

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Paul Mead	President	2009
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2009
John Burrell	Board Member	2008
Jennifer Mihalovich	Board Member	2008

<b>Board of Education (After September 2008 Election)</b>		
Paul Mead	President	2009
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2009
Marianne Lester	Board Member	2011
Jennifer Mihalovich	Board Member	2011

**School Officials**

Carl Reno	Superintendent (Resigned September 2008)	2009
Delane Galvin	Superintendent (Appointed September 2008)	2009
Julie Wilson	Board Secretary and Business Manager	2009
Ahlers & Cooney Law Firm	Attorney	2009

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3060  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2010 on our consideration of Southeast Warren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2010

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

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

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,229,646 in fiscal 2008 to \$5,487,638 in fiscal 2009, while General Fund expenditures decreased from \$5,316,593 in fiscal 2008 to \$5,252,408 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$89,507 in fiscal 2008 to a balance of \$324,737 in fiscal 2009, a 262.81% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources of revenue in fiscal 2009. The decrease in expenditures was due primarily to the District's diligent efforts to control costs.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 0.32% for fiscal year 2008 to 2.79% for fiscal year 2009. The School Budget Review Committee recommends a solvency ratio between 5% and 10%.

### **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 Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

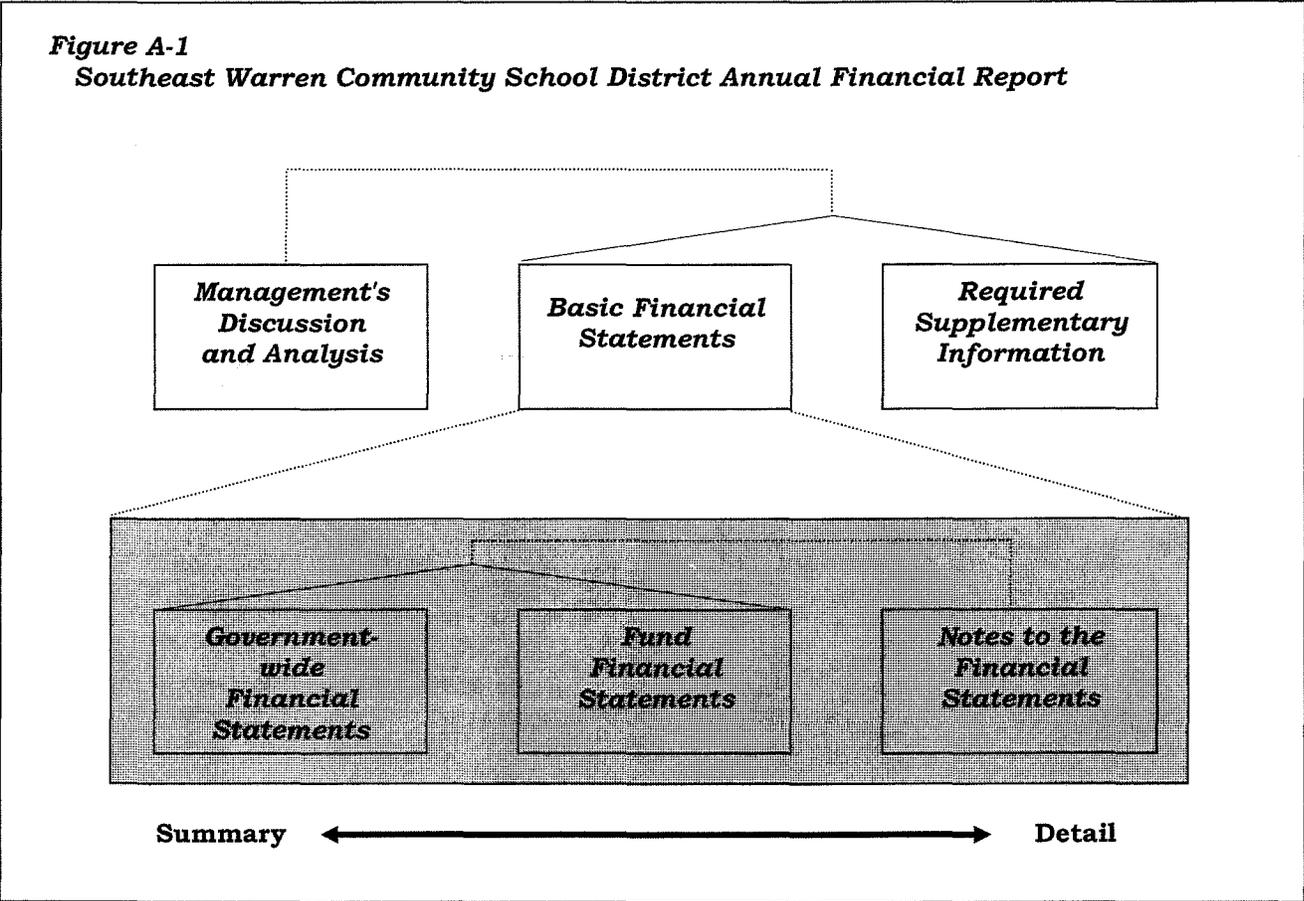


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund – 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 total net assets at June 30, 2009 compared June 30, 2008.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,960,333	4,329,811	146,678	156,431	5,107,011	4,486,242	13.84%
Capital assets	4,528,420	4,597,393	88,741	99,464	4,617,161	4,696,857	-1.70%
Total assets	<u>9,488,753</u>	<u>8,927,204</u>	<u>235,419</u>	<u>255,895</u>	<u>9,724,172</u>	<u>9,183,099</u>	<u>5.89%</u>
Long-term obligations	2,581,303	2,764,398	0	0	2,581,303	2,764,398	-6.62%
Other liabilities	3,602,036	3,348,116	47,682	38,795	3,649,718	3,386,911	7.76%
Total liabilities	<u>6,183,339</u>	<u>6,112,514</u>	<u>47,682</u>	<u>38,795</u>	<u>6,231,021</u>	<u>6,151,309</u>	<u>1.30%</u>
Net assets:							
Invested in capital assets, net of related debt	2,013,420	1,892,393	88,741	99,464	2,102,161	1,991,857	5.54%
Restricted	983,418	772,002	0	0	983,418	772,002	27.39%
Unrestricted	308,576	150,295	98,996	117,636	407,572	267,931	52.12%
Total net assets	<u>\$ 3,305,414</u>	<u>2,814,690</u>	<u>187,737</u>	<u>217,100</u>	<u>3,493,151</u>	<u>3,031,790</u>	<u>15.22%</u>

The District's combined net assets increased by 15.22% or \$461,361 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, 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 \$211,416 or 27.39% over the prior year. The increase in restricted net assets is attributable in part to the increase in fund balance for the Capital Projects Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$139,641 or 52.12%. The increase in unrestricted net assets is attributable to the increase in fund balance for the General Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 386,026	346,690	224,530	227,162	610,556	573,852	6.40%
Operating grants and contributions and restricted interest	858,571	741,845	102,480	134,611	961,051	876,456	9.65%
General revenues:							
Property tax	1,869,842	1,745,477	0	0	1,869,842	1,745,477	7.12%
Income surtax	214,579	187,028	0	0	214,579	187,028	14.73%
Statewide sales and service tax	329,371	329,564	0	0	329,371	329,564	-0.06%
Unrestricted state grants	2,601,061	2,672,575	0	0	2,601,061	2,672,575	-2.68%
Other	170,241	104,354	2,022	2,854	172,263	107,208	60.68%
Total revenues	<u>6,429,691</u>	<u>6,127,533</u>	<u>329,032</u>	<u>364,627</u>	<u>6,758,723</u>	<u>6,492,160</u>	<u>4.11%</u>
Program expenses:							
Governmental activities:							
Instruction	3,762,303	3,802,577	0	0	3,762,303	3,802,577	-1.06%
Support services	1,627,004	1,634,535	20,262	27,270	1,647,266	1,661,805	-0.87%
Non-instructional programs	0	0	338,133	345,459	338,133	345,459	-2.12%
Other expenses	549,660	530,136	0	0	549,660	530,136	3.68%
Total expenses	<u>5,938,967</u>	<u>5,967,248</u>	<u>358,395</u>	<u>372,729</u>	<u>6,297,362</u>	<u>6,339,977</u>	<u>-0.67%</u>
Changes in net assets	490,724	160,285	(29,363)	(8,102)	461,361	152,183	203.16%
Net assets beginning of year	<u>2,814,690</u>	<u>2,654,405</u>	<u>217,100</u>	<u>225,202</u>	<u>3,031,790</u>	<u>2,879,607</u>	<u>5.28%</u>
Net assets end of year	<u>\$ 3,305,414</u>	<u>2,814,690</u>	<u>187,737</u>	<u>217,100</u>	<u>3,493,151</u>	<u>3,031,790</u>	<u>15.22%</u>

In fiscal 2009, local tax (property tax, income surtax and statewide sales and services tax) and unrestricted state grants account for 78.00% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.39% of the revenue from business type activities.

The District's total revenues were approximately \$6.76 million of which \$6.43 million was for governmental activities and \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.11% in revenues and a 0.67% decrease in expenses. The increase in revenues can be attributable to the increase in local and state sources of revenues during fiscal 2009.

## Governmental Activities

Revenues for governmental activities were \$6,429,691 and expenses were \$5,938,967. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,762,303	3,802,577	-1.06%	2,734,574	2,920,299	-6.36%
Support services	1,627,004	1,634,535	-0.46%	1,612,953	1,623,511	-0.65%
Other expenses	549,660	530,136	3.68%	346,843	334,903	3.57%
Totals	<u>\$ 5,938,967</u>	<u>5,967,248</u>	<u>-0.47%</u>	<u>4,694,370</u>	<u>4,878,713</u>	<u>-3.78%</u>

- The cost financed by users of the District's programs was \$386,026.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$858,571.
- The net cost of governmental activities was financed with \$1,869,842 in property tax, \$214,579 in income surtax, \$329,371 in statewide sales and service tax, \$2,601,061 in unrestricted state grants, \$33,423 in interest income and \$136,818 of other revenues.

## Business type Activities

Revenues of the District's business type activities were \$329,032 and expenses were \$358,395. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,185,197, above last year's ending fund balances of \$831,844.

## Governmental Fund Highlights

- The District's improved General Fund financial position is the product of many factors. Increases in local and state revenues during the year, resulted in an increase in revenues. The increased fund revenues were more than fund expenditures which saw a slight decline during the year, thus ensuring the improvement in General Fund balance.
- The Management Levy fund balance decreased from \$226,349 to \$196,318. The growth in fund revenues was outpaced by increases in expenditures causing the reduction in fund balance.

- The Capital Projects fund balance increased from \$323,617 in 2008, to \$457,694 in 2009 as a result of substantially reduced expenditures. This represents a 41.43% increase over the fiscal 2008 ending fund balance.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$188,275 at June 30, 2008 to \$168,565 at June 30, 2009, representing a decrease of approximately 10.47%. The Day Care Fund net assets decreased from \$28,825 in 2008, to \$19,172 in 2009, due to a decrease in federal revenues during the year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$351,329 less than budgeted revenues, a variance of 4.96%. The most significant dollar variance resulted from the District receiving less in state sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$4.6 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 amount represents a net decrease of 1.70% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$221,520.

The original cost of the District's capital assets was \$7,704,286. Governmental funds account for \$7,488,590 with the remainder of \$215,696 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category due in part to the District's purchase of a new Thomas bus, John Deere lawn mower and a 2007 Chrysler minivan. The District's machinery and equipment totaled \$346,506 at June 30, 2008 compared to \$374,089 at June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2008-09
Land	\$ 15,174	15,174	0	0	15,174	15,174	0.00%
Buildings	3,927,435	4,042,160	0	0	3,927,435	4,042,160	-2.84%
Land improvements	300,463	293,017	0	0	300,463	293,017	2.54%
Machinery and equipment	285,348	247,042	88,741	99,464	374,089	346,506	7.96%
Total	\$ 4,528,420	4,597,393	88,741	99,464	4,617,161	4,696,857	-1.70%

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## Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$2,581,303 in general obligation bonds, early retirement and compensated absences. This represents a decrease of approximately 6.62% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,515,000 at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$48,443 at June 30, 2009.

The District also had total outstanding compensated absences of \$17,860 at June 30, 2009.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30, 2009	2008	June 30, 2008-09
General obligation bonds	\$ 2,515,000	2,705,000	-7.02%
Early retirement	48,443	43,268	11.96%
Compensated absences	17,860	16,130	10.73%
Total	<u>\$ 2,581,303</u>	<u>2,764,398</u>	<u>-6.62%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, to 6.35% on July 1, 2008, and will increase to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Southeast Warren Community Schools' employer benefit costs over the next four years.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2009, the Southeast Warren Community School District had 91 students enrolled out of the district and 30.2 students enrolled into the district.

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- The Daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to help maintain the health of the District.

### **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 Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 742,574	0	742,574
Other	1,658,128	130,013	1,788,141
Receivables:			
Property tax:			
Delinquent	40,309	0	40,309
Succeeding year	2,071,947	0	2,071,947
Income surtax	179,215	0	179,215
Accounts	22,668	8,779	31,447
Accrued ISCAP interest	92	0	92
Due from other governments	245,400	0	245,400
Inventories	0	7,886	7,886
Capital assets, net of accumulated depreciation	4,528,420	88,741	4,617,161
<b>Total assets</b>	<b>9,488,753</b>	<b>235,419</b>	<b>9,724,172</b>
<b>Liabilities</b>			
Accounts payable	76,346	20,467	96,813
Salaries and benefits payable	541,934	24,346	566,280
Due to other governments	91,751	0	91,751
Accrued interest payable	6,115	0	6,115
ISCAP warrants payable	731,000	0	731,000
ISCAP accrued interest payable	91	0	91
ISCAP unamortized premium	14,151	0	14,151
Deferred revenue:			
Succeeding year property tax	2,071,947	0	2,071,947
Other	68,701	0	68,701
Unearned revenue	0	2,869	2,869
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	240,000	0	240,000
Early retirement	48,443	0	48,443
Compensated absences	17,860	0	17,860
Portion due after one year:			
General obligation bonds	2,275,000	0	2,275,000
<b>Total liabilities</b>	<b>6,183,339</b>	<b>47,682</b>	<b>6,231,021</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,013,420	88,741	2,102,161
Restricted for:			
Categorical funding	171,401	0	171,401
Management levy	147,875	0	147,875
Physical plant and equipment levy	130,208	0	130,208
Capital projects	457,694	0	457,694
Debt service	29,110	0	29,110
Other special revenue purposes	47,130	0	47,130
Unrestricted	308,576	98,996	407,572
<b>Total net assets</b>	<b>\$ 3,305,414</b>	<b>187,737</b>	<b>3,493,151</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 2,246,968	138,372	621,915	(1,486,681)	0	(1,486,681)
Special	939,214	95,558	27,986	(815,670)	0	(815,670)
Other	576,121	138,825	5,073	(432,223)	0	(432,223)
	<u>3,762,303</u>	<u>372,755</u>	<u>654,974</u>	<u>(2,734,574)</u>	<u>0</u>	<u>(2,734,574)</u>
Support services:						
Student	139,040	0	0	(139,040)	0	(139,040)
Instructional staff	186,462	0	0	(186,462)	0	(186,462)
Administration	529,103	0	0	(529,103)	0	(529,103)
Operation and maintenance of plant	434,659	0	0	(434,659)	0	(434,659)
Transportation	337,740	13,271	780	(323,689)	0	(323,689)
	<u>1,627,004</u>	<u>13,271</u>	<u>780</u>	<u>(1,612,953)</u>	<u>0</u>	<u>(1,612,953)</u>
Other expenditures:						
Facilities acquisitions	102,895	0	0	(102,895)	0	(102,895)
Long-term debt interest	112,168	0	0	(112,168)	0	(112,168)
AEA flowthrough	202,817	0	202,817	0	0	0
Depreciation(unallocated) *	131,780	0	0	(131,780)	0	(131,780)
	<u>549,660</u>	<u>0</u>	<u>202,817</u>	<u>(346,843)</u>	<u>0</u>	<u>(346,843)</u>
Total governmental activities	5,938,967	386,026	858,571	(4,694,370)	0	(4,694,370)
<b>Business Type activities:</b>						
Support services:						
Administration	1,377	0	0	0	(1,377)	(1,377)
Operation and maintenance of plant	18,885	0	0	0	(18,885)	(18,885)
	<u>20,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,262)</u>	<u>(20,262)</u>
Non-instructional programs:						
Nutrition services	248,758	145,701	97,837	0	(5,220)	(5,220)
Day care	89,375	78,829	4,643	0	(5,903)	(5,903)
	<u>338,133</u>	<u>224,530</u>	<u>102,480</u>	<u>0</u>	<u>(11,123)</u>	<u>(11,123)</u>
Total business type activities	358,395	224,530	102,480	0	(31,385)	(31,385)
Total	\$ 6,297,362	610,556	961,051	(4,694,370)	(31,385)	(4,725,755)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,523,288	0	1,523,288
Capital outlay				35,485	0	35,485
Debt service				311,069	0	311,069
Income surtax				214,579	0	214,579
Statewide sales and service tax				329,371	0	329,371
Unrestricted state grants				2,601,061	0	2,601,061
Unrestricted investment earnings				33,423	944	34,367
Other general revenues				136,818	1,078	137,896
Total general revenues				<u>5,185,094</u>	<u>2,022</u>	<u>5,187,116</u>
Changes in net assets				490,724	(29,363)	461,361
Net assets beginning of year				<u>2,814,690</u>	<u>217,100</u>	<u>3,031,790</u>
Net assets end of year				<u>\$ 3,305,414</u>	<u>187,737</u>	<u>3,493,151</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Other Nonmajor			Total
	General	Capital Projects	Governmental Funds	
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 742,574	0	0	742,574
Other	922,939	334,099	401,090	1,658,128
Receivables:				
Property tax:				
Delinquent	30,686	0	9,623	40,309
Succeeding year	1,619,671	0	452,276	2,071,947
Income surtax	179,215	0	0	179,215
Interfund	0	0	2,856	2,856
Accounts	19,822	2,460	386	22,668
Accrued ISCAP interest	92	0	0	92
Due from other governments	96,928	148,472	0	245,400
<b>Total assets</b>	<b>\$ 3,611,927</b>	<b>485,031</b>	<b>866,231</b>	<b>4,963,189</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	2,856	0	2,856
Accounts payable	40,676	24,481	11,189	76,346
Salaries and benefits payable	541,934	0	0	541,934
Due to other governments	91,751	0	0	91,751
ISCAP warrants payable	731,000	0	0	731,000
ISCAP accrued interest payable	91	0	0	91
ISCAP unamortized premium	14,151	0	0	14,151
Deferred revenue:				
Succeeding year property tax	1,619,671	0	452,276	2,071,947
Income surtax	179,215	0	0	179,215
Other	68,701	0	0	68,701
<b>Total liabilities</b>	<b>3,287,190</b>	<b>27,337</b>	<b>463,465</b>	<b>3,777,992</b>
Fund balances:				
Reserved for:				
Categorical funding	171,401	0	0	171,401
Debt service	0	0	29,110	29,110
Unreserved	153,336	457,694	373,656	984,686
<b>Total fund balances</b>	<b>324,737</b>	<b>457,694</b>	<b>402,766</b>	<b>1,185,197</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,611,927</b>	<b>485,031</b>	<b>866,231</b>	<b>4,963,189</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

**Total fund balances of governmental funds (page 16)** \$ 1,185,197

***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. 4,528,420

Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (6,115)

Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period. 179,215

Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (2,581,303)

**Net assets of governmental activities (page 14)** \$ 3,305,414

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,629,381	329,371	446,379	2,405,131
Tuition	212,240	0	0	212,240
Other	175,372	10,800	149,813	335,985
State sources	3,318,896	0	341	3,319,237
Federal sources	135,322	0	0	135,322
Total revenues	<u>5,471,211</u>	<u>340,171</u>	<u>596,533</u>	<u>6,407,915</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,186,119	0	55,674	2,241,793
Special	938,870	0	0	938,870
Other	441,253	0	136,237	577,490
	<u>3,566,242</u>	<u>0</u>	<u>191,911</u>	<u>3,758,153</u>
Support services:				
Student	141,964	0	0	141,964
Instructional staff	182,596	13,158	0	195,754
Administration	493,770	0	27,421	521,191
Operation and maintenance of plant	397,231	0	38,424	435,655
Transportation	267,788	87,011	16,504	371,303
	<u>1,483,349</u>	<u>100,169</u>	<u>82,349</u>	<u>1,665,867</u>
Other expenditures:				
Facilities acquisitions	0	99,166	28,230	127,396
Long-term debt:				
Principal	0	0	195,000	195,000
Interest	0	0	133,868	133,868
AEA flowthrough	202,817	0	0	202,817
	<u>202,817</u>	<u>99,166</u>	<u>357,098</u>	<u>659,081</u>
Total expenditures	<u>5,252,408</u>	<u>199,335</u>	<u>631,358</u>	<u>6,083,101</u>
Excess(Deficiency) of revenues over(under) expenditures	218,803	140,836	(34,825)	324,814
<b>Other financing sources(uses):</b>				
Sale of equipment	16,427	0	0	16,427
Transfers in	0	0	6,759	6,759
Transfers out	0	(6,759)	0	(6,759)
Issuance of bonds	0	0	2,515,000	2,515,000
Premium on bonds	0	0	46,011	46,011
Discount on bonds	0	0	(30,180)	(30,180)
Payment to escrow agent	0	0	(2,510,000)	(2,510,000)
Cost of issuance	0	0	(8,719)	(8,719)
Total other financing sources(uses)	<u>16,427</u>	<u>(6,759)</u>	<u>18,871</u>	<u>28,539</u>
Net change in fund balances	235,230	134,077	(15,954)	353,353
Fund balance beginning of year	89,507	323,617	418,720	831,844
Fund balance end of year	<u>\$ 324,737</u>	<u>457,694</u>	<u>402,766</u>	<u>1,185,197</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 353,353

*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, depreciation expense and loss on asset disposal in the year are as follows:

Capital outlays	\$ 141,062	
Depreciation expense	(206,723)	
Loss on asset disposal	<u>(3,312)</u>	(68,973)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	\$ (2,515,000)	
Repaid	<u>2,705,000</u>	190,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 14,588

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,661

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

Early retirement	\$ (5,175)	
Compensated absences	<u>(1,730)</u>	<u>(6,905)</u>

Changes in net assets of governmental activities (page 15) \$ 490,724

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and pooled investments	\$ 100,579	29,434	130,013
Accounts receivable	8,314	465	8,779
Inventories	7,886	0	7,886
Capital assets, net of accumulated depreciation	86,878	1,863	88,741
<b>Total assets</b>	<b>203,657</b>	<b>31,762</b>	<b>235,419</b>
<b>Liabilities</b>			
Accounts payable	7,877	12,590	20,467
Salaries and benefits payable	24,346	0	24,346
Unearned revenues	2,869	0	2,869
<b>Total liabilities</b>	<b>35,092</b>	<b>12,590</b>	<b>47,682</b>
<b>Net Assets</b>			
Invested in capital assets	86,878	1,863	88,741
Unrestricted	81,687	17,309	98,996
<b>Total net assets</b>	<b>\$ 168,565</b>	<b>19,172</b>	<b>187,737</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 145,701	78,829	224,530
Miscellaneous	763	315	1,078
TOTAL OPERATING REVENUES	<u>146,464</u>	<u>79,144</u>	<u>225,608</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	42	0	42
Other	1,267	68	1,335
Operation and maintenance of plant:			
Salaries	7,432	0	7,432
Benefits	1,040	0	1,040
Services	6,208	1,435	7,643
Supplies	0	2,770	2,770
Total support services	<u>15,989</u>	<u>4,273</u>	<u>20,262</u>
Non-instructional programs:			
Salaries	69,943	62,192	132,135
Benefits	26,029	11,531	37,560
Services	175	0	175
Supplies	138,080	14,261	152,341
Depreciation	14,531	266	14,797
Total non-instructional programs	<u>248,758</u>	<u>88,250</u>	<u>337,008</u>
TOTAL OPERATING EXPENSES	<u>264,747</u>	<u>92,523</u>	<u>357,270</u>
OPERATING LOSS	<u>(118,283)</u>	<u>(13,379)</u>	<u>(131,662)</u>
NON-OPERATING REVENUES (EXPENSES):			
Loss on disposal	0	(1,125)	(1,125)
State sources	2,967	0	2,967
Federal sources	94,870	4,643	99,513
Interest income	736	208	944
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>98,573</u>	<u>3,726</u>	<u>102,299</u>
Changes in net assets	(19,710)	(9,653)	(29,363)
Net assets beginning of year	<u>188,275</u>	<u>28,825</u>	<u>217,100</u>
Net assets end of year	<u>\$ 168,565</u>	<u>19,172</u>	<u>187,737</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 148,122	0	148,122
Cash received from miscellaneous operating activities	763	84,193	84,956
Cash payments to employees for services	(102,807)	(73,723)	(176,530)
Cash payments to suppliers for goods or services	(121,563)	(18,415)	(139,978)
Net cash used in operating activities	(75,485)	(7,945)	(83,430)
Cash flows from non-capital financing activities:			
State grants received	2,967	0	2,967
Federal grants received	87,805	4,643	92,448
Net cash provided by non-capital financing activities	90,772	4,643	95,415
Cash flows from capital and related financing activities:			
Purchase of capital assets	(5,199)	0	(5,199)
Cash flows from investing activities:			
Interest on investments	736	208	944
Net increase(decrease) in cash and cash equivalents	10,824	(3,094)	7,730
Cash and cash equivalents at beginning of year	89,755	32,528	122,283
Cash and cash equivalents at end of year	\$ 100,579	29,434	130,013
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (118,283)	(13,379)	(131,662)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	16,270	0	16,270
Depreciation	14,531	266	14,797
Decrease in inventories	1,298	0	1,298
Decrease in accounts receivable	1,931	5,049	6,980
Increase in accounts payable	6,641	119	6,760
Increase in salaries and benefits payable	1,637	0	1,637
Increase in unearned revenue	490	0	490
Net cash provided used in operating activities	\$ (75,485)	(7,945)	(83,430)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$16,270.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2009

	Agency
<b>Assets</b>	
Cash and pooled investments	\$ 157
Accounts receivable	349
<b>Total assets</b>	\$ 506
<b>Liabilities</b>	
Accounts payable	\$ 349
Due to other groups	157
<b>Total liabilities</b>	\$ 506

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Warren and Lucas 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, Southeast Warren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Warren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the DayCare Fund. The School Nutrition Fund is used to account for the food service operations of the District while the DayCare Fund is used to account for childcare services provided by the District to employees and other families in the community.

The District reports the following fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise 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 nonoperating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the District adopted one budget amendment increasing the budgeted amount for other expenditures by \$2,560,000.

(2) **Cash and Pooled Investments**

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

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

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 1,548,250

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

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

**(3) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 6,759

The amount transferred from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales and service tax that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

**(4) Interfund Receivable/Payable**

At June 30, 2009 the interfund receivable and payable consisted of the following:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	\$ 2,856

The amount of the interfund payable from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales and service tax for the months of July and August that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

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

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 742,574	92	731,000	91

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 25<sup>th</sup> 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	\$ 0	500,000	500,000	0

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

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

**(6) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 220,262	5,199	9,765	215,696
Less accumulated depreciation	120,798	14,797	8,640	126,955
Business type activities capital assets, net	\$ 99,464	(9,598)	1,125	88,741

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,174	0	0	15,174
Total capital assets not being depreciated	15,174	0	0	15,174
Capital assets being depreciated:				
Buildings	5,797,156	0	0	5,797,156
Improvements other than buildings	334,791	24,501	0	359,292
Machinery and equipment	1,212,464	116,561	12,057	1,316,968
Total capital assets being depreciated	7,344,411	141,062	12,057	7,473,416
Less accumulated depreciation for:				
Buildings	1,754,996	114,725	0	1,869,721
Improvements other than buildings	41,774	17,055	0	58,829
Machinery and equipment	965,422	74,943	8,745	1,031,620
Total accumulated depreciation	2,762,192	206,723	8,745	2,960,170
Total capital assets being depreciated, net	4,582,219	(65,661)	3,312	4,513,246
Governmental activities capital assets, net	\$ 4,597,393	(65,661)	3,312	4,528,420

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 344
Other		342
Support services:		
Student		732
Instructional staff		4,888
Administration		9,656
Operation and maintenance of plant		6,114
Transportation		52,867
		74,943
Unallocated depreciation		131,780
Total governmental activities depreciation expense		\$ 206,723
Business type activities:		
Food services		\$ 14,531
Day care		266
Total business type activities depreciation expense		\$ 14,797

**(7) Long-Term Liabilities**

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

	Balance			Balance	Due
	Beginning of Year	Additions	Deletions	End of Year	Within One Year
General Obligation Bonds	\$ 2,705,000	2,515,000	2,705,000	2,515,000	240,000
Early retirement	43,268	48,443	43,268	48,443	48,443
Compensated absences	16,130	17,860	16,130	17,860	17,860
Total	\$ 2,764,398	2,581,303	2,764,398	2,581,303	306,303

#### General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 27, 2009				
	Interest Rates	Principal	Interest	Total	
2010	3.250 %	\$ 240,000	79,574	319,574	
2011	3.250	240,000	77,969	317,969	
2012	3.250	245,000	70,169	315,169	
2013	3.250	255,000	62,206	317,206	
2014	3.250	265,000	53,919	318,919	
2015	3.250	275,000	45,306	320,306	
2016	3.375	280,000	36,025	316,025	
2017	3.500	295,000	26,225	321,225	
2018	3.700	300,000	15,900	315,900	
2019	4.000	120,000	4,800	124,800	
Total		\$ 2,515,000	472,093	2,987,093	

#### Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to fifty percent of the employee's base salary. Payment will be made in one lump sum in September. Early retirement benefits paid during the year ended June 30, 2009, totaled \$43,268.

#### **(8) Bond Defeasement**

On May 27, 2009, the District issued \$2,515,000 in general obligation bonds to call \$2,510,000 of the outstanding general obligation bonds dated October 14, 1998. The new advance refunding bonds have been added to the appropriate financial statements. The defeasement of principal and interest for the year was \$2,510,000 and \$0 respectively. The present value of savings of this bond refunding is \$160,827.

#### **(9) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits 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 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 \$198,176, \$195,476 and \$177,974, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits**

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

**(11) Risk Management**

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

**(12) 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 \$202,817 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.

(13) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Market factor incentives	\$ 4,168
Professional development	16,787
Gifted and talented programs	26,097
Professional development for model core curriculum	7,136
Beginning teacher mentoring and induction program	5,752
Salary improvement program	407
Four-year-old preschool state aid	81,214
Early intervention	6,411
Weighted at-risk programs	11,369
Returning dropouts and dropout prevention programs	12,060
Total	<u>\$ 171,401</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,953,356	226,552	3,179,908	3,238,771	3,238,771	(58,863)
Intermediate sources	0	0	0	3,200	3,200	(3,200)
State sources	3,319,237	2,967	3,322,204	3,533,457	3,533,457	(211,253)
Federal sources	135,322	99,513	234,835	312,848	312,848	(78,013)
Total revenues	6,407,915	329,032	6,736,947	7,088,276	7,088,276	(351,329)
Expenditures/Expenses:						
Instruction	3,758,153	0	3,758,153	4,256,600	4,256,600	498,447
Support services	1,665,867	20,262	1,686,129	2,122,970	2,122,970	436,841
Non-instructional programs	0	338,133	338,133	601,377	601,377	263,244
Other expenditures	659,081	0	659,081	1,110,394	3,670,394	3,011,313
Total expenditures/expenses	6,083,101	358,395	6,441,496	8,091,341	10,651,341	4,209,845
Excess(deficiency) of revenues over(under) expenditures/expenses	324,814	(29,363)	295,451	(1,003,065)	(3,563,065)	3,858,516
Other financing sources, net	28,539	0	28,539	5,000	5,000	23,539
Excess(deficiency) of revenues over(under) expenditures/expenses	353,353	(29,363)	323,990	(998,065)	(3,558,065)	3,882,055
Balance beginning of year	831,844	217,100	1,048,944	1,118,961	1,118,961	(70,017)
Balance end of year	\$ 1,185,197	187,737	1,372,934	120,896	(2,439,104)	3,812,038

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District adopted one budget amendment increasing total expenditures by \$2,560,000.

OTHER SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 194,166	48,845	132,887	375,898	25,192	401,090
Receivables:						
Property tax:						
Current year delinquent	2,152	0	765	2,917	6,706	9,623
Succeeding year	100,000	0	37,546	137,546	314,730	452,276
Interfund	0	0	0	0	2,856	2,856
Accounts	0	386	0	386	0	386
<b>Total assets</b>	<b>\$ 296,318</b>	<b>49,231</b>	<b>171,198</b>	<b>516,747</b>	<b>349,484</b>	<b>866,231</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 0	2,101	3,444	5,545	5,644	11,189
Deferred revenue:						
Succeeding year property tax	100,000	0	37,546	137,546	314,730	452,276
<b>Total liabilities</b>	<b>100,000</b>	<b>2,101</b>	<b>40,990</b>	<b>143,091</b>	<b>320,374</b>	<b>463,465</b>
Fund balances:						
Reserved for debt service	0	0	0	0	29,110	29,110
Unreserved	196,318	47,130	130,208	373,656	0	373,656
<b>Total fund balances</b>	<b>196,318</b>	<b>47,130</b>	<b>130,208</b>	<b>373,656</b>	<b>29,110</b>	<b>402,766</b>
<b>Total liabilities and fund balances</b>	<b>\$ 296,318</b>	<b>49,231</b>	<b>171,198</b>	<b>516,747</b>	<b>349,484</b>	<b>866,231</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical	Total Special Revenue	Debt Service	Total Other Nonmajor Governmental Funds
			Plant and Equipment Levy			
REVENUES:						
Local sources:						
Local tax	\$ 99,825	0	35,485	135,310	311,069	446,379
Other	7,733	140,243	1,290	149,266	547	149,813
State sources	76	0	27	103	238	341
TOTAL REVENUES	107,634	140,243	36,802	284,679	311,854	596,533
EXPENDITURES:						
Current:						
Instruction:						
Regular	55,674	0	0	55,674	0	55,674
Other	0	136,237	0	136,237	0	136,237
Support services:						
Administration	27,421	0	0	27,421	0	27,421
Operation and maintenance of plant	38,066	358	0	38,424	0	38,424
Transportation	16,504	0	0	16,504	0	16,504
Other expenditures:						
Facilities acquisitions	0	0	28,230	28,230	0	28,230
Long-term debt:						
Principal	0	0	0	0	195,000	195,000
Interest	0	0	0	0	133,868	133,868
TOTAL EXPENDITURES	137,665	136,595	28,230	302,490	328,868	631,358
Excess(Deficiency) of revenues over(under) expenditures	(30,031)	3,648	8,572	(17,811)	(17,014)	(34,825)
Other financing sources(uses):						
Transfers in	0	0	0	0	6,759	6,759
Issuance of bonds	0	0	0	0	2,515,000	2,515,000
Premium on bonds	0	0	0	0	46,011	46,011
Discount on bonds	0	0	0	0	(30,180)	(30,180)
Payment to escrow agent	0	0	0	0	(2,510,000)	(2,510,000)
Cost of issuance	0	0	0	0	(8,719)	(8,719)
Total other financing sources(uses)	0	0	0	0	18,871	18,871
Net change in fund balances	(30,031)	3,648	8,572	(17,811)	1,857	(15,954)
Fund balance beginning of year	226,349	43,482	121,636	391,467	27,253	418,720
Fund balance end of year	\$ 196,318	47,130	130,208	373,656	29,110	402,766

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,093	1,705	1,168	2,630
Speech	0	400	137	263
Vocal Music	0	220	220	0
Vocal-NY Trip	0	28,924	19,273	9,651
Instrumental Music	0	996	996	0
Band Trip-HS	577	0	0	577
Band Trip-JH	598	0	0	598
I-Music Flags	17	1,922	1,464	475
Cheerleaders	266	3,573	2,980	859
JH Cheer	756	0	0	756
Dance Team	1,850	4,056	4,932	974
Dance Team-JH	123	0	0	123
Athletic Gates	0	23,486	23,486	0
Tournaments	1,192	2,520	2,256	1,456
Athletic Boosters	0	2,200	156	2,044
Uniforms	0	5,891	0	5,891
Basketball-Boys	4,980	1,825	2,322	4,483
Basketball-Girls	1,749	1,477	1,837	1,389
Volleyball	0	1,618	1,618	0
Volleyball Camp	382	731	642	471
Weightlifting	907	373	0	1,280
Track	0	414	414	0
Football	10,951	1,836	8,965	3,822
Baseball	0	4,361	4,361	0
Wrestling	0	1,188	394	794
Softball	2,349	211	793	1,767
Class of 07	499	0	499	0
Class of 08	49	0	49	0
Class of 2009	0	39	39	0
Class of 2010	0	4,739	4,739	0
Class of 2012	0	5,329	4,825	504
Class of 2013	0	342	261	81
Art Club	123	0	0	123
FBLA	2	2,220	2,217	5
FFA	5,027	20,709	21,156	4,580
FCCLA	0	2,435	2,435	0
Nat. Honor Society	810	163	253	720
Spanish Club	984	2,018	2,875	127
Yearbook	(6,248)	2,753	3,346	(6,841)
SH Student Council	1,645	1,006	1,815	836
JH Student Council	0	54	0	54
Student Teacher Assoc.	0	910	596	314
Est. Comm. Pride	16	0	0	16
ELP Trips	889	20	109	800
JR-SR High Activities	931	360	823	468
High School Fundraiser	5,771	4,291	9,166	896
JEL/SADD	497	0	0	497
Elem Yearbook	1,805	1,456	1,325	1,936
Primary Activities	923	275	443	755
Intermed. Activities	969	481	494	956
Interest Income	0	705	705	0
Utility	0	11	11	0
Total	\$ 43,482	140,243	136,595	47,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 57	52,689	52,589	157
Accounts receivable	927	349	927	349
<b>Total assets</b>	<b>\$ 984</b>	<b>53,038</b>	<b>53,516</b>	<b>506</b>
<b>Liabilities</b>				
Accounts payable	\$ 827	349	827	349
Due to other groups	157	52,689	52,689	157
<b>Total liabilities</b>	<b>\$ 984</b>	<b>53,038</b>	<b>53,516</b>	<b>506</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,405,131	2,254,898	2,292,590	2,216,414	2,184,579	1,935,298
Tuition	212,240	179,254	188,992	196,436	192,380	150,073
Other	335,985	265,637	313,790	296,544	232,777	246,347
Intermediate sources	0	2,833	3,406	0	0	0
State sources	3,319,237	3,270,365	2,983,104	2,814,914	2,724,681	2,605,662
Federal sources	135,322	140,719	129,633	163,051	163,066	180,250
<b>Total</b>	<b>\$ 6,407,915</b>	<b>6,113,706</b>	<b>5,911,515</b>	<b>5,687,359</b>	<b>5,497,483</b>	<b>5,117,630</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,241,793	2,295,864	2,063,809	1,914,385	1,824,019	1,896,490
Special	938,870	906,039	953,522	900,548	811,582	751,279
Other	577,490	592,087	548,885	578,639	523,212	442,153
Support services:						
Student	141,964	167,076	146,860	149,252	146,397	89,499
Instructional staff	195,754	191,217	211,074	166,824	169,643	143,206
Administration	521,191	519,584	507,387	509,590	461,651	441,472
Operation and maintenance of plant	435,655	446,675	442,698	458,116	404,320	403,734
Transportation	371,303	421,353	261,682	289,579	191,592	214,966
Other expenditures:						
Facilities acquisitions	127,396	371,858	93,361	85,882	184,592	6,069
Long-term debt:						
Principal	195,000	190,000	180,000	213,705	160,000	155,000
Interest	133,868	134,115	143,115	158,693	159,615	167,265
AEA flow-through	202,817	195,233	184,399	171,073	167,064	165,576
<b>Total</b>	<b>\$ 6,083,101</b>	<b>6,431,101</b>	<b>5,736,792</b>	<b>5,596,286</b>	<b>5,203,687</b>	<b>4,876,709</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

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

To the Board of Education of the  
Southeast Warren 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 Southeast Warren Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Warren 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 Southeast Warren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Warren 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 Southeast Warren Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southeast Warren Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

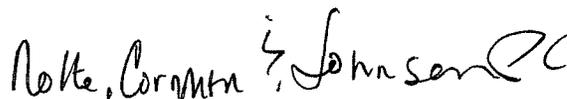
As part of obtaining reasonable assurance about whether Southeast Warren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2010

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of 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, disbursements 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.

I-B-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the Student Activity Fund had instances of purchase orders dated after the invoice.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We have reviewed the purchase order procedures with District employees to ensure their proper usage in the future.

Conclusion - Response accepted.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-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.3 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		\$	0
Statewide sales and services tax revenue			329,371
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	93,467	
Equipment		105,868	
Debt service for school infrastructure:			
General obligation debt		6,759	206,094
			<u>206,094</u>
Ending balance		\$	<u>123,277</u>
Levies reduced as a result of statewide sales and services tax received:			
		Per \$1,000	Property
		of Taxable	Tax
		Valuation	Dollars
Debt service levy		\$ 0.05941	\$ 6,759

II-L-09 Financial Condition - At the year ended June 30, 2009, there was one account in the Student Activity Fund that had a negative balance of \$6,841.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate the deficits.

Response - We will continue to monitor this account. The yearbook sponsor is working diligently to gradually clear the negative balance.

Conclusion - Response accepted.

II-M-09 Checks Outstanding - We noted during our audit that the District had checks outstanding for over a year included in the bank reconciliations of the Nutrition Fund.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will monitor outstanding checks closely to ensure there are no checks outstanding for over a year.

Conclusion - Response accepted.

II-N-09 Check Signatures - We noted during our audit, instances of checks clearing the bank with only one signature. Chapters 291.1 and 291.8 of the Code of Iowa require the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - All checks will have proper signatures in the future.

Conclusion - Response accepted.