

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2010, 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 AGWSR Community School District at June 30, 2010, 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 January 19, 2011, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues decreased from \$7,202,335 in fiscal 2009 to \$6,933,247 in fiscal 2010, while General Fund expenditures also decreased from \$7,084,059 in fiscal 2009 to \$6,851,068 in fiscal 2010. The District's General Fund balance increased from \$1,470,548 in fiscal 2009 to \$1,523,695 in fiscal 2010, a 3.6% increase.
- The decrease in expenditures was due primarily to staff reductions and other cost control measures that were implemented. The reduction in revenues was due to State of Iowa cuts in foundation aid.

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 AGWSR 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 AGWSR 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 AGWSR Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
AGWSR GASB 34 Community School District Annual Financial Report

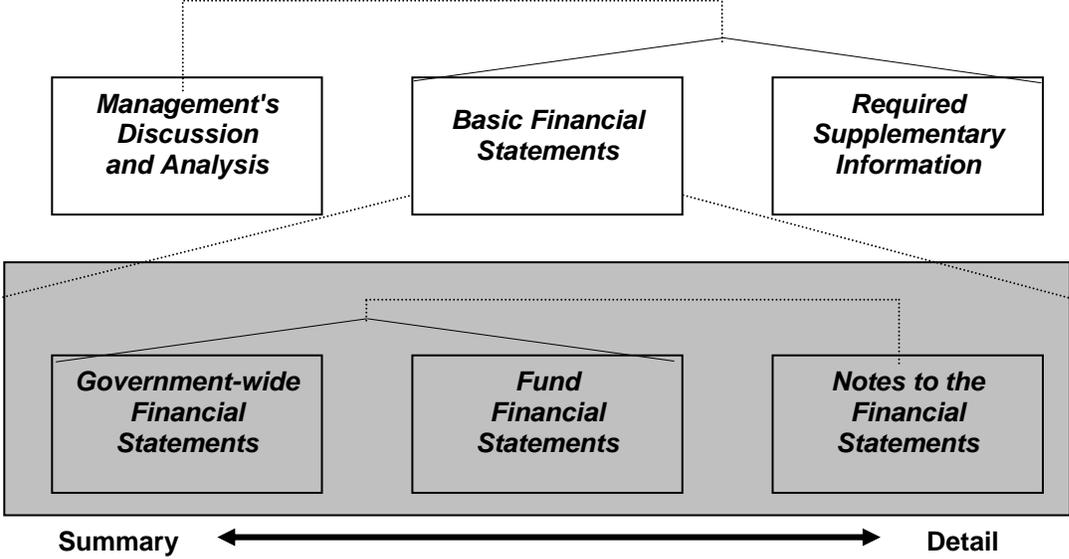


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District’s net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,966,880	8,781,966	(15,660)	48,030	7,951,220	8,829,996	11
Capital assets	4,035,621	4,154,204	124,047	106,226	4,159,668	4,260,430	2.4
Total assets	12,002,501	12,936,170	108,387	154,256	12,110,888	13,090,426	8
Long-term liabilities	921,507	1,042,878		436	921,507	1,043,314	13
Other liabilities	4,124,272	4,315,464	7,149	4,482	4,131,421	4,319,946	4.6
Total liabilities	5,045,779	5,358,342	7,149	4,918	5,052,928	5,363,260	6.1
Net Assets:							
Invested in capital assets, net of related debt	3,502,286	3,754,202	124,047	106,226	3,626,333	3,860,428	6.5
Restricted	1,811,875	2,200,193			1,811,875	2,200,193	21.4
Unrestricted	1,642,561	1,623,433	(22,809)	43,112	1,619,752	1,666,545	2.9
TOTAL NET ASSETS	6,956,722	7,577,828	101,238	149,338	7,057,960	7,727,166	9.5

The District’s combined total net assets increased by over 9%, or approximately \$669,000, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$388,318 or 21% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$46,793, or 3%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	614,150	627,356	358,661	356,115	972,811	983,471	1
Operating grants & contributions	968,719	1,390,953	147,822	191,840	1,116,541	1,582,793	41.8
Capital grants & contributions	9,632				9,632		(100)
General Revenues:							
Property taxes	3,906,704	3,792,040			3,906,704	3,792,040	(2.9)
Income Surtax	521,946	635,179			521,946	635,179	21.7
Local option sales tax	436,480	415,601			436,480	415,601	(4.8)
Unrestricted state grants	2,423,868	1,816,586			2,423,868	1,816,586	(25.1)
Unrestricted investment earnings	43,441	46,040	176	168	43,617	46,208	5.9
Other revenue	27,039	45,070			27,039	45,070	66.7
Total Revenues	8,951,979	8,768,825	506,659	548,123	9,458,638	9,316,948	(1.5)
Expenses:							
Instruction	5,483,024	5,236,689			5,483,024	5,236,689	(4.5)
Support services	2,200,251	2,387,768			2,200,251	2,387,768	8.5
Non-instructional programs		968	537,139	537,104	537,139	538,072	0
Other expenditures	528,104	485,213			528,104	485,213	(8.1)
Total expenses	8,211,379	8,110,638	537,139	537,104	8,748,518	8,647,742	(1.2)
Change in net assets before transfers	740,600	658,187	(30,480)	11,019	710,120	669,206	(5.8)
Transfers		(37,081)		37,081			
CHANGE IN NET ASSETS	740,600	621,106	(30,480)	48,100	710,120	669,206	(5.8)
Net assets beginning of year	6,216,122	6,956,722	131,718	101,238	6,347,840	7,057,960	11.2
Net assets end of year	<u>6,956,722</u>	<u>7,577,828</u>	<u>101,238</u>	<u>149,338</u>	<u>7,057,960</u>	<u>7,727,166</u>	<u>9.5</u>

In fiscal year 2010 property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.5% decrease in revenues and a 1.2% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$8,768,825 and expenses were \$8,110,638. 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, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	5,483,024	5,236,689	(4.5)	4,167,200	3,518,475	(15.6)
Support Services	2,200,251	2,387,768	8.5	2,193,504	2,382,810	8.6
Non-instructional Programs		968			968	
Other Expenses	528,104	485,213	(8.1)	258,174	190,076	(26.4)
TOTAL	8,211,379	8,110,638	(1.2)	6,618,878	6,092,329	(7.96)

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$627,356. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,390,953.
- The net cost of governmental activities was financed with \$4,824,820 in property and local other taxes and \$1,816,586 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$548,123 and expenses were \$537,104. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District increased day care charges. This increase resulted in increased revenue to the enterprise fund (day care).

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,940,470, well above last year's ending fund balances of \$3,397,155. The primary reason for the increase in combined fund balances in fiscal 2010 is due to fiscal constraint concerning expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$1,470,548 to \$1,523,695, due to staff reductions and other cost savings measures.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$242,702 in fiscal 2009 to \$390,286 in fiscal 2010. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund. The balance in this fund will be used for future equipment purchases and capital improvements.
- The Capital Projects Fund balance increased from \$861,406 to \$862,935 as expenditures and revenues matched very closely.
- The Management Fund balance increased from \$729,781 in fiscal 2009 to \$1,049,781 at June 30, 2010. This balance has been accumulated to pay the District's early retirement plan liability. The fund may also be used for property and liability insurance premiums and legal settlements.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$127,016 at June 30, 2009 to \$114,764 at June 30, 2010, representing an decrease of approximately 9.6%. For fiscal 2010, the District saw a slight decline in revenues and an increase in expenditures. The district is absorbing this loss with an existing carry over balance.

The day care fund net assets grew from a deficit of (\$25,788) to a positive of \$34,574, this was due to a large private donation to this fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, AGWSR Community School District did not amended its annual budget.

The District's receipts were \$355,218 less than budgeted receipts, a variance of 3.8%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$4.26 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-6

	Capital Assets (net of depreciation)						Percentage Change 2009-2010
	Governmental Activities		Business type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	52,000	52,000			52,000	52,000	0
Construction in progress	145,124	0			145,124	0	
Buildings	2,840,795	3,003,232			2,840,795	3,003,232	5.7
Improvements	404,057	386,479			404,057	386,479	(4.3)
Equipment & furniture	593,645	712,493	124,047	106,226	717,692	818,719	14.1
TOTAL	4,035,621	4,154,204	124,047	106,226	4,159,668	4,260,430	2.4

Long-Term Debt

At June 30, 2010 the District had \$1,043,314 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District also offered an early retirement incentive plan with nine participants, allowing for staff downsizing and restructuring.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2009	2010	2009-2010
	\$	\$	%
Capital loan notes	533,335	400,002	(25)
Early retirement	388,172	614,133	58
Net OPEB liability	0	29,179	
	921,507	1,043,314	13

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by seven students. This drop in enrollment will decrease the District's funding for fiscal year 2012.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, three small vehicles must be replaced during fiscal 2011 at a cost of \$100,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund and the Sales Tax Fund.

- The District will negotiate a new agreement during fiscal 2011. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- The continued phase out of the state budget guarantee will continue to have a negative impact on the school budget.

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 Deb Barker, District Secretary/Treasurer and Business Manager, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash and cash equivalents	4,158,475	33,120	4,191,595
Receivables:			
Property tax:			
Delinquent	87,280	-	87,280
Succeeding year	3,762,708	-	3,762,708
Accounts	8,202	4,553	12,755
Accrued interest	526	-	526
Due from other governments	764,775	545	765,320
Inventories	-	9,812	9,812
Capital assets, net of accumulated depreciation	4,154,204	106,226	4,260,430
Total assets	12,936,170	154,256	13,090,426
Liabilities			
Accounts payable	143,646	1,051	144,697
Salaries and benefits payable	406,910	-	406,910
Accrued interest payable	2,200	-	2,200
Deferred revenue:			
Succeeding year property tax	3,762,708	-	3,762,708
Other	-	3,431	3,431
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Termination benefits	240,234	-	240,234
Portion due after one year:			
Capital loan notes payable	266,669	-	266,669
Termination benefits	373,899	-	373,899
Net OPEB liability	28,743	436	29,179
Total liabilities	5,358,342	4,918	5,363,260
Net assets			
Invested in capital assets, net of related debt	3,754,202	106,226	3,860,428
Restricted for:			
Categorical funding	133,435	-	133,435
Management levy	435,658	-	435,658
Physical plant and equipment levy	654,402	-	654,402
Other special revenue purposes	113,763	-	113,763
Sales tax capital projects	862,935	-	862,935
Unrestricted	1,623,433	43,112	1,666,545
Total net assets	7,577,828	149,338	7,727,166

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grant Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	3,194,122	275,739	828,808	-
Special	1,061,184	41,887	133,657	-
Other	981,383	309,730	128,393	-
	<u>5,236,689</u>	<u>627,356</u>	<u>1,090,858</u>	<u>-</u>
Support services:				
Student	96,786	-	-	-
Instructional staff	294,118	-	-	-
Administration	829,548	-	-	-
Operation and maintenance of plant	619,068	-	-	-
Transportation	548,248	-	4,958	-
	<u>2,387,768</u>	<u>-</u>	<u>4,958</u>	<u>-</u>
Non-instructional programs	<u>968</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,051	-	-	-
Long-term debt interest	16,867	-	-	-
AEA flowthrough	295,137	-	295,137	-
Depreciation (unallocated)*	149,158	-	-	-
	<u>485,213</u>	<u>-</u>	<u>295,137</u>	<u>-</u>
Total governmental activities	<u>8,110,638</u>	<u>627,356</u>	<u>1,390,953</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	266,936	131,186	123,330	-
Daycare	270,168	224,929	68,510	-
Total business-type activities	<u>537,104</u>	<u>356,115</u>	<u>191,840</u>	<u>-</u>
Total	<u>8,647,742</u>	<u>983,471</u>	<u>1,582,793</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Asset

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,089,575)	-	(2,089,575)
(885,640)	-	(885,640)
(543,260)	-	(543,260)
<u>(3,518,475)</u>	<u>-</u>	<u>(3,518,475)</u>
(96,786)	-	(96,786)
(294,118)	-	(294,118)
(829,548)	-	(829,548)
(619,068)	-	(619,068)
(543,290)	-	(543,290)
<u>(2,382,810)</u>	<u>-</u>	<u>(2,382,810)</u>
(968)	-	(968)
(24,051)	-	(24,051)
(16,867)	-	(16,867)
-	-	-
(149,158)	-	(149,158)
(190,076)	-	(190,076)
<u>(6,092,329)</u>	<u>-</u>	<u>(6,092,329)</u>
-	(12,420)	(12,420)
-	23,271	23,271
-	10,851	10,851
<u>(6,092,329)</u>	<u>10,851</u>	<u>(6,081,478)</u>
3,667,261	-	3,667,261
124,779	-	124,779
635,179	-	635,179
415,601	-	415,601
1,816,586	-	1,816,586
46,040	168	46,208
45,070	-	45,070
6,750,516	168	6,750,684
(37,081)	37,081	-
<u>6,713,435</u>	<u>37,249</u>	<u>6,750,684</u>
621,106	48,100	669,206
6,956,722	101,238	7,057,960
<u>7,577,828</u>	<u>149,338</u>	<u>7,727,166</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,872,836	746,115	1,036,255	503,269	4,158,475
Receivables:					
Property tax:					
Delinquent	70,930	-	13,536	2,814	87,280
Succeeding year	3,035,869	-	599,999	126,840	3,762,708
Accounts	8,202	-	-	-	8,202
Accrued interest	-	-	-	526	526
Due from other governments	383,839	116,820	-	264,116	764,775
Total assets	5,371,676	862,935	1,649,790	897,565	8,781,966
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	141,086	-	-	2,560	143,646
Salaries and benefits payable	406,910	-	-	-	406,910
Deferred revenue:					
Succeeding year property tax	3,035,869	-	599,999	126,840	3,762,708
Income surtax	264,116	-	-	264,116	528,232
Total liabilities	3,847,981	-	599,999	393,516	4,841,496
Fund balances:					
Reserved for:					
Categorical funding	133,435	-	-	-	133,435
Unreserved reported in:					
General Fund	1,390,260	-	-	-	1,390,260
Capital Projects Fund	-	862,935	-	-	862,935
Special Revenue Funds	-	-	1,049,791	504,049	1,553,840
Total fund balances	1,523,695	862,935	1,049,791	504,049	3,940,470
Total liabilities and fund balances	5,371,676	862,935	1,649,790	897,565	8,781,966

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	3,940,470
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,154,204
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	528,232
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,200)
Long-term liabilities, including capital loan notes payable, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,042,878)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,577,828</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,369,230	415,601	575,698	402,445	4,762,974
Tuition	240,815	-	-	-	240,815
Other	115,663	6,631	22,693	326,454	471,441
State sources	2,539,863	-	-	-	2,539,863
Federal sources	667,676	-	-	-	667,676
Total revenues	<u>6,933,247</u>	<u>422,232</u>	<u>598,391</u>	<u>728,899</u>	<u>8,682,769</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,899,837	-	105,275	-	3,005,112
Special	1,058,571	-	-	-	1,058,571
Other	667,997	-	-	309,142	977,139
	<u>4,626,405</u>	<u>-</u>	<u>105,275</u>	<u>309,142</u>	<u>5,040,822</u>
Support services:					
Student	85,315	-	-	10,600	95,915
Instructional staff	234,572	53,256	-	1,125	288,953
Administration	660,215	1,025	73,308	8,440	742,988
Operation and maintenance of plant	518,752	-	86,100	18,552	623,404
Transportation	430,672	160,896	13,698	-	605,266
	<u>1,929,526</u>	<u>215,177</u>	<u>173,106</u>	<u>38,717</u>	<u>2,356,526</u>
Non-instructional programs	-	-	-	968	968
Other expenditures:					
Facilities acquisition	-	205,526	-	58,671	264,197
Long-term debt:					
Principal	-	-	-	133,333	133,333
Interest and fiscal charges	-	-	-	17,600	17,600
AEA flowthrough	295,137	-	-	-	295,137
	<u>295,137</u>	<u>205,526</u>	<u>-</u>	<u>209,604</u>	<u>710,267</u>
Total expenditures	<u>6,851,068</u>	<u>420,703</u>	<u>278,381</u>	<u>558,431</u>	<u>8,108,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,179</u>	<u>1,529</u>	<u>320,010</u>	<u>170,468</u>	<u>574,186</u>
Other financing sources (uses):					
Sales of equipment and real property	5,960	-	-	250	6,210
Operating transfers in	-	-	-	167,396	167,396
Operating transfers out	(34,992)	-	-	(169,485)	(204,477)
Total other financing sources (uses)	<u>(29,032)</u>	<u>-</u>	<u>-</u>	<u>(1,839)</u>	<u>(30,871)</u>
Net change in fund balances	53,147	1,529	320,010	168,629	543,315
Fund balances beginning of year	1,470,548	861,406	729,781	335,420	3,397,155
Fund balances end of year	<u>1,523,695</u>	<u>862,935</u>	<u>1,049,791</u>	<u>504,049</u>	<u>3,940,470</u>

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		543,315
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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	422,134	
Depreciation expense	<u>(303,551)</u>	118,583
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		79,846
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.		
		133,333
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.		
		733
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(225,961)	
Other post employment benefits	<u>(28,743)</u>	<u>(254,704)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>621,106</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	33,120
Accounts receivable	4,553
Due from other governments	545
Inventories	9,812
Capital assets, net of accumulated depreciation	<u>106,226</u>
Total assets	<u>154,256</u>
Liabilities	
Accounts payable	1,051
Deferred revenue	3,431
Net OPEB liability	<u>436</u>
Total liabilities	<u>4,918</u>
Net assets	
Invested in capital assets	106,226
Unrestricted	<u>43,112</u>
Total net assets	<u><u>149,338</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>356,115</u>
Operating expenses:	
Non-instructional programs:	
Salaries	288,676
Benefits	44,314
Purchased services	4,596
Supplies	180,948
Depreciation	18,113
Total operating expenses	<u>536,647</u>
Operating gain (loss)	<u>(180,532)</u>
Non-operating revenues:	
State sources	2,704
Federal sources	132,108
Donations	57,028
Interest income	168
Loss on disposal of equipment	(457)
Total non-operating revenues	<u>191,551</u>
Gain (loss) before transfers	11,019
Transfers in	<u>37,081</u>
Net income	48,100
Net assets beginning of year	<u>101,238</u>
Net assets end of year	<u><u>149,338</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	131,335
Cash received from daycare services	225,993
Cash payments to employees for services	(332,554)
Cash payments to suppliers for goods or services	<u>(160,599)</u>
Net cash used by operating activities	<u>(135,825)</u>
Cash flows from non-capital financing activities:	
Interfund loan proceeds (repayments)	(51,453)
Transfers from other funds	37,081
Donations	57,028
State grants received	2,704
Federal grants received	<u>104,113</u>
Net cash provided by non-capital financing activities	<u>149,473</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(749)</u>
Cash flows from investing activities:	
Interest on investments	<u>168</u>
Net increase (decrease) in cash and cash equivalents	13,067
Cash and cash equivalents at beginning of year	<u>20,053</u>
Cash and cash equivalents at end of year	<u><u>33,120</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(180,532)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	30,953
Depreciation	18,113
Decrease (increase) in inventories	(3,343)
Decrease (increase) in accounts receivable	1,215
(Decrease) increase in accounts payable	(2,665)
(Decrease) increase in deferred revenue	(2)
(Decrease) increase in other postemployment benefits	<u>436</u>
Net cash used by operating activities	<u><u>(135,825)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$30,953 of federal commodities.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	29,297	3,104
Liabilities		
Other payables	-	3,104
Net Assets		
Reserved for scholarships	<u>29,297</u>	<u>-</u>

AGWSR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	<u>958</u>
Total additions	1,958
 Deductions:	
Support services:	
Scholarships awarded	<u>643</u>
 Change in net assets	1,315
 Net assets beginning of year	<u>27,982</u>
 Net assets end of year	<u><u>29,297</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2010

1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20-25 years
Intangibles	3-10 years
Furniture and equipment	5-20 years

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	8,397

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	150,933
Nonmajor Governmental: Student Activity Fund	General Fund	16,463
Nonmajor Enterprise: Daycare	General Fund	18,529
Nonmajor Enterprise: Daycare	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	18,552

The transfers from the Physical Plant and Equipment Levy Fund to the Debt Service Fund and from the General Fund to the Student Activity Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

The transfer from the General Fund to the Daycare Fund was to cover fund deficits.

The transfer from the Physical Plant and Equipment Levy Fund to the Daycare Fund reimbursed the Daycare fund for previous year building rent expenditures that should have been paid from the Physical Plant and Equipment Levy Fund.

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	52,000	-	-	52,000
Construction in progress	145,124	-	145,124	-
Total capital assets not being depr.	<u>197,124</u>	<u>-</u>	<u>145,124</u>	<u>52,000</u>
Capital assets being depreciated:				
Buildings	6,388,423	280,914	-	6,669,337
Improvements other than buildings	947,167	13,103	-	960,270
Furniture and equipment	2,013,754	273,241	-	2,286,995
Total capital assets being deprec.	<u>9,349,344</u>	<u>567,258</u>	<u>-</u>	<u>9,916,602</u>
Less accumulated depreciation for:				
Buildings	3,547,628	118,477	-	3,666,105
Improvements other than buildings	543,110	30,681	-	573,791
Furniture and equipment	1,420,109	154,393	-	1,574,502
Total accumulated depreciation	<u>5,510,847</u>	<u>303,551</u>	<u>-</u>	<u>5,814,398</u>
Total capital assets being depreciated, net	<u>3,838,497</u>	<u>263,707</u>	<u>-</u>	<u>4,102,204</u>
Governmental activities capital assets, net	<u>4,035,621</u>	<u>263,707</u>	<u>145,124</u>	<u>4,154,204</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	262,529	749	6,909	256,369
Less accumulated depreciation	<u>138,482</u>	<u>18,113</u>	<u>6,452</u>	<u>150,143</u>
Business type activities capital assets, net	<u>124,047</u>	<u>(17,364)</u>	<u>457</u>	<u>106,226</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	24,522
Other	13,973
Support services:	
Instructional staff	3,858
Administration services	4,184
Operation and maintenance of plant services	5,220
Transportation	<u>102,636</u>
	154,393
Unallocated depreciation	<u>149,158</u>
Total depreciation expense – governmental activities	<u>303,551</u>
Business type activities:	
Food service operations	16,536
Daycare operations	<u>1,577</u>
Total depreciation expense – business type activities	<u>18,113</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital loan notes	533,335	-	133,333	400,002	133,333
Termination benefits	388,172	403,584	177,623	614,133	240,234
Net OPEB liability	<u>-</u>	<u>28,743</u>	<u>-</u>	<u>28,743</u>	<u>-</u>
Total	<u>921,507</u>	<u>432,327</u>	<u>310,956</u>	<u>1,042,878</u>	<u>373,567</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	<u>-</u>	<u>436</u>	<u>-</u>	<u>436</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to employees during fiscal years 2009 and 2010. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 150% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2010, the District has obligations to nine participants with a total liability of \$614,133. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$177,623.

Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.30	133,333	13,200	146,533
2012	3.30	133,333	8,800	142,133
2013	3.30	133,336	4,400	137,736
		400,002	26,400	426,402

During the year the District paid \$150,933 of principal and interest on the notes.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$282,426, \$275,951, and \$254,018 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	34,730
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>34,730</u>
Contributions made	<u>5,551</u>
Increase in net OPEB obligation	29,179
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>29,179</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$5,551 to the medical plan. Plan members eligible for benefits contributed \$35,383, or 86% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	34,730	16%	29,179

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$274,321, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$274,321. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,095,000, and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

8. Risk Management

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

9. 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 \$295,137 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	32,575
Teacher salary supplement	34,740
Home school assistance program	43,822
Educator quality, professional development	13,507
Limited English Proficiency	8,791
	133,435

11. Lease Commitment

The District entered into a five year contract to lease copiers during fiscal year 2010. The payments the District will make over the next five years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u> \$
2011	21,600
2012	21,600
2013	21,600
2014	21,600
2015	12,600

\$9,000 of lease payments were made during fiscal year 2010.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,475,230	413,311	5,888,541	6,018,881	6,018,881	(130,340)
State sources	2,539,863	2,704	2,542,567	3,305,229	3,305,229	(762,662)
Federal sources	667,676	132,108	799,784	262,000	262,000	537,784
Total revenues	<u>8,682,769</u>	<u>548,123</u>	<u>9,230,892</u>	<u>9,586,110</u>	<u>9,586,110</u>	<u>(355,218)</u>
Expenditures/Expenses:						
Instruction	5,040,822	-	5,040,822	5,915,000	5,915,000	874,178
Support services	2,356,526	-	2,356,526	3,053,840	3,053,840	697,314
Non-instructional programs	968	537,104	538,072	618,597	618,597	80,525
Other expenditures	710,267	-	710,267	1,125,618	1,125,618	415,351
Total expenditures/expenses	<u>8,108,583</u>	<u>537,104</u>	<u>8,645,687</u>	<u>10,713,055</u>	<u>10,713,055</u>	<u>2,067,368</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	574,186	11,019	585,205	(1,126,945)	(1,126,945)	1,712,150
Other financing sources (uses) net	<u>(30,871)</u>	<u>37,081</u>	<u>6,210</u>	<u>-</u>	<u>-</u>	<u>6,210</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	543,315	48,100	591,415	(1,126,945)	(1,126,945)	1,718,360
Balance beginning of year	<u>3,397,155</u>	<u>101,238</u>	<u>3,498,393</u>	<u>3,298,579</u>	<u>3,298,579</u>	<u>199,814</u>
Balance end of year	<u><u>3,940,470</u></u>	<u><u>149,338</u></u>	<u><u>4,089,808</u></u>	<u><u>2,171,634</u></u>	<u><u>2,171,634</u></u>	<u><u>1,918,174</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	274,321	274,321	0.0%	3,095,000	8.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	<u>Special Revenue Funds</u>		
	Student Activity Fund	Physical Plant and Equipment Levy	Total
Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and pooled investments	115,694	387,575	503,269
Receivables:			
Property tax:			
Delinquent	-	2,814	2,814
Succeeding year	-	126,840	126,840
Accrued interest	-	526	526
Due from other governments	-	264,116	264,116
	<u>115,694</u>	<u>781,871</u>	<u>897,565</u>
	<u><u>115,694</u></u>	<u><u>781,871</u></u>	<u><u>897,565</u></u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	1,931	629	2,560
Deferred revenue:			
Succeeding year property tax	-	126,840	126,840
Income surtax	-	264,116	264,116
Total liabilities	<u>1,931</u>	<u>391,585</u>	<u>393,516</u>
	<u><u>1,931</u></u>	<u><u>391,585</u></u>	<u><u>393,516</u></u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	<u>113,763</u>	<u>390,286</u>	<u>504,049</u>
	<u><u>113,763</u></u>	<u><u>390,286</u></u>	<u><u>504,049</u></u>
Total liabilities and fund balances	<u><u>115,694</u></u>	<u><u>781,871</u></u>	<u><u>897,565</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds

Year ended June 30, 2010

	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	402,445	-	402,445
Other	311,121	15,333	-	326,454
Total revenues	<u>311,121</u>	<u>417,778</u>	<u>-</u>	<u>728,899</u>
Expenditures:				
Current:				
Instruction:				
Other	306,539	2,603	-	309,142
Support services:				
Student	-	10,600	-	10,600
Instructional staff	-	1,125	-	1,125
Administration	-	8,440	-	8,440
Operation and maintenance of plant	-	18,552	-	18,552
Non-instructional programs	-	968	-	968
Other expenditures:				
Facilities acquisition	-	58,671	-	58,671
Long-term debt:				
Principal	-	-	133,333	133,333
Interest and fiscal charges	-	-	17,600	17,600
Total expenditures	<u>306,539</u>	<u>100,959</u>	<u>150,933</u>	<u>558,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,582</u>	<u>316,819</u>	<u>(150,933)</u>	<u>170,468</u>
Other financing sources (uses):				
Sales of real property	-	250	-	250
Operating transfers in	16,463	-	150,933	167,396
Operating transfers out	-	(169,485)	-	(169,485)
Total other financing sources (uses)	<u>16,463</u>	<u>(169,235)</u>	<u>150,933</u>	<u>(1,839)</u>
Net change in fund balances	21,045	147,584	-	168,629
Fund balances beginning of year	<u>92,718</u>	<u>242,702</u>	<u>-</u>	<u>335,420</u>
Fund balances end of year	<u><u>113,763</u></u>	<u><u>390,286</u></u>	<u><u>-</u></u>	<u><u>504,049</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	20,780	12,340	33,120
Accounts receivable	135	4,418	4,553
Due from other governments	-	545	545
Inventories	9,812	-	9,812
Capital assets, net of accumulated of accumulated depreciation	88,091	18,135	106,226
Total assets	118,818	35,438	154,256
Liabilities			
Accounts payable	623	428	1,051
Deferred revenue	3,431	-	3,431
Net OPEB liability	-	436	436
Total liabilities	4,054	864	4,918
Net assets			
Invested in capital assets	88,091	18,135	106,226
Unrestricted	26,673	16,439	43,112
Total net assets	114,764	34,574	149,338

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	School Nutrition \$	Daycare \$	Total \$
Operating revenue:			
Local sources:			
Charges for service	131,186	224,929	356,115
Operating expenses:			
Non-instructional programs:			
Salaries	94,546	194,130	288,676
Benefits	13,753	30,561	44,314
Purchased services	125	4,471	4,596
Supplies	141,519	39,429	180,948
Depreciation	16,536	1,577	18,113
	266,479	270,168	536,647
Operating gain (loss)	(135,293)	(45,239)	(180,532)
Non-operating revenues:			
State sources	2,704	-	2,704
Federal sources	120,626	11,482	132,108
Donations	-	57,028	57,028
Interest income	168	-	168
Loss on disposal of equipment	(457)	-	(457)
Total non-operating revenues	123,041	68,510	191,551
Gain (loss) before transfers	(12,252)	23,271	11,019
Transfers in	-	37,081	37,081
Change in net assets	(12,252)	60,352	48,100
Net assets beginning of year	127,016	(25,778)	101,238
Net assets end of year	114,764	34,574	149,338

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	131,335	-	131,335
Cash received from daycare services	-	225,993	225,993
Cash payments to employees for services	(108,299)	(224,255)	(332,554)
Cash payments to suppliers for goods or services	(114,105)	(46,494)	(160,599)
Net cash used by operating activities	<u>(91,069)</u>	<u>(44,756)</u>	<u>(135,825)</u>
Cash flows from non-capital financing activities:			
Interfund loan proceeds (repayments)	-	(51,453)	(51,453)
Transfers from other funds	-	37,081	37,081
Donations	-	57,028	57,028
State grants received	2,704	-	2,704
Federal grants received	89,673	14,440	104,113
Net cash provided by non-capital financing activities	<u>92,377</u>	<u>57,096</u>	<u>149,473</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(749)</u>	<u>-</u>	<u>(749)</u>
Cash flows from investing activities:			
Interest on investments	<u>168</u>	<u>-</u>	<u>168</u>
Net increase (decrease) in cash and cash equivalents	727	12,340	13,067
Cash and cash equivalents at beginning of year	<u>20,053</u>	<u>-</u>	<u>20,053</u>
Cash and cash equivalents at end of year	<u><u>20,780</u></u>	<u><u>12,340</u></u>	<u><u>33,120</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(135,293)	(45,239)	(180,532)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	30,953	-	30,953
Depreciation	16,536	1,577	18,113
Decrease (increase) in inventories	(3,343)	-	(3,343)
Decrease (increase) in accounts receivable	151	1,064	1,215
(Decrease) increase in accounts payable	(71)	(2,594)	(2,665)
(Decrease) increase in deferred revenue	(2)	-	(2)
(Decrease) increase in other postemployment benefits	-	436	436
Net cash used by operating activities	<u><u>(91,069)</u></u>	<u><u>(44,756)</u></u>	<u><u>(135,825)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Football	13,924	21,061	21,017	13,968
Volleyball	4,704	7,304	8,897	3,111
Boys basketball	6,523	11,581	11,002	7,102
Girls basketball	17,994	9,238	9,675	17,557
Wrestling	14	9,420	6,604	2,830
Boys track	(443)	6,484	5,811	230
Girls track	-	4,403	4,403	-
Boys golf	-	386	386	-
Girls golf	-	1,803	1,863	(60)
Boys bowling	-	1,295	500	795
Baseball	(621)	7,390	8,288	(1,519)
Softball	(220)	7,742	8,631	(1,109)
Tennis	-	540	540	-
Flag football	553	420	345	628
MS baseball	25	-	25	-
Weightlifting	217	-	-	217
Youth basketball	459	903	620	742
Volleyball camp	651	16,872	15,056	2,467
Youth football	4,107	586	2,043	2,650
Cross country	891	1,783	2,111	563
Speech	-	423	423	-
After prom	1,402	14,919	14,371	1,950
Art club	115	50	-	165
Music booster donations	15,685	25,673	33,009	8,349
Cheerleaders	820	1,020	643	1,197
Drama	751	-	-	751
Drill Team	296	391	389	298
Elementary music fundraiser	156	140	-	296
FFA	2,996	39,427	39,609	2,814
FCCLA	129	2,081	1,934	276
National Honor Society	(137)	298	241	(80)
Foreign language club	325	383	356	352
Mat club	150	11	20	141
Student council	(200)	10,696	10,494	2
Cougar impact	6,240	16,853	13,395	9,698
MS student council	7	-	-	7
MS drama	124	190	16	298
Booster club	18,631	39,863	37,169	21,325
Fall musical	(2)	2,840	2,357	481

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Torch	(13,966)	28,609	14,533	110
Material for resale	(323)	2,773	2,450	-
Nurse	989	1,575	1,538	1,026
PTA	8,518	15,096	10,644	12,970
Athletics	362	4,680	4,687	355
Class of 2010	872	358	1,230	-
Class of 2011	-	10,024	9,214	810
	<u>92,718</u>	<u>327,584</u>	<u>306,539</u>	<u>113,763</u>
Total	<u>92,718</u>	<u>327,584</u>	<u>306,539</u>	<u>113,763</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2010

	Elementary Employee Vending <u> </u> \$	HS Employee Vending <u> </u> \$	Middle School Vending <u> </u> \$	Total <u> </u> \$
Balance beginning of year	1,911	786	43	2,740
Additions:				
Miscellaneous	636	1,127	-	1,763
Deductions:				
Miscellaneous	<u>535</u>	<u>821</u>	<u>43</u>	<u>1,399</u>
Balance end of year	<u><u>2,012</u></u>	<u><u>1,092</u></u>	<u><u>-</u></u>	<u><u>3,104</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623	3,298,949
Tuition	240,815	237,111	252,150	232,604	343,758	215,062	219,653
Other	471,441	453,238	423,310	464,362	568,551	497,507	442,158
State sources	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878	3,145,204
Federal sources	667,676	222,826	192,547	209,234	250,051	354,977	262,743
Total revenues	<u>8,682,769</u>	<u>8,955,446</u>	<u>8,842,143</u>	<u>8,883,915</u>	<u>8,765,096</u>	<u>8,364,047</u>	<u>7,368,707</u>
Expenditures:							
Instruction:							
Regular	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177	3,236,274
Special	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315	985,460	1,333,434
Other	977,139	1,071,314	1,054,820	918,241	1,106,578	1,029,519	616,771
Support services:							
Student	95,915	48,586	58,624	87,292	106,019	137,762	120,982
Instructional staff	288,953	283,863	352,093	460,685	288,477	179,666	135,529
Administration	742,988	760,376	697,426	758,660	764,416	721,870	631,133
Operation and maintenance	623,404	608,118	622,784	601,767	564,602	530,142	480,841
Transportation	605,266	582,492	474,441	540,451	531,060	433,654	346,131
Non-instructional programs	968	-	-	22,699	4,829	21,978	20,287
Other expenditures:							
Facilities acquisition	264,197	434,232	441,775	262,830	89,747	1,285,886	668,407
Long-term debt:							
Principal	133,333	133,333	133,333	133,333	133,333	133,333	-
Interest and other charges	17,600	22,000	26,546	30,800	35,200	38,280	-
AEA flowthrough	295,137	260,298	253,638	251,670	246,678	244,405	250,842
Total expenditures	<u>8,108,583</u>	<u>8,622,775</u>	<u>8,292,453</u>	<u>8,294,233</u>	<u>8,196,882</u>	<u>9,091,132</u>	<u>7,840,631</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	8,021
National School Lunch Program (non-cash)	10.555	FY10	30,953
National School Lunch Program	10.555	FY10	81,652
			<u>120,626</u>
Child and Adult Care Food Program	10.558	FY10	11,482
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	73,635
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	40,745
			<u>114,380</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,908
Improving Teacher Quality State Grants	84.367	FY10	34,585
Grants for State Assessments and Related Activities	84.369	FY10	3,757
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	371,255
Area Education Agency #267:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	34,102
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	74,596
			<u>108,698</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	8,134
Total			<u><u>774,825</u></u>

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

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
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AGWSR 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 an opinion on the effectiveness of AGWSR Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AGWSR 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B, 10-II-C, 10-II-D and 10-II-E to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

AGWSR Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit AGWSR 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 AGWSR Community School District and other parties to whom AGWSR Community School District may report, including federal awarding agencies and pass-through entities, and 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 AGWSR Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 19, 2011

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

To the Board of Education of
AGWSR Community School District:

Compliance

We have audited AGWSR Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of AGWSR Community School District's major federal programs for the year ended June 30, 2010. AGWSR Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of AGWSR Community School District's management. Our responsibility is to express an opinion on AGWSR Community School District's compliance based on our audit.

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

In our opinion, AGWSR Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of AGWSR Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered AGWSR Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AGWSR Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance we consider to be a significant deficiency. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a significant deficiency.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

AGWSR Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the AGWSR Community School District's responses and, accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of AGWSR Community School District and other parties to whom AGWSR Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

January 19, 2011

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed a audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA)
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) AGWSR Community School District did not qualify as a low-risk auditee.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

10-II-B Special Termination Benefits (Early Retirement): We noted that one individual was responsible for interpreting the District's early retirement policy and for calculating the benefits. The policy states, "An eligible employee who is approved for early retirement shall receive a cash payment equal to fifty percent of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, for three consecutive years." District employees have the option of taking cash in lieu of health insurance benefits. It appears that early retirement benefits were calculated based on 50% of regular contract salary plus overtime plus cash in lieu of insurance. Using cash in lieu of insurance as part of the base salary inflates the early retirement benefits for the employees that chose the cash in lieu option.

Recommendation: The District should discuss the calculation of and a possible recalculation of the early retirement benefits with its attorney. The District should have future calculations for early retirement benefits reviewed and approved by an administrator or board member.

District Response: We will discuss this situation with our attorney, we will be conscious of the wording for the benefit calculation in any future early retirement policies and we will develop review and approval procedures for the benefit calculation.

Conclusion: Response accepted.

10-II-C Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

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

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

10-II-D Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

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

Conclusion: Response accepted.

10-II-E Financial Reporting: During the audit, we identified a material amount of property tax revenues that were recorded in an incorrect fund and we noted that the District treated July and August payroll like it was paid prior to year-end, but did not actually make the payments to employees until July and August 2010. Adjustments were subsequently made by the District to correct these items.

Recommendation: The District should implement procedures compare revenues to the prior year and to budget and then investigate material discrepancies. If the District wants to pay teacher salaries for July and August in June, then all checks should be sent to employees and all electronic payments should be sent to employees in June. If the payments are not sent to the employees in June; the amounts owed to the teachers should be recorded as salary payable at year-end

District Response: We will review our procedures for reviewing financial statements and for handling payroll at the end of the year.

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were reported

Internal Control Deficiencies:

CFDA Number 84.027: Special Education – Grants to States
CFDA Number 84.391: ARRA – Special Education Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through Area Education Agency #267

10-III-A Allowable Costs: Approximately 62% of the ARRA Special Education Grants to States, Recovery Act program expenditures were not charged directly to specific federal expenditure accounts as the expenditures were incurred. Instead, the ARRA Special Education program expenditures were reclassified to ARRA expenditure accounts at year-end.

Recommendation: The District should identify and record federal expenditures to specific federal expenditure accounts as the expenditures are incurred and the District should document administrative approval for the expenditures charged to federal programs.

District Response: We will revise our procedures for identifying, recording and documenting ARRA Special Education program expenditures.

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 10-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Darren Janssen, board member, employee at local bank	School banking	

Recommendation: The District should be aware of potential conflicts when making decisions about school banking and should consult their attorney before proceeding with any banking decisions.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 10-IV-E 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.
- 10-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 10-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		861,406
Statewide sales, services and use tax		415,601
Interest revenue		6,631
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	62,242	
Buildings and building improvements	143,284	
Equipment	215,177	420,703
Ending balance		862,935

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Physical plant and equipment levy	1.41923	415,601

10-IV-M Deficit Balances: The Student Activity Fund has three accounts with deficit account balances at year-end.

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

District Response: We will continue to investigate methods to eliminate the deficits.

Conclusion: Response accepted.

10-IV-N Old outstanding checks: We noted that the District's bank reconciliations included approximately \$4,800 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2010

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

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

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

Conclusion: Response accepted.

10-IV-O Use of Credit Cards: We noted that the District has credit cards for several retailers. Chapter 279.8 of the Code of Iowa requires written guidelines for the use of District credit cards. We did not locate a board policy that covered the use of District credit cards.

Recommendation: The District should adopt a board policy on the use of credit cards.

District Response: We will do this.

Conclusion: Response accepted.

10-IV-P Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500 and may use the fund to purchase recreational equipment. We noted that expenditures from this fund included approximately \$594 for three football helmets.

Recommendation: The District should consult with its attorney to determine if helmets are an allowable expenditure from the Physical Plant and Equipment Levy.

District Response: We will discuss this with our attorney.

Conclusion: Response accepted.

10-IV-Q Transfers to Daycare Fund: The District runs two daycare centers. The center in Ackley is located in a building owned by the City of Ackley and the center in Wellsburg is located in a building owned by the District. The District charges fees and receives donations for the daycare centers. These revenues are not always enough to cover the daycare expenses. During fiscal year 2010 the District transferred \$18,529 from the General Fund to the Daycare Fund to cover prior year deficits and for operating cash. The Iowa Department of Education has issued an opinion that General Fund money may not be used to support Daycare Funds.

Recommendation: The District should discuss this issue with its attorney.

District Response: We have discussed this with our attorney.

Conclusion: Response accepted.