-	3,332,296	2,873,282	16.0%
Local option sales and services tax	421,012	376,904	-	-	421,012	376,904	11.7%
Unrestricted states grants	2,639,316	2,538,270	-	-	2,639,316	2,538,270	4.0%
Unrestricted investment earnings	264,443	162,969	68	863	264,511	163,832	61.5%
Other	598,495	125,981	-	-	598,495	125,981	375.1%
Total revenues	<u>9,255,849</u>	<u>8,151,994</u>	<u>366,739</u>	<u>344,260</u>	<u>9,622,588</u>	<u>8,496,254</u>	<u>13.3%</u>
Program expenses:							
Governmental activities:							
Instruction	5,304,810	4,827,603	-	-	5,304,810	4,827,603	9.9%
Support services	2,346,040	2,462,281	-	-	2,346,040	2,462,281	-4.7%
Non-instructional programs	23,294	22,566	350,748	353,596	374,042	376,162	-0.6%
Other expenses	558,814	699,968	-	-	558,814	699,968	-20.2%
Total expenses	<u>8,232,958</u>	<u>8,012,418</u>	<u>350,748</u>	<u>353,596</u>	<u>8,583,706</u>	<u>8,366,014</u>	<u>2.6%</u>
Change in net assets	<u>\$ 1,022,891</u>	<u>139,576</u>	<u>15,991</u>	<u>(9,336)</u>	<u>1,038,882</u>	<u>130,240</u>	<u>697.7%</u>

Property tax and unrestricted state grants account for 69.07% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.93% of the total expenses.

#### *Governmental Activities*

Revenues for governmental activities were \$9,255,849 and expenses were \$8,232,958. In a difficult budget year, the District was able to balance the budget by securing grants for increased revenues and using carryover balances.

The cost financed by users of the District's programs was \$772,533.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,227,754.

The net cost of governmental activities was financed with \$3,753,308 in property and other taxes and \$2,639,316 in unrestricted state grant.

#### *Business Type Activities*

Revenues for business type activities were \$366,739 and expenses were \$350,748. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The district increased meal prices in 2008-2009. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future replacement of obsolete kitchen equipment. The District has also increased revenues in the business type activities with the additional student construction project work.

The following table (Figure A-5) presents the total and net cost of the District's major governmental Activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>				
<b>Total and Net Cost of Governmental Activities</b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Instruction	\$ 5,304,810	4,827,603	\$ 3,579,612	2,997,089
Support services	2,346,040	2,462,281	2,319,344	2,454,969
Non-instructional programs	23,294	22,566	23,294	22,566
Other expenses	558,814	699,968	310,421	463,206
<b>Totals</b>	<b>\$ 8,232,958</b>	<b>8,012,418</b>	<b>\$ 6,232,671</b>	<b>5,937,830</b>

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Mount Ayr 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 \$4,004,532, under last year's ending fund balances of \$7,049,638. The primary reason for the decrease in combined fund balances in fiscal 2009 is due the monies being spent for the Elementary/Secondary building project out of the Capital Projects Construction Fund.

#### *Governmental Fund Highlights*

The District's General Fund financial position has weakened compared to the 2007-2008 school year. The General Fund balance decreased from \$178,647 in 2007-2008 to \$69,018, due in part to cuts in state aid. By implementing budget cuts and increasing revenues through property taxes, the district was able to end the 2008-2009 fiscal year with a positive balance.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$ -3,159 in fiscal 2008 to \$ 16,161 in fiscal 2009. The District levied for the PPEL Fund and used a majority of those funds to help fund items that typically could be paid from the General Fund. There was a net change in fund balance of \$19,320.

The Capital Projects Fund balance decreased from \$6,783,549 in fiscal 2008 to \$3,772,940 in 2009 due to the expenditures associated with the Elementary/Secondary building project. The project will be completed in the 2009-2010 fiscal year.

#### *Propriety Fund Highlights*

Proprietary Fund net assets increased from \$62,035 at June 30, 2008 to \$78,026 at June 30, 2009, representing an increase of approximately 25.78%. As previously noted, the District increased meal prices in 2008-2009 and has reduced expenditures in the lunch program.

### BUDGETARY HIGHLIGHTS

Over the course of the year, The Mount Ayr Community School District amended its annual budget one time to reflect additional expenditures associated with grants, additional personnel, and purchase of two special ed vans.

The District's receipts were \$9,618,388 which were \$316,733 more than budgeted receipts. The most significant variance resulted from the revenue in Capital Projects Funds.

Total expenditures were \$2,925,376 less than budgeted, due primarily to the Elementary/Secondary building project not being completed by the end of the fiscal year. There will be a carryover balance in the Capital Projects Fund which will be used to pay those expenses in 2009-2010. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2009, the District had invested \$10.15 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 61.8% from last year.

<b>Figure A-6</b>							
<b>Capital Assets, net of Depreciation</b>							
	<b>Business Type</b>				<b>Total School District</b>		<b>Total Change</b>
	<b>Governmental Activities</b>		<b>Activities</b>				
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008-09</b>
Land	\$ 145,185	145,185	-	-	145,185	145,185	0.0%
Construction in progress	4,054,222	-	-	-	4,054,222	-	100.0%
Buildings	4,832,021	5,008,471	-	-	4,832,021	5,008,471	-3.5%
Improvements other than buildings	132,174	140,153	-	-	132,174	140,153	-5.7%
Furniture and equipment	961,522	953,188	28,891	29,520	990,413	982,708	0.8%
<b>Totals</b>	<b>\$ 10,125,124</b>	<b>6,246,997</b>	<b>28,891</b>	<b>29,520</b>	<b>10,154,015</b>	<b>6,276,517</b>	<b>61.8%</b>

#### Long-Term Debt

At June 30, 2009, the district had \$6,547,134 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately -3.6% from last year. (See Figure A-7).

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
	<b>June 30,</b>		<b>Change</b>
	<b>2009</b>	<b>2008</b>	
General obligation bonds	\$ 6,480,000	6,700,000	100.0%
Capital loan notes	67,134	91,836	-26.9%
<b>Totals</b>	<b>\$ 6,547,134</b>	<b>6,791,836</b>	<b>-3.6%</b>

On October 1, 2001 the District authorized Energy Management Improvement Capital Loan Notes in the amount of \$225,000 bearing interest and maturing each year until December 1, 2011

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Mount Ayr Community School District passed a \$6.7 million dollar bond referendum on October 16, 2007 by a 64% majority. The district will add a middle school gymnasium and locker rooms to the secondary facility while it will replace the 1936 elementary building with new classrooms, lunchroom, multi-purpose facility and office space. The \$6.7 million dollar will increase the levy \$2.84 per thousand for the twenty year bond. Originally, the board of directors was committed to abate the levy with 50% of SILO funds collected (\$150,000) to lower the levy to approximately a \$1.99 per thousand. However, due to the increased cost of the project, the board is looking at a new revenue purpose statement to help finance the project with the statewide penny.

The Mount Ayr Community School District's enrollment decreased slightly for the 2008-09 school year. The districts certified enrollment also decreased this year and steps are being taken to reduce spending throughout the general fund. The district's new Pre-school has had a positive impact on the community and in preparing those students as they enter kindergarten.

Economically, the county will be affected by the economic crisis that is affecting the state and the country. There is optimism in the county as a new energy corporation called Heartland Energy has opened its doors. They will start production of Wind Turbine blades in January 2009. They will also expand into solar, hydrogen, biomass solutions and motion based propulsion in the future. The Ringgold County Hospital is building a new facility and is also looking to expand. We believe this will continue solid growth for the community, which should result in job opportunities and increased student enrollment.

The Board of Directors approved the .34¢ PPEL levy for the 2008-09 school year but is committed in keeping property taxes as low as possible.

The districts valuations increased from \$177,227,631 to \$189,450,790 for the 2008-09 school year.

## **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 Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

## **Basic Financial Statements**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents:			
ISCAP	\$ 3,158,580	-	3,158,580
Other	5,349,894	48,741	5,398,635
Receivables:			
Property tax:			
Delinquent	107,443	-	107,443
Succeeding year	3,213,877	-	3,213,877
Accounts	5,027	600	5,627
Accrued interest - ISCAP	11,768	-	11,768
Due from other governments	438,776	-	438,776
Inventories	-	28,310	28,310
Prepaid expense	1,949	-	1,949
Total current assets	<u>12,287,314</u>	<u>77,651</u>	<u>12,364,965</u>
Noncurrent assets:			
Bond issuance costs	41,057	-	41,057
Bond discount	6,263	-	6,263
Capital assets:			
Capital assets - nondepreciable	4,199,407	-	4,199,407
Capital assets - depreciable, net	5,925,717	28,891	5,954,608
Total non current assets	<u>10,172,444</u>	<u>28,891</u>	<u>10,201,335</u>
<b>Total assets</b>	<u>\$ 22,459,758</u>	<u>106,542</u>	<u>22,566,300</u>
<b>Liabilities</b>			
Current liabilities:			
Excess of outstanding warrants over balance	\$ 11,799	-	11,799
Accounts payable	921,295	1,255	922,550
Salaries and benefits payable	706,866	27,261	734,127
Due to other governments	34,576	-	34,576
Accrued interest payable	46,742	-	46,742
Deferred revenue:			
Succeeding year property tax	3,213,877	-	3,213,877
Other	176,139	-	176,139
ISCAP warrants payable	3,113,000	-	3,113,000
ISCAP accrued interest payable	16,833	-	16,833
ISCAP unamortized premium	49,862	-	49,862
General obligation bonds	230,000	-	230,000
Capital notes payable	25,902	-	25,902
Early retirement	38,530	-	38,530
Total current liabilities	<u>8,585,421</u>	<u>28,516</u>	<u>8,613,937</u>
Noncurrent liabilities:			
General obligation bonds	6,250,000	-	6,250,000
Capital notes payable	41,232	-	41,232
Early retirement	151,763	-	151,763
Total noncurrent liabilities	<u>6,442,995</u>	<u>-</u>	<u>6,442,995</u>
<b>Total liabilities</b>	<u>15,028,416</u>	<u>28,516</u>	<u>15,056,932</u>

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,795,596	28,891	6,824,487
Restricted for:			
Categorical funding	74,264	-	74,264
Physical plant and equipment levy	16,161	-	16,161
Other special revenue purposes	133,734	-	133,734
Capital projects	555,334	-	555,334
Unrestricted	(143,747)	49,135	(94,612)
<b>Total net assets</b>	<u>7,431,342</u>	<u>78,026</u>	<u>7,509,368</u>
<b>Total liabilities and net assets</b>	<u>\$ 22,459,758</u>	<u>106,542</u>	<u>22,566,300</u>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 Year ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 2,769,552	307,320	640,979	(1,821,253)	-	(1,821,253)
Special	1,328,481	125,261	227,205	(976,015)	-	(976,015)
Other	1,206,777	339,952	84,481	(782,344)	-	(782,344)
	<u>5,304,810</u>	<u>772,533</u>	<u>952,665</u>	<u>(3,579,612)</u>	<u>-</u>	<u>(3,579,612)</u>
Support Services:						
Student	214,765	-	-	(214,765)	-	(214,765)
Instructional staff	227,817	-	-	(227,817)	-	(227,817)
Administration	822,004	-	-	(822,004)	-	(822,004)
Operating and maintenance of plant	647,748	-	26,696	(621,052)	-	(621,052)
Transportation	433,706	-	-	(433,706)	-	(433,706)
	<u>2,346,040</u>	<u>-</u>	<u>26,696</u>	<u>(2,319,344)</u>	<u>-</u>	<u>(2,319,344)</u>
Non-instructional programs	23,294	-	-	(23,294)	-	(23,294)
Other expenditures:						
Facilities acquisition	-	-	-	-	-	-
Long-term debt interest	293,361	-	-	(293,361)	-	(293,361)
AEA flowthrough	248,393	-	248,393	-	-	-
Depreciation (unallocated)*	17,060	-	-	(17,060)	-	(17,060)
	<u>558,814</u>	<u>-</u>	<u>248,393</u>	<u>(310,421)</u>	<u>-</u>	<u>(310,421)</u>
Total governmental activities	8,232,958	772,533	1,227,754	(6,232,671)	-	(6,232,671)
<b>Business type activities:</b>						
Non-instructional programs:						
Nutrition services	348,003	169,750	196,321	-	18,068	18,068
Other enterprise services	2,745	600	-	-	(2,145)	(2,145)
Total business type activities	<u>350,748</u>	<u>170,350</u>	<u>196,321</u>	<u>-</u>	<u>15,923</u>	<u>15,923</u>
Total primary government	<u>\$ 8,583,706</u>	<u>942,883</u>	<u>1,424,075</u>	<u>(6,232,671)</u>	<u>15,923</u>	<u>(6,216,748)</u>

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals from previous pages	\$ 8,583,706	942,883	1,424,075	(6,232,671)	15,923	(6,216,748)
General Revenues:						
Property tax levied for:						
General purposes				2,911,391	-	2,911,391
Debt service				358,357		
Capital outlay				62,548		
Statewide sales and services tax				421,012	-	421,012
Unrestricted state grants				2,639,316	-	2,639,316
Contributions not restricted to specific programs				562,638	-	562,638
Unrestricted investment earnings				264,443	68	264,511
Gain on sale of capital assets				4,200	-	4,200
Other				31,657	-	31,657
Total general revenues				7,255,562	68	7,255,630
Change in net assets				1,022,891	15,991	1,038,882
Net assets beginning of year				6,408,451	62,035	6,470,486
Net assets end of year				\$ 7,431,342	78,026	7,509,368

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

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	\$ 3,158,580	-	-	-	3,158,580
Other	800,008	-	4,353,719	196,162	5,349,889
Receivables:					
Property tax:					
Delinquent	87,382	11,978	-	8,083	107,443
Succeeding year	2,540,005	358,840	-	315,032	3,213,877
Accounts	5,027	-	-	-	5,027
Accrued interest:					
ISCAP	11,768	-	-	-	11,768
Due from other governments	321,399	-	117,377	-	438,776
Prepaid expense	1,949	-	-	-	1,949
<b>Total assets</b>	<b>\$ 6,926,118</b>	<b>370,818</b>	<b>4,471,096</b>	<b>519,277</b>	<b>12,287,309</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Excess of outstanding warrants over balance	\$ -	11,799	-	-	11,799
Accounts payable	219,819	-	698,156	3,320	921,295
Salaries and benefits payable	706,866	-	-	-	706,866
Due to other governments	34,576	-	-	-	34,576
Early retirement payable	-	-	-	38,530	38,530
ISCAP warrants payable	3,113,000	-	-	-	3,113,000
ISCAP accrued interest payable	16,833	-	-	-	16,833
ISCAP unamortized premium	49,862	-	-	-	49,862
Deferred revenue:					
Succeeding year property tax	2,540,005	358,840	-	315,032	3,213,877
Other	176,139	-	-	-	176,139
Total liabilities	<b>6,857,100</b>	<b>370,639</b>	<b>698,156</b>	<b>356,882</b>	<b>8,282,777</b>
Fund balances:					
Reserved for:					
Prepaid expense	1,949	-	-	-	1,949
Categorical funding	74,264	-	-	-	74,264
Debt service	-	179	-	-	179
Unreserved	(7,195)	-	3,772,940	162,395	3,928,140
Total fund balances	<b>69,018</b>	<b>179</b>	<b>3,772,940</b>	<b>162,395</b>	<b>4,004,532</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,926,118</b>	<b>370,818</b>	<b>4,471,096</b>	<b>519,277</b>	<b>12,287,309</b>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 June 30, 2009

**Total fund balances of governmental funds (Exhibit C)** \$ 4,004,532

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 10,125,124

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 5

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (6,480,000)	
Capital loan notes	(67,134)	
Early retirement	(190,293)	
Bond issuance cost	41,057	
Bond discount	6,263	
Accrued interest	(46,742)	
Portion of Early Retirement reflected on governmental funds	38,530	(6,698,319)

**Net assets of governmental activities (Exhibit A)** \$ 7,431,342

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 2,732,805	358,357	421,012	241,134	3,753,308
Tuition	406,661	-	-	-	406,661
Other	205,239	-	680,383	337,091	1,222,713
Intermediate sources	28,627	-	-	-	28,627
State sources	3,401,057	212	-	143	3,401,412
Federal sources	438,928	-	-	-	438,928
Total revenues	<u>7,213,317</u>	<u>358,569</u>	<u>1,101,395</u>	<u>578,368</u>	<u>9,251,649</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,672,144	-	-	33,125	2,705,269
Special	1,316,604	-	-	-	1,316,604
Other	884,908	-	-	298,015	1,182,923
	<u>4,873,656</u>	<u>-</u>	<u>-</u>	<u>331,140</u>	<u>5,204,796</u>
Support services:					
Student	208,071	-	-	-	208,071
Instructional staff	285,539	-	63,647	-	349,186
Administration	752,784	-	7,662	55,378	815,824
Operation and maintenance of plant	582,740	-	-	48,078	630,818
Transportation	376,775	-	76,496	28,003	481,274
	<u>2,205,909</u>	<u>-</u>	<u>147,805</u>	<u>131,459</u>	<u>2,485,173</u>
Other expenditures:					
Facilities acquisition	-	-	3,814,199	11,998	3,826,197
Long-term debt:					
Principal	-	244,702	-	-	244,702
Interest and fiscal charges	-	292,506	-	-	292,506
AEA flowthrough	248,393	-	-	-	248,393
	<u>248,393</u>	<u>537,208</u>	<u>3,814,199</u>	<u>11,998</u>	<u>4,611,798</u>
Total expenditures	<u>7,327,958</u>	<u>537,208</u>	<u>3,962,004</u>	<u>474,597</u>	<u>12,301,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,641)</u>	<u>(178,639)</u>	<u>(2,860,609)</u>	<u>103,771</u>	<u>(3,050,118)</u>
Other financing sources (uses):					
Operating transfers in	-	178,818	-	-	178,818
Operating transfers out	-	-	(150,000)	(28,818)	(178,818)
Sale of equipment	5,012	-	-	-	5,012
Total other financing sources (uses)	<u>5,012</u>	<u>178,818</u>	<u>(150,000)</u>	<u>(28,818)</u>	<u>5,012</u>
Net change in fund balances	(109,629)	179	(3,010,609)	74,953	(3,045,106)
Fund balances beginning of year	178,647	-	6,783,549	87,442	7,049,638
Fund balances end of year	<u>\$ 69,018</u>	<u>179</u>	<u>3,772,940</u>	<u>162,395</u>	<u>4,004,532</u>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (3,045,106)

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

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

Capital outlays	\$ 4,231,016	
Depreciation expense	<u>(352,077)</u>	3,878,939

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. The gain on disposition of capital assets and the proceeds from disposition are as follows:

Gain on disposition of capital assets	4,200	
Proceeds from the disposition	<u>(5,012)</u>	(812)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	244,702	
Amortization of premiums and bond issuance costs	<u>(2,512)</u>	242,190

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.

1,657

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		(51,863)
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The change in net assets of the Internal Service Funds represent an undercharge to the governmental funds served and, therefore, increases expenses in the Statement of Activities.

(2,114)

**Change in net assets of governmental activities (Exhibit B)**

\$ 1,022,891

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 48,741	5
Accounts receivable	600	-
Inventories	28,310	-
<b>Total current assets</b>	<u>77,651</u>	<u>5</u>
Non-current assets:		
Property and equipment:		
Machinery and equipment	266,887	-
Accumulated depreciation	(237,996)	-
<b>Total non-current assets</b>	<u>28,891</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 106,542</u>	<u>5</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 1,255	-
Salaries and benefits payable	27,261	-
<b>Total current liabilities</b>	<u>28,516</u>	<u>-</u>
<b>Total liabilities</b>	<u>28,516</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	28,891	-
Unrestricted	49,135	5
<b>Total net assets</b>	<u>78,026</u>	<u>5</u>
<b>Total liabilities and net assets</b>	<u>\$ 106,542</u>	<u>5</u>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2009

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 170,350	1,174
Operating expenses:		
Instruction:		
Other instruction:		
Other	149	-
Support services:		
Other	-	1,722
Administrative services:		
Other	64	1,566
	213	3,288
Non-instructional programs:		
Food service operations:		
Depreciation	629	-
Other	347,374	-
	348,003	-
Other expenditures:		
Facilities acquisition:		
Other	2,532	-
Total operating expenses	350,748	3,288
Operating loss	(180,398)	(2,114)
Non-operating revenues:		
Local sources	68	-
State sources	4,254	-
Federal sources	192,067	-
Total non-operating revenues	196,389	-
Net income (loss)	15,991	(2,114)
Net assets beginning of year	62,035	2,119
Net assets end of year	\$ 78,026	5

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2009

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 160,387	-
Cash received from miscellaneous operating activities	10,899	1,174
Cash paid to employees for services	(176,460)	-
Cash paid to suppliers for goods or services	(141,710)	(3,288)
Net cash provided (used) by operating activities	<u>(146,884)</u>	<u>(2,114)</u>
Cash flows from non-capital financing activities:		
State grants received	4,254	-
Federal grants received	162,462	-
Net cash provided by non-capital financing activities	<u>166,716</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	68	-
Net increase (decrease) in cash and cash equivalents	19,900	(2,114)
Cash and cash equivalents at beginning of year	<u>28,841</u>	<u>2,119</u>
Cash and cash equivalents at end of year	<u>\$ 48,741</u>	<u>5</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (180,398)	(2,114)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	29,605	-
Depreciation	629	-
Decrease in accounts receivable	936	-
Decrease in inventories	229	-
Increase in accounts payable	1,255	-
Increase in salaries and benefits payable	860	-
Net cash used by operating activities	<u>\$ (146,884)</u>	<u>(2,114)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	\$ 48,741	5
Cash and cash equivalents at year end	<u>\$ 48,741</u>	<u>5</u>

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

During the year ended June 30, 2009, the District received federal commodities valued at \$29,605.

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2009

	<u>Expendable Trusts</u>
	<u>Memorial Fund</u>
<b>Assets</b>	
Cash and investments	\$ 3,319
<b>Total assets</b>	<u>3,319</u>
<b>Net assets</b>	
Held in trust for special purposes	<u>\$ 3,319</u>

See notes to financial statements.

Exhibit K

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2009

	<u>Expendable Trusts</u>	<u>Memorial Fund</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Total additions	<u>1,000</u>	
Deductions:		
Instruction:		
Supplies		425
Total deductions		<u>425</u>
Change in net assets		575
Net assets beginning of year		<u>2,744</u>
Net assets end of year		<u>\$ 3,319</u>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

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

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor 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, Mount Ayr 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. Mount Ayr 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: 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.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction Fund: This fund accounts for transactions related to construction projects performed by students for educational purposes.

Internal Service Funds: The internal service funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Expendable Trust Fund: These funds account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

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 early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

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

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

Deferred and Unearned 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 the succeeding year's property tax receivable not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted, but the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

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

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Fund	\$ 150,000
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	28,818
Total		<u>\$ 178,818</u>

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 1,246,781	11,552	1,231,000	16,189
2009-10A	6/25/2009	6/23/2010	1,911,799	216	1,882,000	644
Total			<u>\$ 3,158,580</u>	<u>11,768</u>	<u>3,113,000</u>	<u>16,833</u>

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ -	450,000	450,000	-
Total	<u>\$ -</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

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

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 145,185	-	-	145,185
Construction in progress	-	4,054,222	-	4,054,222
Total capital assets not being depreciated	145,185	4,054,222	-	4,199,407
Capital assets being depreciated:				
Buildings	9,911,547	-	-	9,911,547
Improvements other than buildings	437,424	-	-	437,424
Furniture and equipment	3,046,281	176,794	8,124	3,214,951
Total capital assets being depreciated	13,395,252	176,794	8,124	13,563,922
Less accumulated depreciation for:				
Buildings	4,903,077	176,449	-	5,079,526
Improvements other than buildings	297,271	7,979	-	305,250
Furniture and equipment	2,093,092	167,649	7,312	2,253,429
Total accumulated depreciation	7,293,440	352,077	7,312	7,638,205
Total capital assets being depreciated, net	6,101,812	(175,283)	812	5,925,717
Governmental activities capital assets, net	\$ 6,246,997	3,878,939	812	10,125,124
<b>Business type activities:</b>				
Furniture and equipment	\$ 266,887	-	-	266,887
Less accumulated depreciation	237,367	629	-	237,996
Business type activities capital assets, net	\$ 29,520	(629)	-	28,891

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 165,767
Special	11,877
Other	22,747

Support services:

Student	5,687
Instructional staff	6,631
Administration	6,180
Operation and maintenance of plant	16,930
Transportation	75,904
Non-instructional programs	23,294

Unallocated

Total depreciation expense - governmental activities	\$ 352,077
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Business type activities:

Food services	\$ 629
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MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

**(6) Long-term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,700,000	-	220,000	6,480,000	230,000
Capital loan notes	91,836	-	24,702	67,134	25,902
Early retirement	128,800	90,393	28,900	190,293	38,530
Total	<u>\$ 6,920,636</u>	<u>90,393</u>	<u>273,602</u>	<u>6,737,427</u>	<u>294,432</u>

General Obligation Bonds

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

<u>Bond Issue of May 1, 2008</u>					
Year ended June 30,	Rates	Principal	Interest	Total	
2010	4.250%	\$ 230,000	278,840	508,840	
2011	4.250%	240,000	269,065	509,065	
2012	4.250%	250,000	258,865	508,865	
2013	4.250%	260,000	248,240	508,240	
2014	4.250%	270,000	237,190	507,190	
2015	4.250%	280,000	225,715	505,715	
2016	4.250%	295,000	213,815	508,815	
2017	4.250%	305,000	201,278	506,278	
2018	4.250%	320,000	188,315	508,315	
2019	4.250%	330,000	174,715	504,715	
2020	4.250%	345,000	160,690	505,690	
2021	4.250%	360,000	146,027	506,027	
2022	4.250%	375,000	130,728	505,728	
2023	4.250%	390,000	114,790	504,790	
2024	4.300%	410,000	98,215	508,215	
2025	4.350%	425,000	80,585	505,585	
2026	4.400%	445,000	62,097	507,097	
2027	4.450%	465,000	42,518	507,518	
2028	4.500%	485,000	21,825	506,825	
Total		<u>\$ 6,480,000</u>	<u>3,153,513</u>	<u>9,633,513</u>	

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

Capital Loan Notes

Details of the District's June 30, 2009 capital loan note indebtedness are as follows:

Period Ending June 30,	2001 Capital Loan Note			
	Interest Rate	Principal	Interest	Total
2010	4.80%	\$ 25,902	2,916	28,818
2011	4.80%	27,161	1,657	28,818
2012	4.80%	14,071	338	14,409
Total		\$ 67,134	4,911	72,045

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$299,444, \$268,384, and \$256,262, respectively, equal to the required contributions for each year.

**(8) Termination Benefits**

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits are paid monthly and cease when the retiree reaches the age of 65.

At June 30, 2009, the District has obligations to 13 participants with a total liability of \$190,293. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$28,900.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2009

**(9) Risk Management**

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

**(10) 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 \$248,393 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.

**(11) Construction Commitment**

The District has entered into a contract totaling \$8,949,585 for the construction of school building additions. As of June 30, 2009, costs of \$4,054,221 had been incurred against the contract. The balance of \$4,895,364 remaining at June 30, 2009 will be paid as work on the project progresses.

**(12) Subsequent Event**

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

On July 13, 2009 the school board passed a resolution directing the sale of \$2,885,000 in school infrastructure sales, service and use tax revenue bonds, series 2009 for two construction projects.

**Required Supplementary Information**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 5,382,682	170,418	5,553,100	4,886,346	4,886,346	666,754
Intermediate sources	28,627	-	28,627	10,000	10,000	18,627
State sources	3,401,412	4,254	3,405,666	3,805,309	3,805,309	(399,643)
Federal sources	438,928	192,067	630,995	533,000	600,000	30,995
Total revenues	<u>9,251,649</u>	<u>366,739</u>	<u>9,618,388</u>	<u>9,234,655</u>	<u>9,301,655</u>	<u>316,733</u>
<b>Expenditures:</b>						
Instruction	5,204,796	213	5,205,009	5,125,500	5,300,000	94,991
Support services	2,485,173	-	2,485,173	2,748,000	2,900,000	414,827
Non-instructional programs	-	348,003	348,003	361,000	375,000	26,997
Other expenditures	4,611,798	2,532	4,614,330	7,002,891	7,002,891	2,388,561
Total expenditures	<u>12,301,767</u>	<u>350,748</u>	<u>12,652,515</u>	<u>15,237,391</u>	<u>15,577,891</u>	<u>2,925,376</u>
Excess (deficiency) of revenues over (under) expenditures	(3,050,118)	15,991	(3,034,127)	(6,002,736)	(6,276,236)	3,242,109
Other financing sources, net	<u>5,012</u>	<u>-</u>	<u>5,012</u>	<u>10,000</u>	<u>10,000</u>	<u>(4,988)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(3,045,106)	15,991	(3,029,115)	(5,992,736)	(6,266,236)	3,237,121
Balances beginning of year	<u>7,049,638</u>	<u>62,035</u>	<u>7,111,673</u>	<u>7,025,723</u>	<u>7,025,723</u>	<u>85,950</u>
Balances end of year	<u>\$ 4,004,532</u>	<u>78,026</u>	<u>4,082,558</u>	<u>1,032,987</u>	<u>759,487</u>	<u>3,323,071</u>

See accompanying independent auditor's report.

MOUNT AYR 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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$340,500.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted, but the District exceeded its General Fund unspent authorized budget.

## **Other Supplementary Information**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue			Total
	Management	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 45,458	133,734	16,970	196,162
Receivables:				
Property tax:				
Delinquent	5,992	-	2,091	8,083
Succeeding year	250,000	-	65,032	315,032
<b>Total assets</b>	<b>\$ 301,450</b>	<b>133,734</b>	<b>84,093</b>	<b>519,277</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 420	-	2,900	3,320
Deferred revenue:				
Succeeding year property tax	250,000	-	65,032	315,032
Early retirement payable	38,530	-	-	38,530
Total liabilities	288,950	-	67,932	356,882
Unreserved fund balances	12,500	133,734	16,161	162,395
<b>Total liabilities and fund balances</b>	<b>\$ 301,450</b>	<b>133,734</b>	<b>84,093</b>	<b>519,277</b>

See accompanying independent auditor's report.

## Schedule 2

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue			Total
	Management	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 178,586	-	62,548	241,134
Other	-	337,090	1	337,091
State sources	106	-	37	143
Total revenues	<u>178,692</u>	<u>337,090</u>	<u>62,586</u>	<u>578,368</u>
Expenditures:				
Current:				
Instruction:				
Regular	33,125	-	-	33,125
Other	-	298,015	-	298,015
Support Services:				
Administration	55,378	-	-	55,378
Operation and maintenance of plant	48,078	-	-	48,078
Student transportation	25,553	-	2,450	28,003
Other expenditures:				
Facilities acquisition	-	-	11,998	11,998
Total expenditures	<u>162,134</u>	<u>298,015</u>	<u>14,448</u>	<u>474,597</u>
Excess of revenues over expenditures	<u>16,558</u>	<u>39,075</u>	<u>48,138</u>	<u>103,771</u>
Other financing uses:				
Operating transfers out	-	-	(28,818)	(28,818)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(28,818)</u>	<u>(28,818)</u>
Excess of revenues over expenditures and other financing uses	16,558	39,075	19,320	74,953
Fund balances beginning of year	<u>(4,058)</u>	<u>94,659</u>	<u>(3,159)</u>	<u>87,442</u>
Fund balances end of year	<u>\$ 12,500</u>	<u>133,734</u>	<u>16,161</u>	<u>162,395</u>

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 45,230	3,511	48,741	5
Accounts receivable	-	600	600	-
Inventories	27,942	368	28,310	-
Total current assets	73,172	4,479	77,651	5
Non-current assets:				
Property and equipment:				
Machinery and equipment	266,887	-	266,887	-
Accumulated depreciation	(237,996)	-	(237,996)	-
Total non-current assets	28,891	-	28,891	-
<b>Total assets</b>	\$ 102,063	4,479	106,542	5
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 756	499	1,255	-
Salaries and benefits payable	27,261	-	27,261	-
Total current liabilities	28,017	499	28,516	-
<b>Total liabilities</b>	28,017	499	28,516	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	28,891	-	28,891	-
Unrestricted	45,155	3,980	49,135	5
<b>Total net assets</b>	74,046	3,980	78,026	5
<b>Total liabilities and net assets</b>	\$ 102,063	4,479	106,542	5

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2009

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Other local sources:				
Food service sales	\$ 159,489	-	159,489	-
Other operating revenues	10,261	600	10,861	1,174
Total operating revenues	169,750	600	170,350	1,174
Operating expenses:				
Instruction:				
Supplies	-	149	149	-
Support services:				
Other	-	-	-	1,722
Administrative services:				
Services	-	64	64	1,566
	-	213	213	3,288
Non-instructional programs:				
Food services operations:				
Salaries	150,441	-	150,441	-
Benefits	26,879	-	26,879	-
Services	170	-	170	-
Supplies	169,884	-	169,884	-
Depreciation	629	-	629	-
	348,003	-	348,003	-
Other expenditures:				
Facilities acquisition:				
Supplies	-	2,532	2,532	-
Total operating expenses	348,003	2,745	350,748	3,288
Operating loss	(178,253)	(2,145)	(180,398)	(2,114)
Non-operating revenues:				
Interest on investments	68	-	68	-
State lunch and breakfast program claims	4,254	-	4,254	-
National School Lunch Program	118,907	-	118,907	-
School Breakfast Program	43,555	-	43,555	-
Food distribution	29,605	-	29,605	-
Total non-operating revenues	196,389	-	196,389	-
Net income (loss)	18,136	(2,145)	15,991	(2,114)
Net assets beginning of year	55,910	6,125	62,035	2,119
Net assets end of year	\$ 74,046	3,980	78,026	5

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
June 30, 2009

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 160,387	-	160,387	-
Cash received from other operating activities	10,261	638	10,899	1,174
Cash payments to employees for services	(176,460)	-	(176,460)	-
Cash payments to suppliers for goods or services	(139,096)	(2,614)	(141,710)	(3,288)
Net cash provided (used) by operating activities	<u>(144,908)</u>	<u>(1,976)</u>	<u>(146,884)</u>	<u>(2,114)</u>
Cash flows from non-capital financing activities:				
State grants received	4,254	-	4,254	-
Federal grants received	162,462	-	162,462	-
Net cash provided by non-capital financing activities	<u>166,716</u>	<u>-</u>	<u>166,716</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	68	-	68	-
Net increase (decrease) in cash and cash equivalents	21,876	(1,976)	19,900	(2,114)
Cash and cash equivalents at beginning of year	<u>23,354</u>	<u>5,487</u>	<u>28,841</u>	<u>2,119</u>
Cash and cash equivalents at end of year	<u>\$ 45,230</u>	<u>3,511</u>	<u>48,741</u>	<u>5</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>				
Operating loss	\$ (178,253)	(2,145)	(180,398)	(2,114)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	29,605	-	29,605	-
Depreciation	629	-	629	-
(Increase) decrease in accounts receivable	898	38	936	-
(Increase) decrease in inventories	597	(368)	229	-
Increase in accounts payable	756	499	1,255	-
Increase in salaries and benefits payable	860	-	860	-
Net cash used by operating activities	<u>\$ (144,908)</u>	<u>(1,976)</u>	<u>(146,884)</u>	<u>(2,114)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	\$ 45,230	3,511	48,741	5
Cash and cash equivalents at year end	<u>\$ 45,230</u>	<u>3,511</u>	<u>48,741</u>	<u>5</u>

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

During the year ended June 30, 2009, the District received federal commodities valued at \$29,605.

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year ended June 30, 2009

Account	Balance Beginning of Year	Transfers	Revenues	Expenditures	Balance End of Year
Adult Education	\$ 2,271	(50)	1,621	1,320	2,522
Alternative School	699	-	-	557	142
Art Club	1,081	-	-	203	878
Athletics:					
Football	11,664	(11,664)	26,124	13,810	12,314
Volleyball	2,392	(2,392)	3,675	3,680	(5)
Wrestling	(3,418)	3,418	3,418	2,290	1,128
Boys' basketball	10,883	(10,883)	1,595	1,560	35
Girls' basketball	8,457	(8,457)	6,712	3,749	2,963
Boys' track	(7,973)	7,973	102	-	102
Girls' track	(9,193)	9,193	4,981	4,180	801
Cross Country resale	-	-	1,230	733	497
Golf	(4,784)	4,784	6,746	6,552	194
Baseball	(4,389)	4,389	2,813	1,609	1,204
Softball	466	(466)	3,391	2,445	946
Bowling	-	-	817	671	146
General Athletics	(5,257)	4,105	78,270	69,608	7,510
Ayrian	4,461	-	10,649	7,963	7,147
Band	8	-	4,002	2,939	1,071
Business Professionals of America	2,423	-	-	2,423	-
Character Counts	258	-	106	155	209
Cheerleaders	(111)	-	5,288	6,433	(1,256)
Class:					
Senior	(1,808)	-	1,402	4,479	(4,885)
Junior	5,744	-	6,195	5,306	6,633
Sophomore	2,975	-	-	15	2,960
Freshman	3,373	-	-	60	3,313
Concessions	2,820	-	36,456	35,695	3,581
Drama Club	1,024	-	6,498	7,191	331
Drill Team	719	-	10,683	7,644	3,758
Elementary Activities	8,540	-	1,114	2,805	6,849
Elementary Library	2,483	-	174	73	2,584
Elementary Student Council	2,584	-	8,324	7,577	3,331
Elementary Yearbook	408	-	2,172	2,136	444
Future Consumer Comm Leadersip Assoc	126	-	212	75	263
Future Farmers of America	22,963	-	42,724	42,294	23,393
Future Teachers Association	1,751	-	1,109	307	2,553
Gifts/Memorials	5,797	-	183	1,856	4,124
Industrial Arts	(336)	-	2,065	1,955	(226)
Middle School	9,782	-	3,546	2,649	10,679
Library Club	270	-	96	54	312
Pep Club	882	-	517	157	1,242
Resale	187	-	26,144	24,573	1,758
S.A.D.D.	440	-	1,430	1,348	522
Science Club	601	-	-	-	601
Talented and Gifted Club	-	-	3,233	1,043	2,190

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2009

Account	Balance Beginning of Year	Transfers	Revenues	Expenditures	Balance End of Year
Spanish Club	2,255	-	7,435	7,988	1,702
Special Olympics	301	-	419	250	470
Speech	(51)	50	946	817	128
Student Council	283	-	1,982	1,699	566
Student Activity/vending	3,404	-	946	932	3,418
Vocal music	3,078	-	1,835	2,729	2,184
Weightlifting	4,126	-	7,710	1,428	10,408
Total	\$ 94,659	-	337,090	298,015	133,734

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>								
Local sources:								
Local tax	\$ 3,753,308	3,250,186	2,767,016	2,572,488	2,451,825	2,376,629	2,377,295	2,024,160
Tuition	406,661	556,040	608,610	529,221	423,715	468,609	545,882	546,584
Other	1,222,713	600,441	539,291	452,485	456,198	367,281	450,124	417,165
Intermediate sources	28,627	33,771	16,026	9,184	11,461	19,491	23,885	45,615
State sources	3,401,412	3,328,660	3,115,847	3,178,765	3,108,574	3,374,553	3,335,123	3,411,878
Federal sources	438,928	374,159	345,295	357,147	283,269	271,334	260,386	289,085
Total	<u>\$ 9,251,649</u>	<u>8,143,257</u>	<u>7,392,085</u>	<u>7,099,290</u>	<u>6,735,042</u>	<u>6,877,897</u>	<u>6,992,695</u>	<u>6,734,487</u>
<b>Expenditures:</b>								
Instruction:								
Regular	\$ 2,705,269	2,561,874	2,441,247	2,252,637	2,263,656	2,383,276	2,195,590	2,318,024
Special	1,316,604	1,101,386	1,229,717	1,359,199	1,317,696	1,271,789	1,330,654	1,301,817
Other	1,182,923	991,338	931,330	973,588	779,600	758,563	717,350	751,655
Support services:								
Student	208,071	179,619	185,798	206,175	174,313	148,048	142,481	187,156
Instructional staff	349,186	289,891	289,064	304,577	320,562	203,150	256,930	208,759
Administration	815,824	835,415	866,402	825,682	760,148	631,628	610,999	599,970
Operation and maintenance of plant	630,818	651,021	556,011	573,287	580,080	451,782	490,606	432,079
Transportation	481,274	445,958	503,431	425,201	318,102	288,136	268,432	311,839
Central support	-	-	-	-	65,926	54,662	95,673	156,355
Other support	-	-	-	-	-	8,845	-	-
Other expenditures:								
Facilities acquisition	3,826,197	504,012	101,995	223,998	367,132	145,579	5,158	607,785
Long-term debt:								
Principal	244,702	23,558	22,467	46,419	43,833	41,363	204,463	188,912
Interest and other charges	292,306	48,860	6,351	7,392	9,978	12,448	18,409	24,708
AEA flowthrough	248,593	236,762	228,129	222,117	218,935	228,706	246,674	249,067
Total	<u>\$ 12,301,767</u>	<u>7,869,694</u>	<u>7,361,942</u>	<u>7,420,272</u>	<u>7,219,961</u>	<u>6,627,975</u>	<u>6,583,419</u>	<u>7,338,126</u>

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	\$ 43,555
National School Lunch Program	10.555	FY 09	148,512
			<u>192,067</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 09	<u>145,500</u>
District Defined IDEA Subgrant	84.027	FY 09	<u>1,300</u>
Vocational Education - Basic Grants to States	84.048	FY 09	<u>14,459</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY 09	<u>58,173</u>
Safe and Drug-Free Schools and Communities-National Programs	84.184	FY 09	<u>3,193</u>
Enhance Education Through Technology (E2T2)	84.318	FY 09	<u>1,000</u>
Rural Education Achievement Program	84.358	FY 09	<u>15,303</u>
Grants for State Assessments	84.369	FY 09	<u>4,102</u>
ARRA - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act	84.394	FY 09	<u>57,697</u>
Heartland Area Education Agency Special Education - Grants to States	84.027	FY 09	<u>35,780</u>
Total			<u>\$ 528,574</u>

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

See accompanying independent auditor's report.

**Mount Ayr Community School District**



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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  
Mount Ayr 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 Mount Ayr Community School District, Mount Ayr, 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, and have issued our report thereon dated November 2, 2009. 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 Mount Ayr 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 Mount Ayr Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr 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, including 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 Mount Ayr 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 Mount Ayr Community School District's financial statements that is more than inconsequential will not be prevented or detected by Mount Ayr Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mount Ayr 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, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

#### Compliance and Other Matters

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

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

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mount Ayr County 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 Mount Ayr Community School District and other parties to whom Mount Ayr 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 Mount Ayr 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.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 2, 2009



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of  
Mount Ayr Community School District:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Mount Ayr Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Mount Ayr 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 Mount Ayr Community School District and other parties to whom Mount Ayr 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.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 2, 2009

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (l) Mount Ayr Community School District did not qualify as a low-risk auditee.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

II-A-09 Segregation of Duties - One important aspect of internal control 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 listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

**All programs displayed on the Schedule of Expenditures of Federal Awards:**

III-A-09 Segregation of Duties - One important aspect of internal control 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 listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 did not exceed the amended certified budget amounts.
- IV-B-09 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-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.
- IV-D-09 Business Transactions - No business transactions were noted between the District and District officials or employees.
- IV-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 ensure that coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-09 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-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.
- IV-J-09 Sale of Property - During the year ended June 30, 2009, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- IV-K-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

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

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

Beginning balance	\$	-
Statewide sales and services tax revenue		421,012
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$	128,850
Equipment		140,144
Debt service for school infrastructure:		
General obligation debt		150,000
		418,994
Ending balance	\$	2,018