

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

Akron, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings and Questioned Costs

June 30, 2010

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2009 Election)		
Jim Black	President	2010
Roger Oetken	Vice President	2011
Phil Parks	Board Member	2009
Josh Martinsen	Board Member	2009
Janet Willer	Board Member	2009
Kevin DeRocher	Board Member	2009
Deb Jordt	Board Member	2011

BOARD OF EDUCATION
(After September 2009 Election)

Jim Black	President	2011
Roger Oetken	Vice President	2011
Phil Parks	Board Member	2013
Josh Martinsen	Board Member	2013
Janet Willer	Board Member	2011
Nick Schoenfelder	Board Member	2011
Deb Jordt	Board Member	2011

SCHOOL OFFICIALS

Anthony Ryan	Superintendent	2010
Jodi Thompson	Board Secretary/Business Manager	2010
James Hanks	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Akron-Westfield 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 Akron-Westfield Community School District (the District), Akron, 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 the 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 February 14, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



To the Board of Education of
Akron-Westfield Community School District

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. However, did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 6, 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.

February 14, 2011
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Akron-Westfield Community School District (the 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 increased from \$5,489,624 in fiscal year 2009 to \$5,600,823 in fiscal year 2010, while general fund expenditures increased from \$5,351,947 in fiscal year 2009 to \$5,557,031 in fiscal year 2010. The District's General Fund Balance increased from \$929,229 in fiscal year 2009 to \$1,082,754 in fiscal year 2010, a 16.5 percent increase.

The increase in the General fund balance is attributable to cost saving measures implemented by the District for fiscal year 2010, such as an overall effort to reduce all district purchases and replace higher salaried individuals who have left the District with those at a lower annual cost.

Using This Annual Report

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the 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 the 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 the District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and Capital Project Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

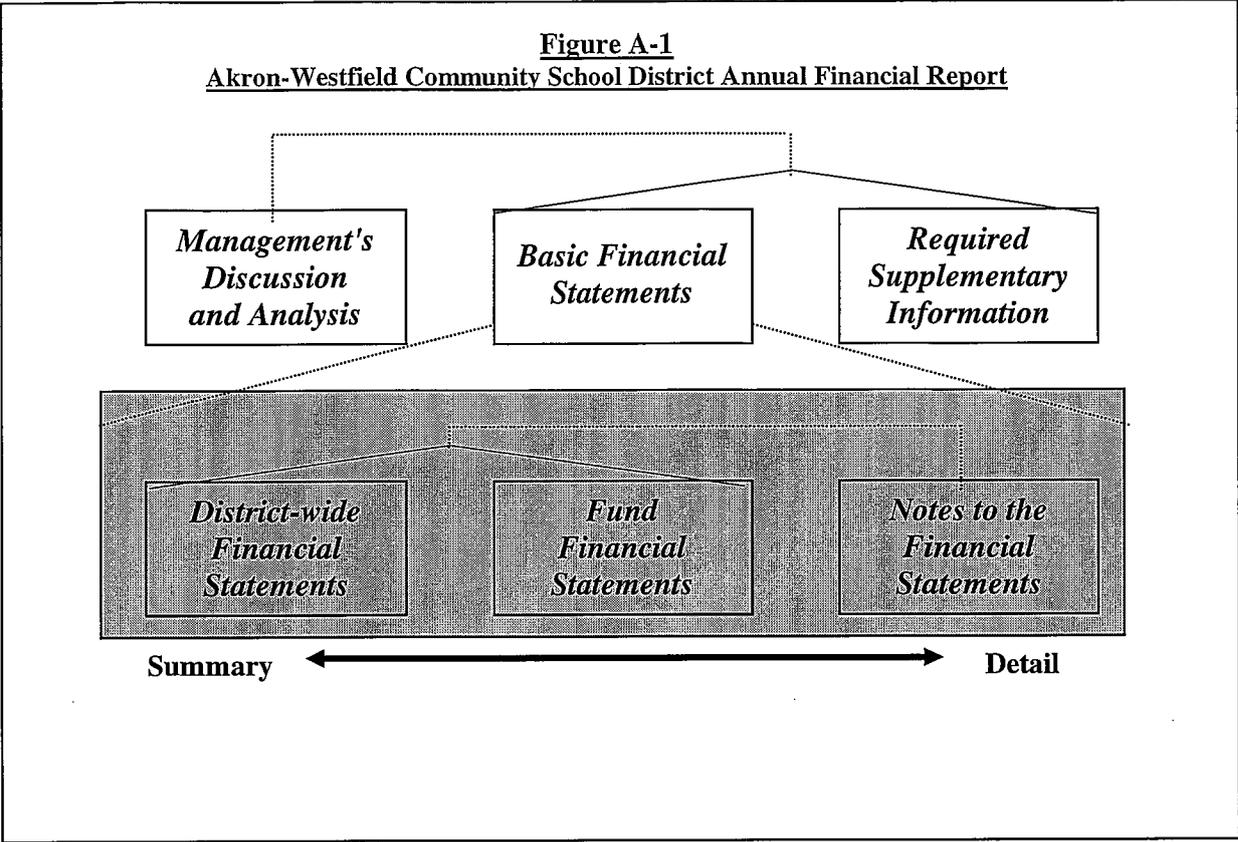


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of 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 Funds.

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 Fund, one type of proprietary fund, is the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition 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: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

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, if applicable.

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 (In Thousands)
Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
Current and							
other assets	\$ 5,543	\$ 4,970	\$ 67	\$ 34	\$ 5,610	\$ 5,004	12.1%
Capital assets	<u>3,691</u>	<u>3,840</u>	<u>18</u>	<u>21</u>	<u>3,709</u>	<u>3,861</u>	-3.9%
Total assets	<u>\$ 9,234</u>	<u>\$ 8,810</u>	<u>\$ 85</u>	<u>\$ 55</u>	<u>\$ 9,319</u>	<u>\$ 8,865</u>	<u>5.1%</u>
Long-term debt							
outstanding	\$ 1,147	\$ 1,238	\$ -	\$ -	\$ 1,147	\$ 1,238	-7.4%
Other liabilities	<u>3,139</u>	<u>2,818</u>	<u>-</u>	<u>1</u>	<u>3,139</u>	<u>2,819</u>	<u>11.3%</u>
Total liabilities	<u>\$ 4,286</u>	<u>\$ 4,056</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 4,286</u>	<u>\$ 4,057</u>	<u>5.6%</u>
Net Assets:							
Invested in capital assets, net of related debt	\$ 2,824	\$ 2,798	\$ 18	\$ 21	\$ 2,842	\$ 2,819	0.8%
Restricted	1,211	1,062	-	-	1,211	1,062	14.0%
Unrestricted	<u>913</u>	<u>894</u>	<u>67</u>	<u>33</u>	<u>980</u>	<u>927</u>	<u>5.7%</u>
Total net assets	<u>\$ 4,948</u>	<u>\$ 4,754</u>	<u>\$ 85</u>	<u>\$ 54</u>	<u>\$ 5,033</u>	<u>\$ 4,808</u>	<u>4.7%</u>

The District's combined net assets increased by 4.7 percent or \$225,885 over the prior year. The governmental activities increased \$194,739 and the business-type activities increased \$31,146. The increase in the governmental activities was due to increases in the tax and intergovernmental revenues and cost saving measures implemented by the District for fiscal year 2010.

The increase in the business-type activities was due to the increase in breakfast and lunch rates to make them more in line with the cost of food.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4 (In Thousands)
Change in Net Assets from Operations

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
Revenues:							
Program revenues:							
Charges for services	\$ 1,105	\$ 988	\$ 185	\$ 178	\$ 1,290	\$ 1,166	10.6%
Operating grants, contributions and restricted interest	1,049	783	126	114	1,175	897	31.0%
Capital grants, contributions and restricted interest	26	-	-	-	26	-	100.0%
General revenues:							
Property tax	2,156	2,055	-	-	2,156	2,055	4.9%
Local surtax	217	289	-	-	217	289	-24.9%
Statewide sales, services and use tax	316	323	-	-	316	323	-2.2%
Unrestricted state grants	1,771	2,076	-	-	1,771	2,076	-14.7%
Investment earnings	27	44	-	-	27	44	-38.6%
Other	-	-	-	11	-	11	-100.0%
Total revenues	<u>\$ 6,667</u>	<u>\$ 6,558</u>	<u>\$ 311</u>	<u>\$ 303</u>	<u>\$ 6,978</u>	<u>\$ 6,861</u>	<u>1.7%</u>
Expenses:							
Instruction	\$ 4,368	\$ 4,074	\$ -	\$ -	\$ 4,368	\$ 4,074	7.2%
Support services	1,695	1,678	-	-	1,695	1,678	1.0%
Non-instructional	-	-	280	282	280	282	-0.7%
Other expenses	409	304	-	-	409	304	34.5%
Total expenses	<u>\$ 6,472</u>	<u>\$ 6,056</u>	<u>\$ 280</u>	<u>\$ 282</u>	<u>\$ 6,752</u>	<u>\$ 6,338</u>	<u>6.5%</u>
Change in net assets	<u>\$ 195</u>	<u>\$ 502</u>	<u>\$ 31</u>	<u>\$ 21</u>	<u>\$ 226</u>	<u>\$ 523</u>	<u>-56.8%</u>

In fiscal year 2010, property tax and unrestricted state grants accounted for 56.3 percent of the total revenue (60.2 percent in 2009). The District's expenses primarily relate to instruction and support services, which account for 89.8 percent of the total expenses (90.8 percent in 2009).

Governmental Activities - Revenues for governmental activities were \$6,666,672 and expenses were \$6,471,933. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5 (In Thousands)

	<u>Total Cost of Services</u>		<u>Percent Change</u>	<u>Net Cost of Services</u>		<u>Percent Change</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
Instruction	\$ 4,368	\$ 4,074	7.2%	\$ 2,571	\$ 2,658	-3.3%
Support services	1,695	1,678	1.0%	1,592	1,528	4.2%
Other expenses	409	304	34.5%	129	99	30.3%
Totals	<u>\$ 6,472</u>	<u>\$ 6,056</u>	<u>6.9%</u>	<u>\$ 4,292</u>	<u>\$ 4,285</u>	<u>0.2%</u>

- The cost financed by users of the District's programs was \$1,105,208.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,074,800.
- The net cost of governmental activities was financed with \$2,155,581 in property taxes, \$1,770,571 in unrestricted state grants, \$216,990 in local surtax and \$316,121 in statewide sales, services and use tax.

Business-Type Activities - Revenues for business-type activities (school food and nutrition services) totaled \$310,774 and expenses were \$279,628. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

As previously noted, the 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 \$2,393,985, which is greater than last year's ending fund balances of \$2,139,834.

Governmental Fund Highlights

The General Fund balance increased from \$929,229 in fiscal year 2009 to a balance of \$1,082,754 in fiscal year 2010. The increase in the General fund balance is attributable to the increases in the tax and intergovernmental revenues and cost saving measures implemented by the District for fiscal year 2010.

The Capital Projects fund balance increased from \$360,404 in fiscal year 2009 to \$465,131 in fiscal year 2010 due to the decrease in facilities and equipment expenditures due to the completion of a project. Capital projects funds are being accumulated for future facility and equipment expenditures.

Proprietary Fund Highlights

School Nutrition fund net assets increased from \$53,869 at June 30, 2009 to \$85,015 at June 30, 2010 due to the increase in breakfast and lunch rates to make them more in line with the meal costs.

Budgetary Highlights

The District's total revenues were \$467,780 less than budgeted revenues, a variance of 6.3 percent. The most significant variance resulted from the District receiving less in both state and local sources than originally anticipated. The District's total expenditures were \$1,574,095 less than budgeted, a variance of 18.9 percent. The most significant variances resulted from the District spending less in the instruction and support services functions than anticipated due to overly aggressive estimates for increases in costs.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2010, the District had invested \$3,709,492, net of accumulated depreciation in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and transportation equipment. (See Figure A-6.) Total depreciation expense for the year was \$304,653.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District completed a project to enclose high school and fifth grade classrooms with permanent walls.

Figure A-6 (In Thousands)

Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Percent Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
Land	\$ 11	\$ 11	\$ -	\$ -	\$ 11	\$ 11	0.0%
Land improvements	224	224	-	-	224	224	0.0%
Construction in progress	-	132	-	-	-	132	-100.0%
Buildings and improvements	6,772	6,645	-	-	6,772	6,645	1.9%
Furniture and equipment	1,600	1,526	97	97	1,697	1,623	4.6%
Less: accumulated depreciation	(4,915)	(4,697)	(79)	(76)	(4,994)	(4,773)	4.6%
Total capital assets, net	<u>\$ 3,692</u>	<u>\$ 3,841</u>	<u>\$ 18</u>	<u>\$ 21</u>	<u>\$ 3,710</u>	<u>\$ 3,862</u>	<u>-3.9%</u>

Long-Term Liabilities - As of June 30, 2010, the District had \$880,000 General Obligation Refunding Bonds, \$148,498 in early retirement obligations outstanding, and \$118,028 in net OPEB obligations (total of \$1,146,526). Figure A-7 summarizes the District's long-term liabilities as of June 30, 2010 and 2009. Additional information about the District's long-term liabilities is presented in Note 7 to the financial statements.

Figures A-7 (In Thousands)
Outstanding Long-Term Liabilities

	Total District June 30,		Total Change
	2010	2009	
General obligations refunding bonds	\$ 880	\$ 1,045	-15.8%
Note payable	-	12	-100.0%
Early retirement	149	181	-17.7%
Net OPEB liability	118	-	100.0%
	\$ 1,147	\$ 1,238	-7.4%

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:

- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District did see an increase of 4 students for funding of the 2010-2011 school year. The District is always concerned with enrollment numbers because of past trends of declining enrollment.
- The statewide one (1) percent local option sales tax will continue to provide revenue for capital repairs and improvements, but at a lesser level than in the past due to statewide economic conditions.
- American Recovery and Reinvestment Act of 2009 (ARRA) funds are being used in the District to help save jobs that would have been affected by the reduction in state aid. The District is well aware of the "funding cliff" in 2011 when these funds are exhausted.
- The State of Iowa has seen a reduction in revenue, which has filtered down to school districts. The budget cuts established in the 2009-2010 school year will be carried over to the following school years. Tough financial times are predicted through fiscal year 2013.
- The District issued General Obligation Refunding Bonds - Series 2004 on December 1, 2005. This issue will have a savings of \$76,528 beginning over the period of fiscal year 2007 through fiscal year 2015, with the largest amount of \$54,800 in fiscal year 2015.

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 Jody Ryan, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

BASIC FINANCIAL STATEMENTS

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,667,526	\$ 58,260	\$ 2,725,786
Receivables:			
Property tax:			
Delinquent	48,607	-	48,607
Succeeding year	2,487,335	-	2,487,335
Accounts	118,634	-	118,634
Accrued interest	1,264	-	1,264
Due from other funds	-	270	270
Due from other governments	207,364	-	207,364
Inventories	-	8,350	8,350
Deferred charges	12,389	-	12,389
Capital assets, net of accumulated depreciation	<u>3,691,344</u>	<u>18,148</u>	<u>3,709,492</u>
Total assets	<u>\$ 9,234,463</u>	<u>\$ 85,028</u>	<u>\$ 9,319,491</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 209,437	\$ 13	\$ 209,450
Salaries and benefits payable	437,244	-	437,244
Accrued interest payable	2,809	-	2,809
Deferred revenue - succeeding year property tax	2,487,335	-	2,487,335
Deferred revenue - other	2,459	-	2,459
Due to other funds	270	-	270
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	39,900	-	39,900
General obligation refunding bonds	170,000	-	170,000
Portion due after one year:			
Early retirement payable	108,598	-	108,598
General obligation refunding bonds	710,000	-	710,000
Net OPEB liability	<u>118,028</u>	<u>-</u>	<u>118,028</u>
Total liabilities	<u>\$ 4,286,080</u>	<u>\$ 13</u>	<u>\$ 4,286,093</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,823,733	\$ 18,148	\$ 2,841,881
Restricted for:			
State categorical aid	118,573	-	118,573
Physical plant and equipment levy	523,149	-	523,149
Other special revenue purposes	67,100	-	67,100
Debt service	104,544	-	104,544
Capital projects	465,131	-	465,131
Unrestricted	<u>846,153</u>	<u>66,867</u>	<u>913,020</u>
Total net assets	<u>\$ 4,948,383</u>	<u>\$ 85,015</u>	<u>\$ 5,033,398</u>
Total liabilities and net assets	<u>\$ 9,234,463</u>	<u>\$ 85,028</u>	<u>\$ 9,319,491</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,844,556	\$ 530,920	\$ 717,580	\$ -
Special instruction	797,883	112,215	112,361	-
Other instruction	<u>725,077</u>	<u>320,257</u>	<u>3,524</u>	<u>-</u>
	<u>\$ 4,367,516</u>	<u>\$ 963,392</u>	<u>\$ 833,465</u>	<u>\$ -</u>
Support services:				
Student services	\$ 210,837	\$ 8,083	\$ -	\$ -
Instructional staff services	93,676	-	-	-
Administration services	653,031	-	-	-
Operation and maintenance of plant services	443,545	55,706	-	-
Transportation services	<u>294,247</u>	<u>37,025</u>	<u>2,522</u>	<u>-</u>
	<u>\$ 1,695,336</u>	<u>\$ 100,814</u>	<u>\$ 2,522</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ 157,023	\$ 41,002	\$ -	\$ 26,000
Long-term debt interest	39,245	-	-	-
AEA flow through	<u>212,813</u>	<u>-</u>	<u>212,813</u>	<u>-</u>
	<u>\$ 409,081</u>	<u>\$ 41,002</u>	<u>\$ 212,813</u>	<u>\$ 26,000</u>
Total governmental activities	\$ 6,471,933	\$ 1,105,208	\$ 1,048,800	\$ 26,000
Business-type activities:				
Non-instructional programs:				
Food service operations	\$ 279,628	\$ 184,678	\$ 126,041	\$ -
Total	<u>\$ 6,751,561</u>	<u>\$ 1,289,886</u>	<u>\$ 1,174,841</u>	<u>\$ 26,000</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Debt service				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (1,596,056)	\$ -	\$ (1,596,056)
(573,307)	-	(573,307)
<u>(401,296)</u>	<u>-</u>	<u>(401,296)</u>
\$ <u>(2,570,659)</u>	\$ <u>-</u>	\$ <u>(2,570,659)</u>
\$ (202,754)	\$ -	\$ (202,754)
(93,676)	-	(93,676)
(653,031)	-	(653,031)
(387,839)	-	(387,839)
<u>(254,700)</u>	<u>-</u>	<u>(254,700)</u>
\$ <u>(1,592,000)</u>	\$ <u>-</u>	\$ <u>(1,592,000)</u>
\$ (90,021)	\$ -	\$ (90,021)
(39,245)	-	(39,245)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(129,266)</u>	\$ <u>-</u>	\$ <u>(129,266)</u>
\$ (4,291,925)	\$ -	\$ (4,291,925)
\$ -	\$ 31,091	\$ 31,091
\$ (4,291,925)	\$ 31,091	\$ (4,260,834)
\$ 1,816,389	\$ -	\$ 1,816,389
204,502	-	204,502
89,902	-	89,902
44,788	-	44,788
1,770,571	-	1,770,571
27,401	55	27,456
216,990	-	216,990
<u>316,121</u>	<u>-</u>	<u>316,121</u>
\$ <u>4,486,664</u>	\$ <u>55</u>	\$ <u>4,486,719</u>
\$ 194,739	\$ 31,146	\$ 225,885
<u>4,753,644</u>	<u>53,869</u>	<u>4,807,513</u>
\$ <u>4,948,383</u>	\$ <u>85,015</u>	\$ <u>5,033,398</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 1,408,268	\$ 165,120	\$ 456,212	\$ 637,926	\$ 2,667,526
Receivables:					
Property tax:					
Delinquent	40,970	4,601	1,008	2,028	48,607
Succeeding year	2,056,066	204,104	47,166	179,999	2,487,335
Accounts	117,033	-	-	1,601	118,634
Accrued interest	-	-	-	1,264	1,264
Due from other funds	1,593	-	65,929	-	67,522
Due from other governments	<u>153,959</u>	<u>-</u>	<u>-</u>	<u>53,405</u>	<u>207,364</u>
Total assets	<u>\$ 3,777,889</u>	<u>\$ 373,825</u>	<u>\$ 570,315</u>	<u>\$ 876,223</u>	<u>\$ 5,598,252</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 195,805	\$ -	\$ -	\$ 13,632	\$ 209,437
Salaries and benefits payable	437,244	-	-	-	437,244
Due to other funds	3,561	62,368	-	1,863	67,792
Deferred revenue:					
Succeeding year property tax	2,056,066	204,104	47,166	179,999	2,487,335
Other	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,459</u>
Total liabilities	<u>\$ 2,695,135</u>	<u>\$ 266,472</u>	<u>\$ 47,166</u>	<u>\$ 195,494</u>	<u>\$ 3,204,267</u>
Fund balances:					
Reserved for:					
Debt service	\$ -	\$ 107,353	\$ -	\$ -	\$ 107,353
State categorical aid	118,573	-	-	-	118,573
Unreserved	<u>964,181</u>	<u>-</u>	<u>523,149</u>	<u>680,729</u>	<u>2,168,059</u>
	<u>\$ 1,082,754</u>	<u>\$ 107,353</u>	<u>\$ 523,149</u>	<u>\$ 680,729</u>	<u>\$ 2,393,985</u>
Total liabilities and fund balances	<u>\$ 3,777,889</u>	<u>\$ 373,825</u>	<u>\$ 570,315</u>	<u>\$ 876,223</u>	<u>\$ 5,598,252</u>

AKRON-WESTFIELD 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	\$ 2,393,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,691,344
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.	(2,809)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	12,389
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,146,526)</u>
Net assets of governmental activities	<u>\$ 4,948,383</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,033,379	\$ 204,502	\$ 44,788	\$ 406,023	\$ 2,688,692
Tuition	542,708	-	-	-	542,708
Other	168,873	2,273	48,784	334,479	554,409
State sources	2,359,204	-	-	-	2,359,204
Federal sources	496,659	-	25,000	-	521,659
Total revenues	<u>\$ 5,600,823</u>	<u>\$ 206,775</u>	<u>\$ 118,572</u>	<u>\$ 740,502</u>	<u>\$ 6,666,672</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,602,189	\$ -	\$ -	\$ 58,590	\$ 2,660,779
Special instruction	743,909	-	-	-	743,909
Other instruction	363,370	-	-	317,599	680,969
	<u>\$ 3,709,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,189</u>	<u>\$ 4,085,657</u>
Support services:					
Student services	\$ 191,474	\$ -	\$ -	\$ 5,100	\$ 196,574
Instructional staff services	82,239	-	-	5,100	87,339
Administration services	593,335	-	-	15,521	608,856
Operation and maintenance of plant services	488,538	-	-	31,974	520,512
Transportation services	279,164	-	-	9,630	288,794
	<u>\$ 1,634,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,325</u>	<u>\$ 1,702,075</u>
Other expenditures:					
Facilities and equipment acquisition	\$ -	\$ -	\$ 113,445	\$ 137,077	\$ 250,522
Long-term debt:					
Principal	-	170,000	-	-	170,000
Interest and fiscal charges	-	39,712	-	-	39,712
AEA flow through	212,813	-	-	-	212,813
	<u>\$ 212,813</u>	<u>\$ 209,712</u>	<u>\$ 113,445</u>	<u>\$ 137,077</u>	<u>\$ 673,047</u>
Total expenditures	<u>\$ 5,557,031</u>	<u>\$ 209,712</u>	<u>\$ 113,445</u>	<u>\$ 580,591</u>	<u>\$ 6,460,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 43,792</u>	<u>\$ (2,937)</u>	<u>\$ 5,127</u>	<u>\$ 159,911</u>	<u>\$ 205,893</u>
Other financing sources (uses):					
Sale of real property	\$ -	\$ -	\$ 10,025	\$ -	\$ 10,025
Insurance recoveries	114,733	-	-	-	114,733
Write off note receivable	-	-	-	(76,500)	(76,500)
Transfers (to) from other funds	(5,000)	5,000	-	-	-
Total other financing sources (uses)	<u>\$ 109,733</u>	<u>\$ 5,000</u>	<u>\$ 10,025</u>	<u>\$ (76,500)</u>	<u>\$ 48,258</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 153,525</u>	<u>\$ 2,063</u>	<u>\$ 15,152</u>	<u>\$ 83,411</u>	<u>\$ 254,151</u>
Fund balances beginning of year	<u>929,229</u>	<u>105,290</u>	<u>507,997</u>	<u>597,318</u>	<u>2,139,834</u>
Fund balances end of year	<u>\$ 1,082,754</u>	<u>\$ 107,353</u>	<u>\$ 523,149</u>	<u>\$ 680,729</u>	<u>\$ 2,393,985</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		\$	254,151
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/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:			
Expenditures for capital assets		\$	184,152
Depreciation/amortization expense			<u>(301,900)</u>
			(117,748)
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.			176,647
In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed.			(30,888)
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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			467
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:			
Early retirement			32,391
Other postemployment benefits			<u>(118,028)</u>
			(85,637)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.			<u>(2,253)</u>
Change in net assets of governmental activities		\$	<u>194,739</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 58,260
Due from other funds	270
Inventories	8,350
Capital assets, net of accumulated depreciation	<u>18,148</u>
Total assets	<u>\$ 85,028</u>
LIABILITIES:	
Accounts payable	<u>\$ 13</u>
Total liabilities	<u>\$ 13</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 18,148
Unrestricted	<u>66,867</u>
Total net assets	<u>\$ 85,015</u>
Total liabilities and net assets	<u>\$ 85,028</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -

PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>184,678</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 107,880
Benefits	34,931
Purchased services	1,292
Supplies	132,772
Depreciation	<u>2,753</u>
Total operating expenses	\$ <u>279,628</u>
Operating loss	\$ <u>(94,950)</u>
Non-operating revenues:	
Interest income	\$ 55
State sources	3,077
Federal sources	100,433
Food distribution	<u>22,531</u>
Total non-operating revenues	\$ <u>126,096</u>
Change in net assets	\$ 31,146
Net assets beginning of year	<u>53,869</u>
Net assets end of year	<u>\$ 85,015</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 184,678
Cash paid to employees for services	(142,811)
Cash paid to suppliers for goods or services	<u>(113,130)</u>
Net cash used by operating activities	<u>\$ (71,263)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,077
Federal grants received	<u>100,433</u>
Net cash provided by non-capital financing activities	<u>\$ 103,510</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 55</u>
Net change in cash and cash equivalents	\$ 32,302
Cash and cash equivalents beginning of year	<u>25,958</u>
Cash and cash equivalents end of year	<u>\$ 58,260</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (94,950)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,863
Depreciation	2,753
Decrease in inventories	701
Decrease in accounts payable	<u>(630)</u>
Net cash used by operating activities	<u>\$ (71,263)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$22,531 of federal commodities.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDSJUNE 30, 2010

	<u>Agency Funds</u>	
	<u>Employee</u>	<u>Athletic</u>
	<u>Flex Account</u>	<u>Boosters</u>
ASSETS:		
Cash and pooled investments	\$ 3,985	\$ -
Accounts receivable	249	715
Total assets	<u>\$ 4,234</u>	<u>\$ 715</u>
LIABILITIES:		
Due to others	<u>\$ 4,234</u>	<u>\$ 715</u>
Total liabilities	<u>\$ 4,234</u>	<u>\$ 715</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Akron-Westfield Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served include the Cities of Akron and Westfield, Iowa, the predominant agricultural territory in Plymouth County, and the Greater Hoyt Independent School District in Union County, South Dakota through the Interstate School District Compact. 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 (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.

Jointly Governed Organization - 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 Plymouth 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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/amortization 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 that do not meet 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The Physical Plant and Equipment Levy Fund accounts for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Funds, is used to account for the food service operations of the District.

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

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the District's Athletic Boosters.

- 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, compensated absences and special termination benefits 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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>	
Land	\$ 2,000
Building and improvements	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 represents 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 60 days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent American Recovery and Reinvestment Act proceeds.

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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

Subsequent Events - The District evaluated for subsequent events through February 14, 2011, the date which the District's financial statements were available to be issued.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, no expenditures exceeded the amounts budgeted.

NOTE 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 ensure 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 Diversified Portfolio which are valued at an amortized cost of \$2,655 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

NOTE 3 - INTERFUND BALANCES:

As of June 30, 2010, interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
PEEL	General	\$ 3,561
School Nutrition	Capital Projects	\$ 270
PEEL	Debt Service	\$ 62,368
General	Capital Projects	\$ 1,593

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 3 - INTERFUND BALANCES (CONTINUED):

The above interfund borrowings were the result of the following:

- General Fund expenses were incorrectly paid out of the PPEL Fund.
- Insurance reimbursements were incorrectly received in the Capital Projects Fund rather than the School Nutrition Fund.
- The original bond payment on the general obligation refunding bonds outstanding was made out of the PPEL fund rather than the Debt Service Fund.
- Capital Projects Fund expenses were incorrectly paid out of the General Fund.

NOTE 4 - INTERFUND TRANSFERS:

During the year ended June 30, 2010, \$5,000 was transferred from the General Fund to the Debt Service Fund in order to provide for principal payments on the District's long-term debt.

NOTE 5 - NOTE RECEIVABLE:

During fiscal year 2010, the District wrote off a \$76,500 note receivable from the Greater Hoyt School District (Hoyt) due to Hoyt's merger with the Elk Point-Jefferson Community School District. The note represented the remaining amount due based on an agreement to share in the cost of a new building addition (completed in 1995) based on the number of Hoyt students attending the District at that time.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 11,388	\$ -	\$ -	\$ 11,388
Construction in progress	<u>132,074</u>	<u>-</u>	<u>132,074</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 143,462</u>	<u>\$ -</u>	<u>\$ 132,074</u>	<u>\$ 11,388</u>
Capital assets being depreciated:				
Buildings	\$ 6,644,608	\$ 215,445	\$ 88,251	\$ 6,771,802
Improvements other than buildings	223,607	-	-	223,607
Furniture and equipment	<u>1,525,498</u>	<u>100,781</u>	<u>26,335</u>	<u>1,599,944</u>
Total capital assets being depreciated	<u>\$ 8,393,713</u>	<u>\$ 316,226</u>	<u>\$ 114,586</u>	<u>\$ 8,595,353</u>
Less accumulated depreciation for:				
Buildings	\$ 3,186,334	\$ 200,724	\$ 57,363	\$ 3,329,695
Improvements other than buildings	181,799	8,998	-	190,797
Furniture and equipment	<u>1,329,062</u>	<u>92,178</u>	<u>26,335</u>	<u>1,394,905</u>
Total accumulated depreciation	<u>\$ 4,697,195</u>	<u>\$ 301,900</u>	<u>\$ 83,698</u>	<u>\$ 4,915,397</u>
Total capital assets being depreciated, net	<u>\$ 3,696,518</u>	<u>\$ 14,326</u>	<u>\$ 30,888</u>	<u>\$ 3,679,956</u>
Governmental activities capital assets, net	<u>\$ 3,839,980</u>	<u>\$ 14,326</u>	<u>\$ 162,962</u>	<u>\$ 3,691,344</u>
Business-type activities:				
Furniture and equipment	\$ 96,913	\$ -	\$ -	\$ 96,913
Less accumulated depreciation	<u>76,012</u>	<u>2,753</u>	<u>-</u>	<u>78,765</u>
Business-type activities capital assets, net	<u>\$ 20,901</u>	<u>\$ (2,753)</u>	<u>\$ -</u>	<u>\$ 18,148</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 138,791
Special	38,804
Other	<u>35,521</u>
	<u>\$ 213,116</u>

Support services:

Student	\$ 10,254
Instructional staff	4,556
Administration	31,759
Operation and maintenance of plant	27,151
Transportation	<u>15,064</u>
	<u>\$ 88,784</u>

Total depreciation expense - governmental activities \$ 301,900

Business-type activities:

Food service operations	<u>\$ 2,753</u>
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NOTE 7 - LONG-TERM LIABILITIES:

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation refunding bonds	\$ 1,045,000	\$ -	\$ 165,000	\$ 880,000	\$ 170,000
Note payable	11,647	-	11,647	-	-
Early retirement	180,889	5,507	37,898	148,498	39,900
Net OPEB liability	<u>-</u>	<u>118,028</u>	<u>-</u>	<u>118,028</u>	<u>-</u>
Total	<u>\$ 1,237,536</u>	<u>\$ 123,535</u>	<u>\$ 214,545</u>	<u>\$ 1,146,526</u>	<u>\$ 209,900</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Refunding Bonds - Details of the District's June 30, 2010 general obligation refunding bonds indebtedness are as follows:

Year Ending	Bond Issue of December 1, 2004			
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2011		3.60%	\$ 170,000	\$ 33,703
2012		3.70%	180,000	27,583
2013		3.85%	185,000	20,923
2014		4.00%	195,000	13,800
2015		4.00%	<u>150,000</u>	<u>6,000</u>
Total			<u>\$ 880,000</u>	<u>\$ 102,009</u>

These bonds are direct obligations and pledge the full faith and credit of the District.

Note Payable - Details of the District's note payable are as follows:

During the year ended June 30, 2001, the District entered into a \$51,647 loan agreement evidenced by a note payable with the Hoyt School District to purchase a school bus. The note was non-interest bearing and was being repaid with a reduction of transportation charges over ten years. The remaining \$6,647 note balance as of June 30, 2010 was forgiven as the result of the Hoyt School District merger with the Elk Point-Jefferson Community School District.

Early Retirement - During 1993, the District's Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service with the District and are between the ages of 55 and 62 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary plus 0.5 percent of current salary for each year of credited experience. In addition, the District provides a monthly benefit of \$300 for employees retiring in fiscal year 2004, \$425 for employees retiring in fiscal years 2005 through 2009, and \$475 for employees retiring in fiscal year 2010 and thereafter until the earlier of the employee's death or reaching age 65.

At June 30, 2010, the District had obligations to eight participants with a total liability of \$148,498 extending through the year ending June 30, 2017. Early retirement benefits paid during the year ended June 30, 2010 totaled \$37,898. The total liability for early retirement is recorded in the government-wide financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - 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 percent of their annual covered salary and the District is required to contribute 6.65 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$227,272, \$224,744, and \$201,700, respectively, equal to the required contributions for each year.

NOTE 9 - 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 benefit plan which provides medical and prescription drug benefits. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. There are 70 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

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 which, 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

Annual required contribution	\$ 202,331
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	\$ 202,331
Employer contributions made	<u>(84,303)</u>
Increase in net OPEB obligation	\$ 118,028
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 118,028</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 implicit contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District had an implicit contribution of \$84,303 to the medical plan.

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	\$ 202,331	41.7%	\$ 118,028

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 \$1.505 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.505 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.630 million and the ratio of the UAAL to covered payroll was 57.2 percent. As of June 30, 2010, there were no trust fund assets.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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, presents 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 Alternative Measurement Method was used. The actuarial assumptions includes a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 10 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 1 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis.

Projected claim costs of the medical plan are estimated between \$413 to \$993 per month based on coverage for retirees less than age 65. The salary increase rate was assumed to be 3.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - 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.

NOTE 11 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$212,813 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.

NOTE 12 - CONSTRUCTION COMMITMENTS:

The District had entered into a construction contract totaling \$91,394 for bathroom renovations. As of June 30, 2010, no costs have been incurred against the contract.

NOTE 13 - LEASE COMMITMENT:

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ending <u>June 30,</u>	Lease <u>Payment</u>
2011	\$ 24,381
2012	22,626
2013	21,672
2014	<u>3,147</u>
	<u>\$ 71,826</u>

REQUIRED SUPPLEMENTARY INFORMATION

AKRON-WESTFIELD 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,785,809	\$ 184,733	\$ 3,970,542
State sources	2,359,204	3,077	2,362,281
Federal sources	<u>521,659</u>	<u>122,964</u>	<u>644,623</u>
Total revenues	<u>\$ 6,666,672</u>	<u>\$ 310,774</u>	<u>\$ 6,977,446</u>
Expenditures/Expenses:			
Instruction	\$ 4,085,657	\$ -	\$ 4,085,657
Support services	1,702,075	-	1,702,075
Non-instructional programs	-	279,628	279,628
Other expenditures	<u>673,047</u>	<u>-</u>	<u>673,047</u>
Total expenditures/expenses	<u>\$ 6,460,779</u>	<u>\$ 279,628</u>	<u>\$ 6,740,407</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 205,893	\$ 31,146	\$ 237,039
Other financing sources, net	<u>48,258</u>	<u>-</u>	<u>48,258</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ 254,151	\$ 31,146	\$ 285,297
Balances beginning of year	<u>2,139,834</u>	<u>53,869</u>	<u>2,193,703</u>
Balances end of year	<u>\$ 2,393,985</u>	<u>\$ 85,015</u>	<u>\$ 2,479,000</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 4,033,406	\$ 4,033,406	\$ (62,864)
2,960,600	2,960,600	(598,319)
<u>451,200</u>	<u>451,200</u>	<u>193,423</u>
<u>\$ 7,445,206</u>	<u>\$ 7,445,206</u>	<u>\$ (467,760)</u>
\$ 4,699,139	\$ 4,699,139	\$ 613,482
2,079,776	2,079,776	377,701
289,449	289,449	9,821
<u>1,246,138</u>	<u>1,246,138</u>	<u>573,091</u>
<u>\$ 8,314,502</u>	<u>\$ 8,314,502</u>	<u>\$ 1,574,095</u>
\$ (869,296)	\$ (869,296)	\$ 1,106,335
<u>-</u>	<u>-</u>	<u>48,258</u>
<u>\$ (869,296)</u>	<u>\$ (869,296)</u>	<u>\$ 1,154,593</u>

AKRON-WESTFIELD 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2010, the District had no budget amendments.

During the year ended June 30, 2010, no expenditures in the functional areas exceeded the amounts budgeted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE

RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 1,505	\$ 1,505	0.0%	\$ 2,630	57.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2010

ASSETS

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Capital Projects</u>	
Cash and pooled investments	\$ 28,825	\$ 195,512	\$ 413,589	\$ 637,926
Receivables:				
Property tax:				
Delinquent	2,028	-	-	2,028
Succeeding year	179,999	-	-	179,999
Accounts	-	1,601	-	1,601
Accrued interest	-	1,264	-	1,264
Due from other governments	-	-	53,405	53,405
 Total assets	 <u>\$ 210,852</u>	 <u>\$ 198,377</u>	 <u>\$ 466,994</u>	 <u>\$ 876,223</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 3,095	\$ 10,537	\$ -	\$ 13,632
Due to other funds	-	-	1,863	1,863
Deferred revenue:				
Succeeding year property tax	<u>179,999</u>	<u>-</u>	<u>-</u>	<u>179,999</u>
Total liabilities	\$ 183,094	\$ 10,537	\$ 1,863	\$ 195,494
 Fund balances:				
Unreserved fund balances	<u>\$ 27,758</u>	<u>\$ 187,840</u>	<u>\$ 465,131</u>	<u>\$ 680,729</u>
Total fund balance	<u>\$ 27,758</u>	<u>\$ 187,840</u>	<u>\$ 465,131</u>	<u>\$ 680,729</u>
 Total liabilities and fund balances	 <u>\$ 210,852</u>	 <u>\$ 198,377</u>	 <u>\$ 466,994</u>	 <u>\$ 876,223</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2010

	Special Revenue		Capital Projects	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 89,902	\$ -	\$ 316,121	\$ 406,023
Other	10,747	321,549	2,183	334,479
Total revenues	<u>\$ 100,649</u>	<u>\$ 321,549</u>	<u>\$ 318,304</u>	<u>\$ 740,502</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 58,590	\$ -	\$ -	\$ 58,590
Other instruction	-	317,599	-	317,599
	<u>\$ 58,590</u>	<u>\$ 317,599</u>	<u>\$ -</u>	<u>\$ 376,189</u>
Support services:				
Student services	\$ 5,100	\$ -	\$ -	\$ 5,100
Instructional staff services	5,100	-	-	5,100
Administration services	15,521	-	-	15,521
Operation and maintenance of plant services	31,974	-	-	31,974
Transportation services	9,630	-	-	9,630
	<u>\$ 67,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,325</u>
Other expenditures:				
Facilities and equipment acquisition	\$ -	\$ -	\$ 137,077	\$ 137,077
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,077</u>	<u>\$ 137,077</u>
Total expenditures	<u>\$ 125,915</u>	<u>\$ 317,599</u>	<u>\$ 137,077</u>	<u>\$ 580,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,266)</u>	<u>\$ 3,950</u>	<u>\$ 181,227</u>	<u>\$ 159,911</u>
Other financing sources (uses):				
Write off note receivable	\$ -	\$ -	\$ (76,500)	\$ (76,500)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,500)</u>	<u>\$ (76,500)</u>
Excess of revenues and other financing uses over expenditures	<u>\$ (25,266)</u>	<u>\$ 3,950</u>	<u>\$ 104,727</u>	<u>\$ 83,411</u>
Fund balances beginning of year	<u>53,024</u>	<u>183,890</u>	<u>360,404</u>	<u>597,318</u>
Fund balances end of year	<u>\$ 27,758</u>	<u>\$ 187,840</u>	<u>\$ 465,131</u>	<u>\$ 680,729</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2010

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Ag. and industrial arts resale	\$ 3,272	\$ 63	\$ 53	\$ 3,282
Art club	1,764	100	-	1,864
Art-Science trip	188	-	-	188
Athletics	41,103	97,078	76,926	61,255
Athletic banquet	-	2,752	975	1,777
Athletic pop	20,645	4,789	2,599	22,835
AW store	1,022	-	537	485
Class of 2010	-	304	10	294
Class of 2009	616	7,699	6,816	1,499
Climate committee	-	305	315	(10)
Coaches towels	2,861	3,068	3,068	2,861
Community service day	250	-	-	250
Concessions	4,621	18,725	17,836	5,510
Drill team	3,600	13,011	13,052	3,559
Family Career Community Leader of America	1,468	1,189	683	1,974
Flags	602	-	-	602
Future Farmers of America	5,201	27,527	24,319	8,409
High school student council	7,612	3,220	8,188	2,644
High school outing donation	497	1,338	1,400	435
Home economics	386	-	-	386
Interest/Student management	21,556	4,194	4,787	20,963
Kindergarten milk	2,380	1,022	3,402	-
Lakeside lab	1,204	6,113	4,332	2,985
Middle school student council	6,062	8,973	8,405	6,630
Music boosters	-	14,074	2,691	11,383
Music - instrumental	7,701	25,402	29,583	3,520
Music - vocal	9,599	32,914	37,894	4,619
National Honor Society	165	252	151	266
PBS	2,260	2,401	2,115	2,546
Pep club	4,532	1,662	860	5,334
Physical education revolving	9,555	714	10,269	-
Pictures	1,871	-	-	1,871
Project prom	1,719	6,508	6,334	1,893
Revolving	521	-	1,454	(933)
Scholarship	711	-	200	511
Speech	1,081	6,749	6,157	1,673
TAG	93	2,487	2,426	154
Textbooks	400	14,612	15,012	-
Thespians	1,845	2,194	2,587	1,452
Towel	12,040	1,796	13,836	-
Western Roundup	2,887	8,314	8,327	2,874
Total	\$ 183,890	\$ 321,549	\$ 317,599	\$ 187,840

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Employee Flex Account:				
Cash and pooled investments	\$ 2,110	\$ 50,449	\$ 48,574	\$ 3,985
Accounts receivable	-	249	-	249
Total assets	<u>\$ 2,110</u>	<u>\$ 50,698</u>	<u>\$ 48,574</u>	<u>\$ 4,234</u>
<u>LIABILITIES</u>				
Due to others	\$ 2,110	\$ 50,698	\$ 48,574	\$ 4,234
Total liabilities	<u>\$ 2,110</u>	<u>\$ 50,698</u>	<u>\$ 48,574</u>	<u>\$ 4,234</u>
<u>ASSETS</u>				
Athletic Boosters:				
Cash and pooled investments	\$ -	\$ 17,020	\$ 17,020	\$ -
Accounts receivable	2,978	715	2,978	715
Total assets	<u>\$ 2,978</u>	<u>\$ 17,735</u>	<u>\$ 19,998</u>	<u>\$ 715</u>
<u>LIABILITIES</u>				
Due to others	\$ -	\$ 17,735	\$ 17,020	\$ 715
Outstanding checks in excess of cash	2,978	-	2,978	-
Total liabilities	<u>\$ 2,978</u>	<u>\$ 17,735</u>	<u>\$ 19,998</u>	<u>\$ 715</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	2010	2009	2008	2007	2006	2005
Revenues:						
Local sources:						
Local tax	\$ 2,688,692	\$ 2,667,371	\$ 2,582,687	\$ 2,626,442	\$ 2,527,810	\$ 2,361,791
Tuition	542,708	497,991	529,388	582,247	656,329	579,088
Other	554,409	517,681	491,531	574,622	569,013	486,195
State sources	2,359,204	2,678,934	2,576,808	2,466,557	2,315,907	2,466,637
Federal sources	521,659	203,349	165,957	180,968	236,879	177,232
Total	<u>\$ 6,666,672</u>	<u>\$ 6,565,326</u>	<u>\$ 6,346,371</u>	<u>\$ 6,430,836</u>	<u>\$ 6,305,938</u>	<u>\$ 6,070,943</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 2,660,779	\$ 2,661,681	\$ 2,592,924	\$ 2,417,078	\$ 2,268,824	\$ 2,169,018
Special instruction	743,909	677,068	639,231	585,123	558,794	546,674
Other instruction	680,969	621,408	604,438	660,313	695,396	717,219
Support services:						
Student services	196,574	177,720	179,291	173,562	169,917	161,488
Instructional staff services	87,339	83,968	128,926	98,475	138,848	156,101
Administration services	608,856	610,846	511,506	504,489	518,034	512,645
Operation and maintenance of plant services	520,512	420,374	529,775	558,584	651,804	421,483
Transportation services	288,794	306,733	326,744	358,803	364,074	328,578
Non-instructional programs	-	-	-	-	-	500
Other expenditures:						
Facilities and equipment acquisition	250,522	452,057	156,079	340,670	33,686	516
Long-term debt:						
Principal	170,000	160,000	245,903	257,501	109,989	217,611
Interest and other charges	39,712	45,153	53,613	62,198	148,392	154,390
AEA flow through	212,813	182,896	174,153	169,290	162,508	184,103
Total	<u>\$ 6,460,779</u>	<u>\$ 6,399,904</u>	<u>\$ 6,142,583</u>	<u>\$ 6,186,086</u>	<u>\$ 5,820,266</u>	<u>\$ 5,570,326</u>

AKRON-WESTFIELD 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	\$ 13,906
National School Lunch Program	10.555	FY10	<u>109,058</u> *
			<u>\$ 122,964</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 41,895
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>13,893</u>
			<u>\$ 55,788</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>\$ 15,528</u>
Title III English Language Acquisition Grants	84.365	FY10	<u>\$ 388</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>\$ 2,914</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	<u>\$ 1,289</u>
Grants for State Assessments and Related Activities	84.369	FY10	<u>\$ 3,790</u>
ARRA - Special Education - Grants to States, (IDEA, Part B), Recovery Act	84.391	FY10	<u>\$ 75,557</u> **
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>\$ 235,091</u>
Small Rural School Achievement Program	84.358	FY10	<u>\$ 42,087</u>
Fund for the Improvement of Education	84.215	FY10	<u>\$ 25,000</u>
Northwest Area Education Agency:			
Special Education - Grants to States (IDEA, Part B)	84.027	FY10	<u>\$ 27,632</u> **
U.S. Department of Health and Human Services:			
Medical Assistance Program	93.778	FY10	<u>\$ 36,493</u>
U.S. Department of Interior:			
Sport Fish Restoration Program	15.605	FY10	<u>\$ 100</u>
Total			<u>\$ 644,621</u>

* - Includes \$22,531 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$103,189.

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



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
Akron-Westfield 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 Akron-Westfield Community School District (the 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 February 14, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 discussed below, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

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 significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-10 to be a material weakness.



To the Board of Education
Akron-Westfield Community School District

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance 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.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit the District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the 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 the 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.

February 14, 2011
Sioux City, Iowa

King, Reinsch, Prossen & Co., L.L.P.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Akron-Westfield Community School District

COMPLIANCE

We have audited Akron-Westfield Community School District's (the District's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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



To the Board of Education
Akron-Westfield Community School District

INTERNAL CONTROL OVER COMPLIANCE

The management of the 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 the 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 the District's internal control over compliance.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit the District's response and, accordingly, we express no opinion on it.

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

February 14, 2011
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND 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) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) are reported in this schedule.
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered programs (Special Education Cluster (IDEA)):
 - CFDA Number 84.391 - ARRA - Special Education Grants to States, Recovery Act
 - CFDA Number 84.027 Special Education Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Akron-Westfield Community School District did not qualify as a low-risk auditee.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts, disbursements and payroll activities. For example, different individuals should a) open the mail, b) deposit cash receipts, and c) record cash receipts to the general ledger.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions. For example, the Superintendent should receive monthly bank statements directly (unopened) and review for any unknown payees, unauthorized signatories or any other unusual items. In addition, the Superintendent or a Board member should review payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

(CONTINUED)

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

Special Education Cluster (IDEA):

CFDA Number 84.391: ARRA - Special Education Grants to States, Recovery Act

CFDA Number 84.027: Special Education Grants to States

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts, disbursements and payroll activities. For example, different individuals should a) open the mail, b) deposit cash receipts, and c) record cash receipts to the general ledger.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs for Federal Awards (Continued):

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions. For example, the Superintendent should receive monthly bank statements directly (unopened) and review for any unknown payees, unauthorized signatories or any other unusual items. In addition, the Superintendent or a Board member should review payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the certified budget amount.

IV-B-10 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees noted during the year ended June 30, 2010 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Kevin Derocher, self-employed contractor, Board Member	Grounds Maintenance	\$ 881

IV-E-10 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.

IV-F-10 Board Minutes - No transactions requiring Board approval that had not been approved by the Board were noted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Statutory Reporting (Continued):

- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was certified to the Department of Education timely.
- IV-K-10 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of noncompliance 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		\$	-
Statewide sales and services tax revenue			316,121
Expenditures/transfers out:			
School infrastructure:			
Buildings and other improvements	\$	89,919	
Equipment		18,297	
Other improvements		<u>28,861</u>	<u>137,077</u>
Ending balance			<u>\$ 179,044</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction of \$2.3268 per \$1,000 of taxable valuation in the property levies.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Statutory Reporting (Continued):

IV-M-10 Deficit Balances - Two student activity accounts had deficit balances at June 30, 2010.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is will try to eliminate or minimize such deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.